Southern Grampians Shire Council

Economic Development Strategy Background Report

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1.0 Introduction

Work towards the Economic Development Strategy for the Southern Grampians Shire Council has been framed by two fundamental objectives for Council:

1. The Strategy is to be a guide for the Shire's role in stimulating sustainable economic development in the municipality.
2. The vision for the Shire is to make the Southern Grampians Australia's most liveable provincial community.

In this context, sustainable economic growth means growth and development that extends well beyond the timeframe of this strategy and liveability includes economic prospects for households. To ensure the Economic Development Strategy contributes to this, the following goal, or intent, is proposed:

> **Understand the Southern Grampians local economy and identify the most effective way that the Council can contribute to expanding the economic base, attract and retain residents of all age groups and stimulate above-trend population growth.**

2.0 The Approach to Understanding the Economy

Growth and diversification of the Southern Grampian's economy will come from a combination of:

1. Major project and industry expansion impacts.
2. Major public investment.
3. Modest autonomous population growth and change (largely driven by amenity attraction, and ageing-in-place).
4. Expansion of the local economy to meet growing local needs.

These growth drivers can be influenced through:

1. Improved connectivity to other locations, including larger employment hubs and markets.
2. Amenity attributes that attract new enterprise and household investment.
3. Basic infrastructure and existing business capacity.
4. Governance to support and encourage economic growth and diversification.

However, understanding how to successfully achieve this is not a simple process. The Southern Grampians economy is a complex system of elements and interactions: a changing labour force; in and out-migration rates; infrastructure; amenity attributes; investment decisions; regional inter-relationships and so forth. Unravelling this complexity is essential to successful intervention to stimulate growth and diversification.

The process of understanding how the economy is functioning involved extensive consultation, background research and quantitative modelling was undertaken. The quantitative model of the Shire's economy was also constructed so that it functions as a decision-support tool for Council (e.g. providing input to cost benefit studies and in the development of business cases).

This work highlighted the need to have the flexibility and adaptability to respond to emergent opportunities, but within a framework that retains a focus on the long-term goals; awareness of short-term consequences and the underlying issues that cause them. Consequently, the Strategy provides a robust policy framework and a set of adaptable actions that respond to these needs.

3.0 Population Trends, Forecasts and Targets

Current population trends are still reflecting the recovery from the mid-90s crash. Existing projections specify a Business-as-Usual trajectory characterised by:

- A slow rate of growth (up to 900 new residents over the next 10 years)
- In-migration from regional Victoria and mostly of older residents looking to permanently relocate
- Significant ageing of the population (with accompanying growth in the dependency ratio[1]); and
- Growth focusing on Hamilton at the expense of the smaller settlements.

It is important to note that the dramatic drop in population during the 1990s was not expected and current projections are not derived from models that incorporate external shocks (such as industry growth or collapse). While the character of these events may change, good risk management practice considers how likely similar events will occur and what the impact may be. In the case of the Southern Grampians, economic diversification is one way of addressing the systemic causes of population decline. Additionally, exceeding certain population thresholds (above 500 for smaller towns and above 22,000 for the Shire) may also assist in stabilising the population.

While the Council should be in the business of attracting and retaining all age groups, replenishment of the primary working age group (25-44) is essential to offset the ageing population trend. At the same time, older professionals in the community are an important asset that can be relied upon and less likely to leave the region for career reasons, particularly if amenity attributes in the Shire continue to improve.

Given the high level of economic uncertainty and the importance of identifying and capitalising on small, but important emergent opportunities, it is also necessary to build the capacity to scenario plan for a range of possible futures and this requires a commitment to ongoing data collection and analysis.

In summary, a commitment to data collection and analysis underpinning a statement of intent regarding population attraction (targeting 25-44 year olds in particular) and overall population size objectives are essential to ensure strong economic growth.

[1] The ratio of non-working age residents to working age residents.

4.0 Employment, Labour and Skills

Trends in the Shire's labour market reveal important characteristics:

1. The employment-population ratio is showing a healthy relationship between the number of people of working age and the number of jobs. That is, there is no substantially sized surplus labour pool (i.e. low unemployment). This also means that labour market growth must come from inflow to the Shire.
2. The Shire's dependency ratio (the ratio of non-working age residents to working age residents) is projected to increase over the next 10 years. This means that increasing the replenishment rate of 25-44 year olds to the Shire is essential.
3. Over the last few Census periods, only the agriculture sector has been a consistently propulsive industry. This time frame does not, however, cover the period during which major projects have had a positive impact on population and job growth.
4. While industry-scale employment diversity is reasonably balanced (that is, unlike some other municipalities, the Shire is no longer overly reliant on one sector), *within* each sector this diversity breaks down. There are a large number of positions that do not exist in the Shire, which means there are thin markets and limited career pathways in the local economy.
5. Within the region the Shire's economy has a place of work connectivity with Glenelg.

These characteristics are the result of a systemic feature of the Southern Grampians economy: a small population and labour force within a largely self-contained economy. The best way to address the issue, then, is to focus on this underlying structure and seek to increase the population and labour force size, preferably through encouraging the establishment of more small and medium sized enterprises.

Another conclusion drawn from these characteristics is that the Shire is part of a regional economy including a regional market and, as such, co-operative efforts that cross municipal boundaries should be part of the strategic response. In simple terms, policies and interventions need to target the critical issues affecting the vitality of the Shire's economy, rather than trying to undermine the functionality of the regional economy.

The critical consequence of the population and labour market characteristics is the lack of appropriately skilled labour. The workforce is small, lacks depth, which can lead to excessive staff poaching, does not have a substantial surplus pool to draw from and is facing an ageing problem. In fact, it is more accurate to say that there is a skilled labour shortage, rather than a skills shortage in the Shire. While many of these shortages confront much of Australia, there are distinctive local aspects to this: including the lack of agribusiness and health workers and the challenge of retaining staff with partners requiring work. The diversity of affects also necessitates a tailor-made approach to supporting different industry sectors and individual enterprises.

There are interim steps that can be taken to help propel the Shire to new population thresholds, beyond which growth is likely to be more stable and certain. These steps will include (amongst other things) closer and more tailor-made interaction with the local business community.

5.0 Key Industries and Major Projects

The Shire's economy is made up of several supporting industries and some more dynamic propulsive industries. Key findings from the analysis are:

- The agribusiness sector has already shown how it can respond to new market imperatives. There are more opportunities for diversification into intensive farming and entering new overseas markets. The key is to assist farmers to navigate their way through regulatory requirements and information sources. It is particularly important to support the sector given the food security issues Australia and the region may face into the future;
- The imminent plantation timber harvest presents three growth opportunities: in-migration of harvest crew; the local expansion of the transport sector; and the use of timber residue in a number of different processes, including renewable energy generation;
- The key outcome from wind farms is in the construction phase and modest, but ongoing, maintenance activity;
- The mineral sands plant is likely to have reached its peak scale however prospects for copper, zinc or gold mining in the region are promising and, with well planned pro-active effort, can be leveraged from to the benefit of neighbouring small towns. This includes support for local businesses looking to increase their capacity to service larger contracts and tenders resulting from the major projects;
- Despite being on a north-south transport route, the transport sector is a lagging industry. Careful planning of suitable industrial land may assist in the development of a hub to service a range of other industry sectors, including timber, agriculture and mining. Additional benefits would accrue from ensuring this is located adjacent to the railway siding to the southwest of Hamilton so that it can be developed into an inter-modal hub over time;
- The Western District Health Service is a leading regional health provider. Further analysis of the concept of a health precinct and ongoing collaboration in sourcing funds will help to further develop this sector on top of the autonomous growth already expected;
- Child care and post-compulsory schooling are the two main areas in which the education sector requires assistance. Firstly, lack of child care in some of the smaller towns has flow on effects on the economic viability of these towns. Secondly, there are under-used post-compulsory assets in Hamilton that could be developed over time into a significant regional precinct to support RTOs, TAFE and universities;
- In addition to the roll out of the current tourism strategy, there are several specific actions that may help to unlock further potential. This includes data collection; assistance with developing new accommodation; rebranding of Dunkeld as a destination; regular face-to-face interaction with tourism operators; and greater use of Council assets (such as the Cultural Precinct) to develop a night-time culture and other tourism activities;
- There are opportunities in the local manufacturing sector resulting from local skills and the major projects demands. Serviced industrial land may help to nurture this expansion;
- Housing and land prices have remained relatively flat in recent years. One argument is that high vendor expectations means that market clearance rates have dropped. The flow on effect is that there is an undersupply of quality rental

stock for both commercial and residential purposes. While intervening in these markets is difficult, there are some steps that can be taken: ensuring the structure planning process releases rural residential land for appropriate development; assistance with overcoming short-term (especially major project construction-related) need; and promoting the value (to property owners) of improving housing stock.;

- Once several specific tasks are completed, the local prospects for the equine industry will be clearly identified. Intuitively the Shire has the right environment for this sector to flourish, however, more information is needed, including exploratory examination of the general prospects for the sector; and
- There is anecdotal evidence of potential for transitional tree changers to be attracted to the region firstly by way of weekend holidays. This needs to be confirmed by further work and, subsequent to this, analysis of the potential impediments to converting visitors to residents is required.

6.0 Amenity, Infrastructure and the Environment

The key findings from the analysis of amenity, infrastructure and the environment are:

- Amenity is an important attribute, particularly with respect to retaining people once they have moved to the Shire to work;
- Zoning and other planning processes are matters of some concern to the business community. While it is more than likely that this is a communication, and not a regulatory issue, it does need to be addressed. The structure planning process, together with an overarching settlement plan will go some way to providing certainty to the community and unlocking growth potential;
- Council's major infrastructure assets offer significant potential for expanding various industry sectors. In the first instance, co-operation with relevant partners (e.g. Wannon Water and RDV) is essential. Secondly, governance arrangements should be reviewed; and
- Environmental and economic conditions facing the Shire are rapidly changing. This makes it more important than ever to invest more fully in supporting the agribusiness sector.

7.0 Towns and Places

Each of the settlements is in a subregion with economic 'themes' and the settlements have different risks associated with their future. Specific actions have already been identified that will help address the immediate and most challenging problems for them. For example, lack of child care services in Dunkeld are acting as a brake on population growth, which then impacts on commercial prospects for new retail and other enterprises. Penshurst lacks accommodation for visitors, and most of the towns are in urgent need of main street shop front activity and a community bus service to meet unmet demand. While the cause of this is a large-scale structural change to how we live and interact, there are interventions that can address the consequences. Commercial revitalisation of main streets is seen as a priority, catalytic intervention by local businesses. In the longer term, a settlement plan will provide guidance for how they evolve.

8.0 Governance and Policy

Co-ordination across Council and between policies should be a fundamental principle of action. It is the best way to use the resources at Council disposal: every Council staff member has a role to play in economic development. Moreover, there is a large, and growing, resource in the business community, as well as community spirit that can help nurture the economy. Interaction between Council staff and the business community is, therefore, essential. This may involve changed governance arrangements for some of Council's key assets; regular one-on-one meetings with all parts of the business community; regular information gathering and dissemination; recognition that the Shire is part of a region and that many projects can and should be undertaken at the regional level; more partnerships with business groups to free up Council resources for new initiatives; and a commitment to addressing imminent environmental constraints via, for example, transport-oriented long-term planning and collecting and sharing information with, and providing a best practice example to, the community about energy efficiency.

9.0 Indicative Strategy

The indicative policy framework for the Strategy is made up of a **Strategic Intent**:

1. To understand the Southern Grampians local economy.
2. To identify the most effective way that the Council can contribute to expanding the economic base, attracting and retaining residents of all age groups and stimulating above-trend population growth.

...core principles:

1. Working as part of a team
2. Flexibility and adaptability
3. Evidence-based planning
4. Focusing on causes not consequences
5. Facilitating the business community

...and sector and place specific **actions** including:

- Adopt population and labour market size targets for the municipality and its towns through a clearly articulated settlement strategy;
- Exit interviews and similar, regular surveys and other data collection exercises (e.g. in partnership with RMIT) to document the reasons behind inflows and outflows of people;
- Skills program marketing;
- Promotion of positive attributes in the Shire, such as the opportunity for diverse career experiences;
- Undertaking a cost benefit study of an Education Precinct in Hamilton;
- Development of an economic prospectus;
- Investigation into the development of a transport hub;
- Liaison between the Timer Harvest Coordinator, Sustainability Officer at Council; harvest companies and plantation owners;

- Pre-planning by way of cost benefit analysis and research into the potential community returns from establishment of new mines in the Shire, including identifying the potential operational needs of the mines and how to ensure local businesses can meet them;
- Engagement of an agribusiness development officer within Council;
- Further research into the benefits of establishing (and promoting) a health precinct;
- Resolution of the child care shortage issue in the smaller towns;
- A thorough cost-benefit analysis of the Education Precinct concept;
- Extension of the existing tourism strategy to incorporate new actions including
    - Accommodation provision in Penshurst;
    - Marketing efforts to rebrand Dunkeld as 'the Grampians';
    - Ongoing liaison with tourism operators;
    - Review of the caravan park capacity (in advance of construction workforce needs); and
    - A plan that identifies more ways to leverage from the Cultural Precinct.
- A small town main street revitalisation program (e.g. business incubators);
- Servicing and sale of industrial land;
- Assistance to the local equine industry to allow them to explore the prospects for industry clustering;
- Information gathering to determine the prospects for converting visitors to residents via the 'telecommuter transition' pathway;
- Closer liaison with relevant agencies to develop major infrastructure;
- Development of a plan to address the problems associated with lack of sewage;
- Investigation of the merits of establishing boards of management for key Council assets;
- Development of a transport strategy that may include a community bus, information sharing, data collection for measuring changes in latent demand for passenger rail and providing a best practice example to the community of alternative transport;
- Amenity attraction analysis to determine important drivers of in-migration (tie to surveys);
- Establishment of an ideas generation group or local think tank;
- An economic and financial benefit cost analysis of direct and indirect effects of a buy-local procurement policy;
- Regular contact with as many local enterprises as is possible through site visits by members of the Economic Development team; and
- An ongoing commitment to scenario planning, data collection and analysis to ensure the Strategy and Council's broader efforts remain relevant.

1.0 Introduction

At 300km from Melbourne, the Southern Grampians Shire is in the outer regional area of the State (Figure 1.1). This has and continues to have consequences for economic development in the Shire. Settlement patterns derive from its history as a broad acre agricultural region. This sector, along with other parts of the economy, is in transition. There is evidence of farm diversification and amalgamation due to a combination of changing global markets and productivity gains through new technology. There are also some signs of economic diversification, such as the emergence of renewable energy, mineral sands processing and timber plantation industries. These are partially related to changes in the agricultural sector, as farmers seek take advantage of new income streams.

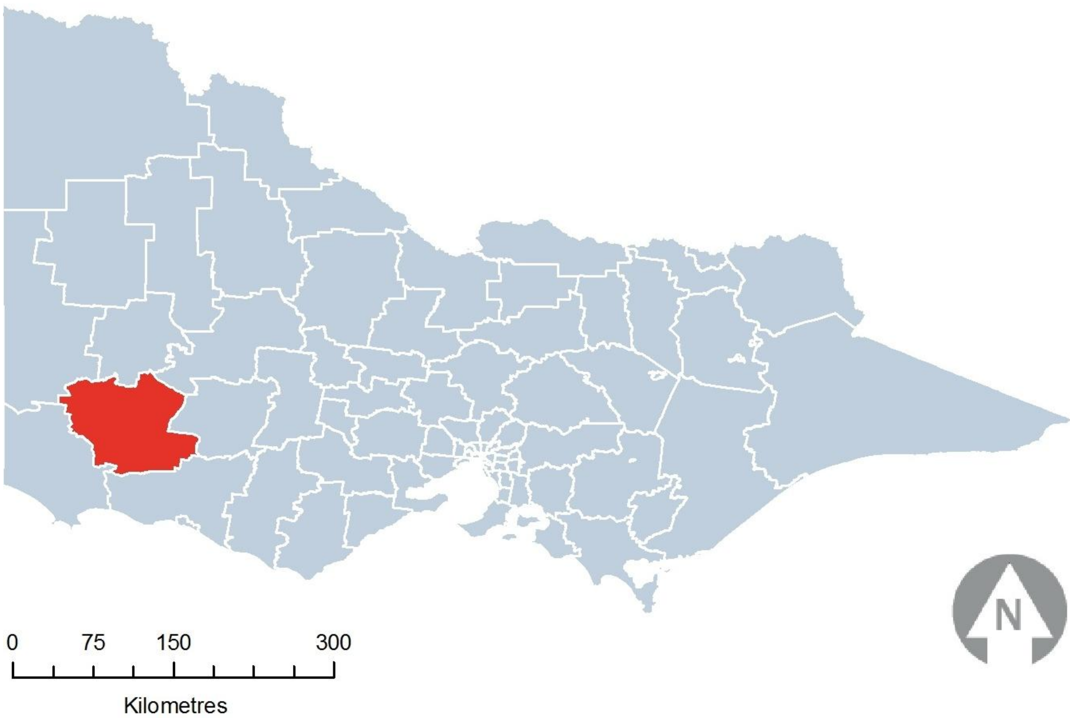

Figure 1.1 Southern Grampians Shire Council Location Map

The recent demographic history of the Shire has been defined by three principle features: a collapse and slow recovery from the wool price crash of the 1990s; ageing; and a drift towards larger settlements. Moreover, both the State Government's and the Shire's own population projections show continued ageing and modest growth at best, even in comparison to other nearby municipalities, such as Warrnambool.

On the other hand, several of the Shire's attributes offer a range of range of opportunities for accelerated population growth. These include proximity to port and rail infrastructure; high quality education and health services; good agricultural land; tourism potential; and major project initiatives. The key to unlocking this potential is to unravel the complexity of the system that defines the local economy – the inflows and outflows of people and capital, constraints, opportunities and interrelationships between sectors and places. From this, the best catalytic policy interventions can be identified, tested and then implemented. The aim of this Economic Development Strategy then is to be a guide for the economic development interventions by Council and so contribute to the broader goals for the Shire. To do this it will:

Understand the Southern Grampians local economy and identify the most effective way that the Council can contribute to expanding the economic base, attracting and retaining residents of all age groups and stimulating above-trend population growth.

1.1 How to Read this Document

This background paper is provided as a comprehensive summary of all research findings and the rationale for the strategy. The content does not reflect the views of the Council.

The paper has been structured around an analysis of the uncertainty of the prospects and emerging trends for the economy and its supporting infrastructure. The paper consists of:

1. Section 2
   An overview of the methodology and modelling techniques being applied to understand the local economy and test the impact of different policy interventions or major projects
2. Sections 3 and 4
   A situational analysis of the Southern Grampians economy focusing on population and employment trends and objectives
3. Sections 5, 6, 7 and 8
   A situational analysis of the key industries, place-based, infrastructure and governance issues and opportunities[2]
4. Section 9
   An overview of policy interventions and initiatives for the Southern Grampians Shire

[2] While a SWOT analysis was undertaken, current risk management thinking perceives strengths, weaknesses, opportunities and threats as different dimensions of uncertainty. In light of this, rather than organise the report into sections on 'risks' and 'opportunities', each key industry sector and/or issue has been addressed in terms of the uncertainties (both positive and negative) surrounding their future.

2.0 Understanding the Economy

There are four key mechanisms regional local government can use to stimulate economic growth:

1. Greater connectivity to other locations, including larger employment hubs and markets (e.g. telecommunications, rail networks etc).
2. Amenity attributes that attract new enterprise and household investment (e.g. liveability attractors such as career options, schools, health services and affordable housing).
3. Basic infrastructure and existing business capacity (e.g. providing industrial land).
4. Governance to support and encourage economic growth and diversification (e.g. business capacity building).

The assessment of the capacity of these mechanisms to encourage growth in the Southern Grampians was based on: 1) an extensive consultative exercise to prepare conceptual models (or causal loop diagrams) to trace out the critical cause and effect relationships in the economy; and 2) the design of a quantitative model that functions as a policy-support tool capable of comparing the effect of different interventions. The techniques for developing the models are derived from systems analysis, which emphasises:

- Accounting for the initial (start-up) conditions;
- An iterative process of stakeholder consultation and discussions;
- Identifying and modelling important causal relationships between variables;
- The modelling of continuous data (e.g. employment numbers) and discrete events (e.g. a policy decision); and
- Recognition of feedbacks that can alter development trajectories.

The advantage of using a systems-based approach to modelling the Shire's economy is that it provides a more comprehensive understanding of how important variables interact. For example, with respect to population, there is a stock of current population that experiences inflows of new working age residents taking up jobs and/or attracted to the lifestyle and amenity and outflows of existing working age residents (most notably the departure of school leavers). Strategies to change inflow or outflow rates will have different outcomes and cost implications.

2.1 Overview of Modelling

The work commenced with a documentation of key elements within the economy, categorising them into opportunities and constraints. These were then analysed to draw out the connections and feedback loops between the different elements. The information and data used to inform this was collected through close to 40 one-on-one meetings, telephone interviews with a further 15 individuals, five workshops, discussions with the Project Steering Committee and Control Group, background research and an online survey.

The first key finding was that the Business-as-usual (BaU) population trajectory for the Shire presents a significant challenge to long-term economic prospects as, due to ageing, the employment-population ratio is likely to decline. This will eventually result in problematic labour shortages in the region and put at risk various industries and services. The Council's policy framework and strategic approach to growing and diversifying the economy must respond to this issue. The provides a robust quantitative evidence-base for prioritising the interventions, with key growth drivers (amenity, infrastructure, governance, major projects impact and underlying 'autonomous' growth) all represented in the model.

While the quantitative model was used to inform priority development for the strategy, its primary purpose is as a tool for Council to use in future work. For example, it can support business cases for funding applications and test the implications of policy changes.

2.2 Continuous Improvement

There is always uncertainty in the future trajectory of economies and communities. This includes everything from population growth, the prospects for major project start-up, government policy changes and industry growth rates. While this uncertainty can be modelled, the accuracy of the modelling and analysis will always improve over time as new information comes to light. In view of this, there are three key principles to economic development planning, particularly in relation to how the quantitative model is used.

1. The higher the risk associated with a particular intervention or strategy (e.g. more political or financial capital investment required, or less capacity to adapt the intervention to other outcomes), the more detailed the analysis needs to be.
2. The economic development planning process should incorporate a continuous improvement program that enhances understanding of the economy.
3. Flexibility and adaptability should be a characteristic of the strategic response. For example, if new opportunities arise, or there is a significant change in underlying conditions, the relevance of specific actions within the Strategy should be carefully reviewed and adjusted in necessary. However, this needs to be balanced against the requirement to maintain a focus on the long-term and the underlying issues.

These points have been embodied in the modelling and analysis undertaken for this project and should be continued through the implementation and review stages.

2.4 Implications for Strategy

- There are four fundamental drivers of growth in regional communities that can be influenced (to varying extents) by councils. These are 1) connectivity; 2) amenity; 3) infrastructure; and 4) governance
- Growth will derive from a combination of: autonomous growth relying on amenity-led in-migration; expansion of the local economy to meet these needs; major project start ups; and significant public intervention
- The quantitative model is a policy-support tool designed to assist decision-making, not replace it
- The Economic Development Strategy and its accompanying action plan must retain a degree of flexibility and adaptability during its implementation phase in order to allow quick responses to changing conditions and new information as it emerges
- There must be a commitment to ongoing, organised data collection and analysis to support policy decisions and funding applications

3.0 Population Trends, Forecasts and Targets

While other studies have covered it in more detail, there are aspects of the population growth characteristics in the Shire that need to be considered, including the link between population size, growth objectives and economic viability.

3.1 Population Trends

A few trends define regional Victoria's recent experience with respect to population growth: rural economic restructuring; ageing; a move towards larger settlements; and a mix of in-migration trends including sea/tree changing and major project driven growth.

3.1.1 Overall Growth Trends

In the 25 years from 1981 to 2006, the total population of regional Victoria's 400 largest settlements grew by over one third (ABS, 2011). However, there were distinctive experiences across the different towns and municipalities: some grew rapidly (those closer to Melbourne or larger centres); some permanently declined (the more remote places); and some are just recovering from economically-driven shocks. The Southern Grampians is part of this latter group. The Shire has also experienced higher volatility for smaller settlements. For example, while Hamilton's population has remained relatively stable, Balmoral and Penshurst in particular, show considerable variation between 1981 and 2006 (Table 3.1).

Table 3.1 Total Population Southern Grampian Settlements (1981-2006)

Settlement	*1981*	*1986*	*1991*	*1996*	*2001*	*2006*	*Trend*
Hamilton	9,918	10,149	9,943	9,389	9,233	9,484	Stable
Coleraine	1,232	1,153	1,089	1,084	1,013	976	Down
Penshurst	558	504	483	513	484	440	Down
Balmoral	257	254	214	190	203	176	Down
Cavendish	147	153	120	105	116	134	Down
Glenthompson	207	176	170	138	151	134	Down
Dunkeld	387	399	426	429	390	424	Up
Tarrington						190	-
Branxholme						236	-

Data show higher volatility for the smaller towns. Current Shire projections assume a continuation of this pattern. Note, as Census counts they are likely an undercount of around 3-4%. Data source: ABS, 2009

Current projections (State and Council) suggest a continued, albeit slow recovery from the slump of the 1990s, with current projections to 2021 averaging 0.15-0.5% per year, depending on which projection is used (Figure 3.1)[3]. This compares with 1% per annum for regional Victoria and 1.3% for metropolitan Victoria.

[3] More recent State projections track more closely with the ID estimates.

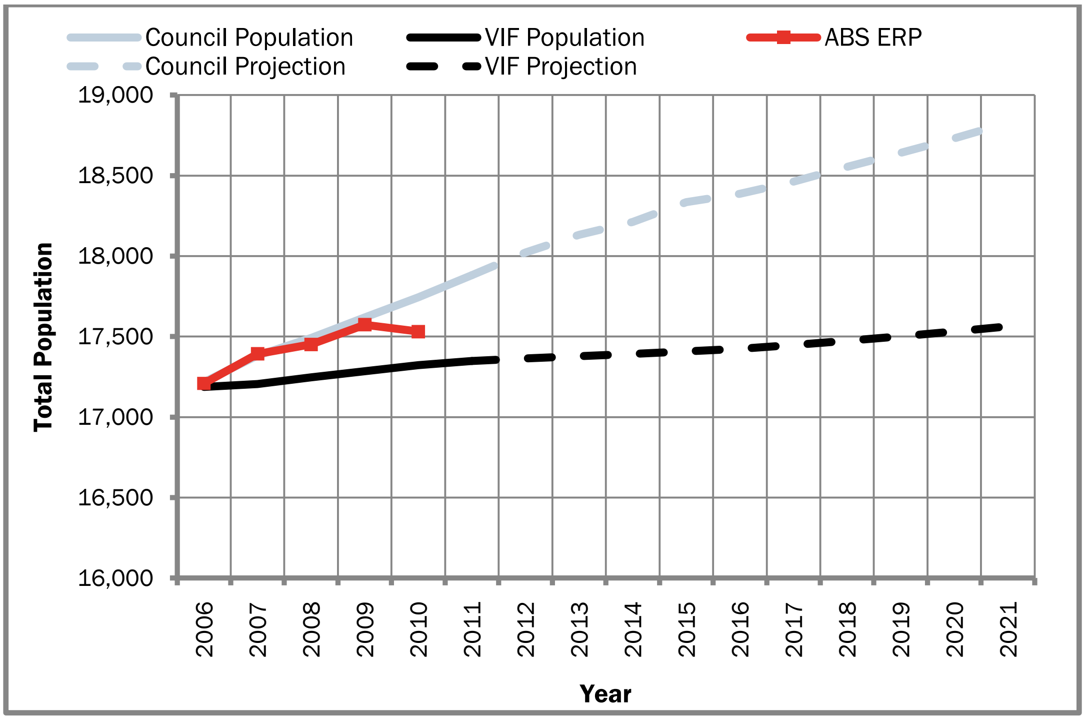

Figure 3.1 Population Projections Southern Grampians 2006-2021
Data source: VIF, 2008; ABS, 2011; SGSC, 2011

This Business-as-Usual (BaU) trajectory for the Southern Grampians projects a population of up to 18,800 within 10 years. That is between 300 and 900 additional residents, or 30-90 new residents per year. Within the region, only Warrnambool, Moyne and Horsham are projected to grow to any substantial extent. In terms of the economic development research, the BaU population projections are an important consideration for three reasons:

1. The dramatic drop in population during the 1990s was not expected.
2. The current projections are not derived from models that incorporate external shocks (such as industry growth or collapse).
3. The historical population decline highlights the risk associated with reliance on one or a few industries, particularly with little value-adding.

It must be assumed that rapid shocks of a similar nature to the wool collapse will form part of the uncertainty of future conditions and, therefore, need to be part of strategic planning. The economy needs to be resilient to these shocks, which means that, amongst other things, it cannot be dependent on single industries.

3.1.2 Ageing

Between 1996 and 2006, the median age in the Southern Grampians shifted from 37 to 41 (compared to 33 to 27 for the average for all Australian LGAs). The implication of slow growth and ageing are apparent in Figure 3.3: most of the net gain in population is from an increase in the number of people over 60 years old, which means, amongst other things, an ageing and, eventually, shrinking workforce (the proportion of non-working age residents to working age residents declining from 39% to 41% by 2021).

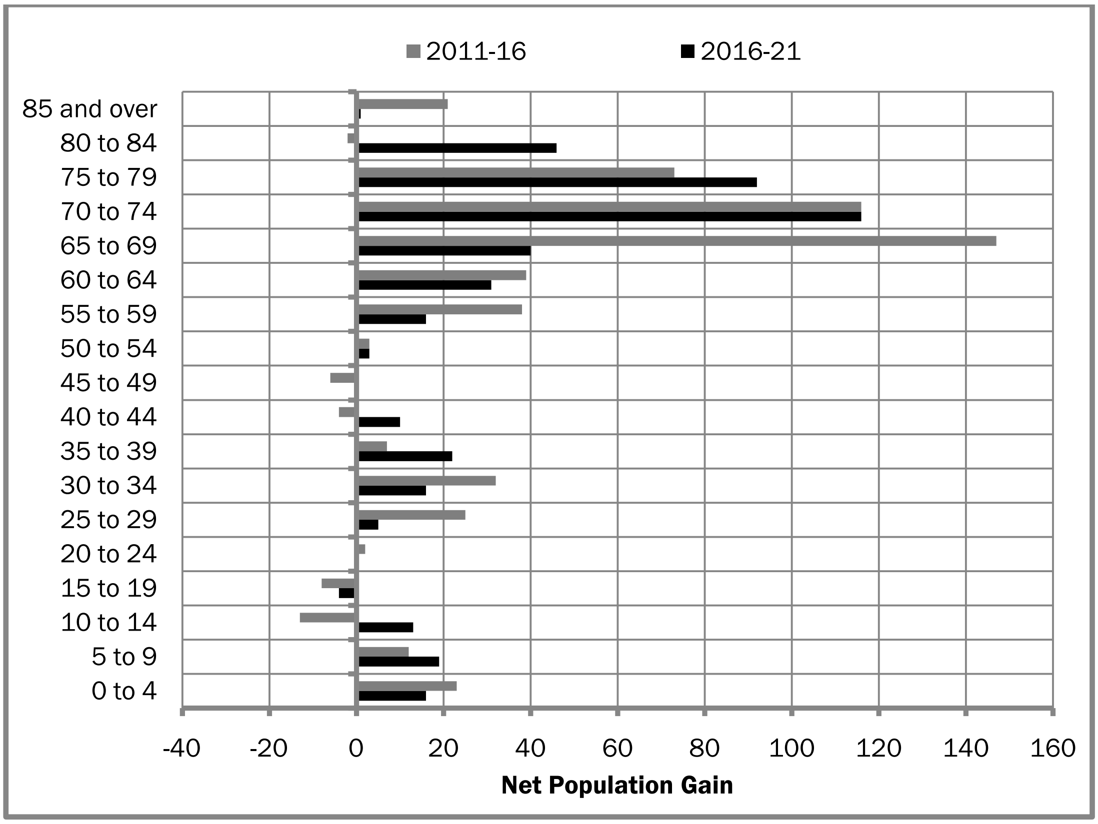

Figure 3.2 Net Population Change by Age Cohort Southern Grampians 2006-2021
Data source: SGSC, 2011

3.1.3 In-Migration Trends

ABS (2010) and RMIT (Collits & Schlapp, 2009) analysis reveals three important considerations in relation to in-migration:

1. Ultimately, overseas migration will account for most of the net growth in the Shire. Census data from 1996 to 2006 already shows a decline in the proportion of residents who were Australian born (from 92% in 1996 to 89% in 2006). This will have implications for local economic planning and Council service provision.
2. However, there is likely to be an interim step in this in-migration as most population growth in regional Victoria is driven by intrastate migration and, in the case of the Southern Grampians, over half of recent in-migration has been from other parts of regional Victoria (particularly northwest and central Victoria).
3. In contrast to experiences elsewhere, in-migration in the Southern Grampians has been dominated by older residents (35-54 year olds), indicating a higher level of expectation of staying for the long-term.

These trends are based on current projections and should be regularly re-evaluated. However, these general trends are unlikely to change dramatically. What may be different is the character of additional growth driven by further economic expansion.

3.1.4 Summary of Current Trends

On current trends, population growth in the Southern Grampians is defined by:

- A slow, but steady upward trend, largely reliant on in-migration from northwest and central Victoria;
- An ageing of the labour force;
- An older age profile amongst in-migrants than is usually found in economically-driven growth regions;
- The attraction of new permanent, rather than short-term residents (in contrast to other places attracting younger workers pursuing early career options); and
- Most of the growth focusing on Hamilton at the expense of the smaller settlements.

In terms of stimulating population and economic growth, then, the key issues are 1) to attract more 25-44 year olds and 2) to establish targets for growth that can stabilise overall - or drive further - growth, particularly in the smaller settlements.

3.2 Population Targets

The Southern Grampians has high employment self-containment (almost 100% when considered as part of an economic region with Glenelg). Its distance from major employment hubs and its service centre function means that, with some important exceptions (see Section 5.13), the Southern Grampians is more of a self-contained economic region, than a commuter region (at least in the short to medium-term). This makes overall population growth and a population growth target essential.

3.2.1 Why Set Targets?

Our analysis of population growth in regional Victoria (from 1981-2006) revealed[4]:

- A non-linear growth trajectory that highlights ‘tipping points’ beyond which further population growth is more assured;
- A correlation (both positive and negative) between population growth in one defined area and the growth in neighbouring areas. This means we need to consider spillover effects across town or municipal boundaries; and
- A non-linear relationship between industrial diversity and labour market size.

This indicates that certain population thresholds can stimulate (not guarantee) successful transitions to more stable, or higher growth trajectories. This is effectively a feedback

[4] This analysis is a preliminary assessment and not a comprehensive settlement or population plan. The work undertaken to estimate the growth targets was not the primary focus of the modelling exercises and further modelling will refine the targets and could be expanded to consider each settlement individually, as well as incorporate demographic and industry/occupational breakdowns.

effect that drives autonomous growth. In turn, the larger population base supports a more diverse and deeper labour market that itself generates some stability.

3.2.2 Potential Population Growth Targets

Statistical analysis shows that settlements under 500 experience volatile population growth, and once towns reach 30,000 residents growth can be self-generated. Growth rates also appear to accelerate at populations around 12,500 and at 22,500 at the LGA level. These are plausible growth objectives for the Shire. For example, smaller settlements could reach at least between 500-1,000 residents, and Hamilton could aim for an additional 2,500 residents to reach 12,500, with the Shire overall exceeding 22,500.

3.2.3 The Implications of Growth Targets

The growth target objectives may provide additional stability for the Southern Grampians, but compared to the BaU projections they rely on above historical growth rates and a long-term perspective (Table 3.2). There are also several important dimensions to adopting growth objectives: spillovers, the pace of growth; and the job implications.

Table 3.2 Population and Employment Growth Targets

Settlement	***Average Annual Growth Rate***	***Total Population***	***Total Labour Force (year)***
VIF 2008 Projections	0.1%	17,563	8,500
SGSC Projections	0.5%	18,829	9,200
Medium Growth Target[5]	1.2%	22,000	10,000
High Growth Target	1.6%	25,000	12,000

The medium and high growth targets are aspirational objectives, not projections and the capacity to achieve them is ultimately dependent on externally driven employment growth. Figures have been rounded down. Data source: DPCD, 2008, SGSC, 2010, Geografia

In relation to *spillovers*, the goal for the Shire is to grow overall, rather than just Hamilton at the expense of the smaller settlements. The spillover (or backwash) effect can generate losses, particularly in the more vulnerable settlements. One of the primary drivers of this is the concentration of professional, retail and government services in the larger centre. By the same token, there is the potential for success in one location to attract new growth to satellite settlements. So, when considering critical population thresholds for the Southern Grampians, the size and growth rates of neighbouring municipalities and towns must remain an important part of the ongoing analysis.

In relation to the *pace of growth*, higher rates have been shown to be deleterious to quality of life and per capita GRP. Where is does stimulate GRP increases, a large part of that is via cost of living increases. Given the importance of amenity and quality of life to the competitive edge of the Southern Grampians (see Section 6), the ideal underlying objective

[5] With these growth rates, medium and high scenarios do not achieve their targets until 2031 and 2036 respectively.

for the Southern Grampians EDS should be steady, enhanced replenishment of 25-44 year olds, rather than rapid, or volatile growth.

Finally, achieving the growth objectives will require a substantial increase in the *number of jobs* available in the municipality. The quantitative model has been used to estimate the number of jobs required to support the Shire's population under these different growth scenarios. Labour force size and participation rates have been calibrated using known trends (e.g. an increase in the jobs to population ratio from around 2.2 to 2.5). Table 3.3 summarises estimated labour force size and employment mix to 2021 (VIF and SGSC projections); 2026 (medium growth); and 2031 (high growth).

Table 3.3 Net New Jobs Required Southern Grampians 2006-2031

Industry Sector	***2006 Employment***	***VIF Projection***	***ID Projection***	***Medium Growth***	***High Growth***
Primary	1,803	83	270	387	807
Secondary	1,051	65	176	244	493
Tertiary	4,770	174	665	974	2,076
Not Described	205	13	34	48	96
Total	**7,829**	**8,020**	**8,974**	**9,153**	**9,938**
Net Change	**-**	**334**	**1,145**	**1,653**	**3,473**

The 'what-if' capacity of the quantitative model can be used to identify which industry sectors can plausibly contribute to this job requirement. Data source: ABS, 2006, SGSC, 2011, Geografia

3.3 Implications for Strategy

- Population growth in the Southern Grampians has followed a slow return to pre-crash levels. Ageing and a shift towards larger settlements have also characterised the recent experience
- On current trends, the resident labour force will grow by around 3% by 2021 and the dependency ratio will increase from 39% to 41%
- Current BaU projections do not factor in the potential for positive or negative shocks
- Sound risk management requires the capacity to undertake a range of scenario planning. This requires a commitment to comprehensive data collection and analysis
- New residents to the Southern Grampians have generally been older workers (i.e. 35+) looking to permanently relocate, rather than younger workers 'passing through' as part of a career trajectory. This presents opportunities to focus efforts on attracting Generation X households to the municipality
- Historical trends in regional Victoria point to population and labour market thresholds beyond which growth is more stable. Some of these threshold targets are within the potential growth range for the Southern Grampians
- Establishing these aspirational growth trajectories for the Southern Grampians has implications for job generation. Modelling can assist in identifying how these objectives are achieved

4.0 Employment, Labour and Skills

The ability to meet growth targets for the Shire depends on Council's and other stakeholders' understanding of the local economy and capacity to identify and implement effective policy initiatives. Over time, the quantitative model will greatly assist in this by helping to evaluate the likely employment impacts of policies, major project start-ups and industry sector growth.

A key step in building this understanding is the analysis of the regional labour market. Although a complex set of causal interactions drive this, in its most simple terms, it is simply a lack of access to skilled labour, brought about by a small available labour pool and set within a broader context of national labour shortages (Figure 4.1). This section summarises these issues.

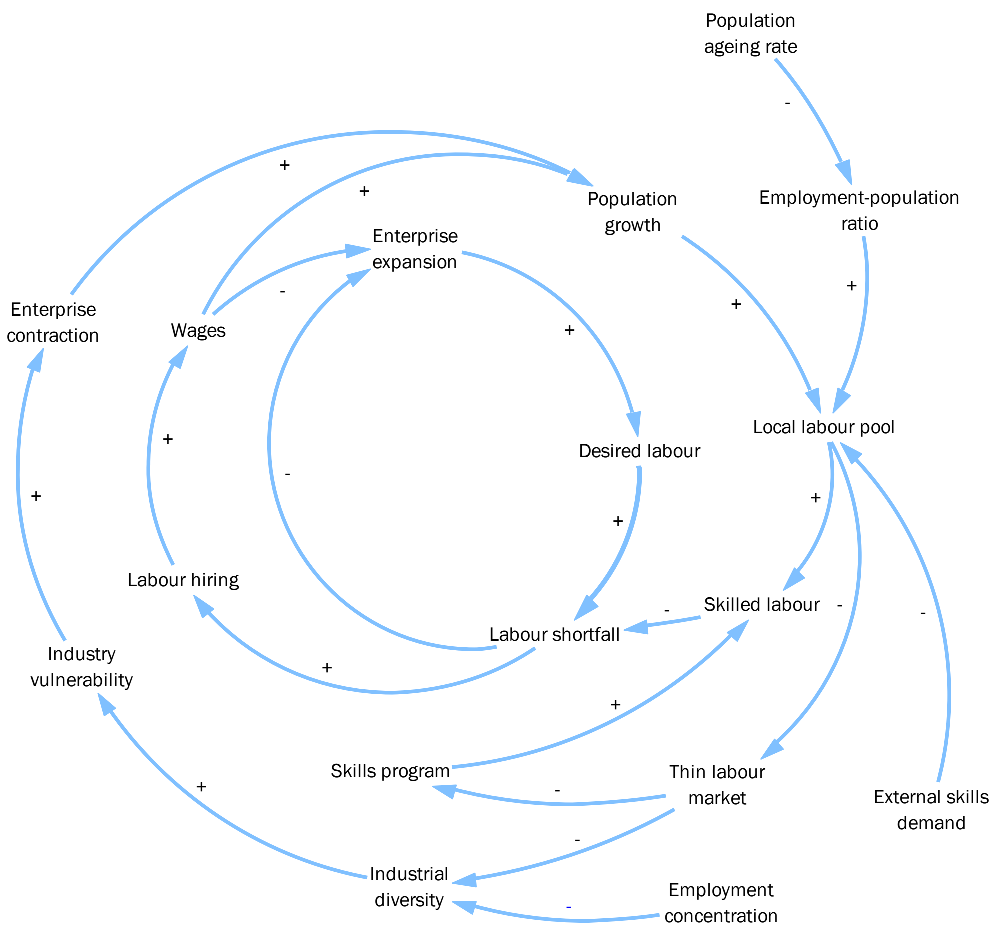

Figure 4.1 Labour and Skills Casual Loop Diagram

Figure 4.1 sketches out the basic causal relationships between labour demand and supply, enterprise and population growth.

4.1 Labour Market Characteristics

The health of the labour market is usually defined by two basic measures: unemployment rates and labour force participation (Figure 4.2). As unemployment rates shift in response to business cycles, they are a less reliable measure of the state of the economy than the employment-population ratio. In the Southern Grampians, this ratio shows that economic conditions have been improving since the mid-90s: that is, there are jobs for those who wish to enter the market. It should be acknowledged that some of this increase is due to females entering the workforce (and mostly for part-time work). From the supply-side perspective, it also indicates a tight labour market (i.e. no surplus labour supply).

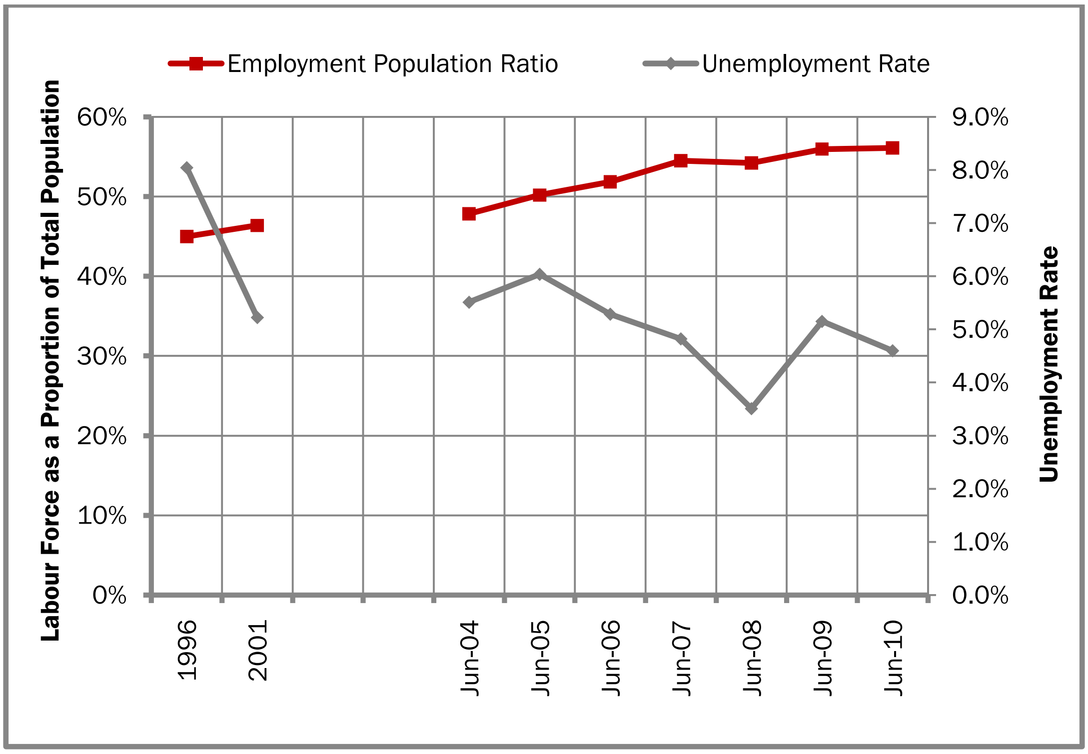

Figure 4.2 Unemployment and Employment-Population Ratio 1996-2010

Figure 4.2 shows Census and DEEWR data for the labour force in the Southern Grampians. The volatility of unemployment figures is in contrast to the relatively steadily climbing employment population ratio.
Data source: ABS, 2006, DEEWR, 2010

4.1.1 Employment by Industry

A shift share[6] analysis is an efficient way to describe the general characteristics of a labour market and also to provide baseline data for modelling. Analysis has highlighted potential leading and lagging industries in the Southern Grampians (compared to regional Victorian employment shifts) over the periods 1996-2001 and 2001-2006. For 1996 to 2001,

[6] Shift share analysis is a well-tested method to identify which local industries are leading (i.e. ahead of the regional average) or lagging (behind) the average economic growth trajectory.

Southern Grampians had six leading and 14 lagging industries and for 2001-2006, it had 8 leading and 12 lagging industries (Table 4.1).

Notably agriculture has consistently been a leading industry, with mining, manufacturing, rental, hiring and real estate, public administration and accommodation going from lagging to leading. By contrast, transport, administrative services and professional/technical services have dropped from leading to lagging. These are indicative of general economic restructuring. Despite the Shire's school and hospital service reputation, education and health are also lagging industries. This is to be expected as these industries are largely made up of city serving roles and their trajectories reflect population growth trends.

Table 4.1 Leading-Lagging Industries Southern Grampians 1996-2006

Industry Sector	***1996-2001***	***2001-2006***
Agriculture, forestry & fishing	Leading	Leading
Mining	Lagging	Leading
Manufacturing	Lagging	Leading
Electricity, gas, water & waste services	Leading	Lagging
Construction	Lagging	Leading
Wholesale trade	Lagging	Lagging
Retail trade	Lagging	Leading
Accommodation & food services	Lagging	Leading
Transport, postal & warehousing	Leading	Lagging
Information media & telecommunications	Lagging	Lagging
Financial & insurance services	Lagging	Lagging
Rental, hiring & real estate services	Lagging	Leading
Professional, scientific & technical services	Leading	Lagging
Administrative & support services	Leading	Lagging
Public administration & safety	Lagging	Leading
Education & training	Lagging	Lagging
Health care & social assistance	Lagging	Lagging
Arts & recreation services	Lagging	Lagging
Other services	Lagging	Lagging

Data source: ABS, 2006

4.1.2 Industrial Diversity

One of the two primary objectives of this project is to identify ways to diversify the economic base. While a concentration of economic activity in specific industries can be a strength, research (e.g. Izraeli and Murphy, 2001) and the Shire's own experience with the wool industry has demonstrated that sectoral concentration of employment - particularly commodity export sectors - diminishes the resilience to global fluctuations and the capacity of the local economy to re-gear for new industry opportunities.

Industrial diversity (the spread of employment across industry sectors) can be measured using a variety of indexes and is often, but not always, associated with labour force size[7]. The Southern Grampians fares well against municipalities such as Hindmarsh and Moyne, but has a higher degree of employment concentration than in Horsham and Warrnambool (Table 4.2). Additionally, there are more jobs available in the Southern Grampians than there are resident workers. These 'additional' jobs attract workers (mostly commuting from Glenelg) to take up agricultural, mining, construction and transport jobs.

Table 4.2 Industrial Diversity Index (2006)

Location	***Place of Work***	***Place of Residence***
Southern Grampians	90.1%	97.8%
Ararat	89.2%	98.2%
Buloke	84.6%	97.3%
Colac-Otway	91.4%	98.3%
Corangamite	84.2%	96.9%
Glenelg	89.2%	98.0%
Hindmarsh	85.0%	97.6%
Horsham	91.7%	98.2%
Metro Melbourne	90.8%	97.9%
Moyne	78.6%	96.8%
Northern Grampians	90.8%	98.4%
Warrnambool	90.4%	98.2%
West Wimmera	70.3%	94.2%
Yarriambiack	83.3%	97.5%

In this table the Herfindahl Index measures the diversity of employment across the 19 basic industry sectors for both the resident labour force and the local job market. A higher index number indicates a higher level of employment diversity across all major industry sectors. Data source: ABS, 2006

At the last Census, the Southern Grampians had people employed in 1,122 unique industry/occupational positions recognised by the ABS, out of a workforce of around 8,000. From this we can say that the Shire has a relatively mixed economy (both in terms of jobs available locally and resident labour force). This is likely to be associated with its regional service centre function. In contrast, when looking at a more detailed industry of employment or occupational level, the measure of the Shire's diversity declines. This is due to a higher than average concentration of employment in *specific types of jobs within each sector*. So while there is a good spread across most industries, jobs are generally concentrated in a few occupations *within* each sector. This means that the more

[7] For smaller populations under 20,000, employment diversity can be strongly influenced by the presence of large single enterprises (e.g. a prison or mining operation). Any use of a diversity index should take into account these sort of structural influences.

specialised and highly skilled the work, the less likely there will be a career choice for workers and, therefore, a choice of workers in the local labour pool[8].

A 2008 survey of employed people found that, unless they are retiring from the workforce, around 70% of people leave their job for a better offer (ABS, 2008). In thin employment markets like the Southern Grampians if people wish to move on to another job (e.g. for career reasons), they are probably compelled to leave the region. Furthermore, the more skilled they are, the more likely this is to happen[9].

Overall, then, while industrial diversity is relatively robust at present, there is some over-reliance on broad acre agriculture and this, coupled with small skilled labour pools, makes the Shire's economy vulnerable to the loss of a very small number of workers.

This is a systemic feature of the Southern Grampians economy and by focusing on these underlying causes of economic vulnerability interventions are more likely to successfully increase diversity within sectors. To correct it will require a larger population and labour force, preferably, employed across a large number of smaller enterprises to avoid vulnerability to closure of single enterprises.

4.1.3 Potential Labour Market Targets

Following a similar exercise as outlined in Section 3.2, labour market objectives were estimated using known features of the relationship between population size, labour force size and industrial diversity. While population growth does not *guarantee* job or even GRP growth[10], it is the case that the diversity of employment generally increases as the population grows, thereby creating a less vulnerable economy.

As with population thresholds, there are transition points in the industrial diversity measure (described above). When controlling for geographical parameters, the key transition point occurs at resident workforce sizes of 1,100 and 12,000. At each point the diversity index transitions to a new mean. This implies structural changes to the economy are driving employment diversity[11].

The value in recognising these 'tipping points' is that they represent important transitions towards more stable sectoral labour markets. As one of the main findings of the consultation was the difficulty in securing skilled labour, stable, diverse labour pools must be a key objective of the EDS.

4.1.4 Place of Work

Place of work and commuter patterns also have a bearing on the economic future of the Southern Grampians for two reasons 1) they determine the proportion of employees from new industries who are likely to work and live in the Southern Grampians; and 2) they are indicative of the strength of economic relationships with surrounding municipalities.

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[8] The positive side is that small labour pools can result in more rewarding and diverse jobs for people as they are required to carry out tasks that may be spread across more individuals in larger labour markets.
[9] There is a well known strong positive correlation between skill level and mobility.
[10] There is some autonomous growth as a result of jobs created to service the larger population.
[11] There is also evidence of a positive relationship between the rate of growth and diversity. That is, faster growing places generate a more diverse range of jobs during that growth phase.

Employment self-containment is one of the key parameters in the quantitative model and when considering the labour market targets described above, it should be borne in mind that the labour market does not completely stop at the municipal border.

At the last Census, overall employment self-containment (ESC) was a little over 90%. That is, 9 out of 10 Southern Grampians residents worked in the Shire. A further 3.5% worked in Glenelg, Warrnambool, Moyne and Horsham. Of the 700 or so residents not working in the Southern Grampians, the majority commuted to Glenelg for work (around 125). Most of the in-commuters came from Glenelg or Moyne (Figure 4.3). In fact, due to the high level of commuting between the two municipalities, the Southern Grampians and Glenelg have been described as a 'functional economic region' (FER) and there is an argument that the FER is the appropriate scale for economic planning (Mitchell & Watts, 2010). Co-operation and information sharing with Glenelg is likely to be an important component of the Southern Grampians economic development initiatives.

Broken down by industry of employment, ESC was low for mining (around 28%); construction (55%); and agriculture (67%). That is, people employed in these industries and living in the Shire were more likely to commute elsewhere for work, which reflects the remote or scattered nature of the work in this sector.

Other notable variations in ESC were:

- A lower proportion of professionals and labourers live and work locally (~61%) compared with managers and sales workers (~75%);
- As is the case elsewhere in Victoria, a greater proportion of younger people (25-34) are commuting elsewhere for work than older people; and
- Lower income workers have higher employment self-containment ratios than higher income workers (around 80% compared with 60%).

In summary, willingness to commute for work (including in to the Southern Grampians) varies with occupation, income and age. That is, higher skilled, early-mid career workers currently employed in the region are more likely to travel further for work. Conversely, lower skilled, lower paid and older employees are more likely to live and work locally.

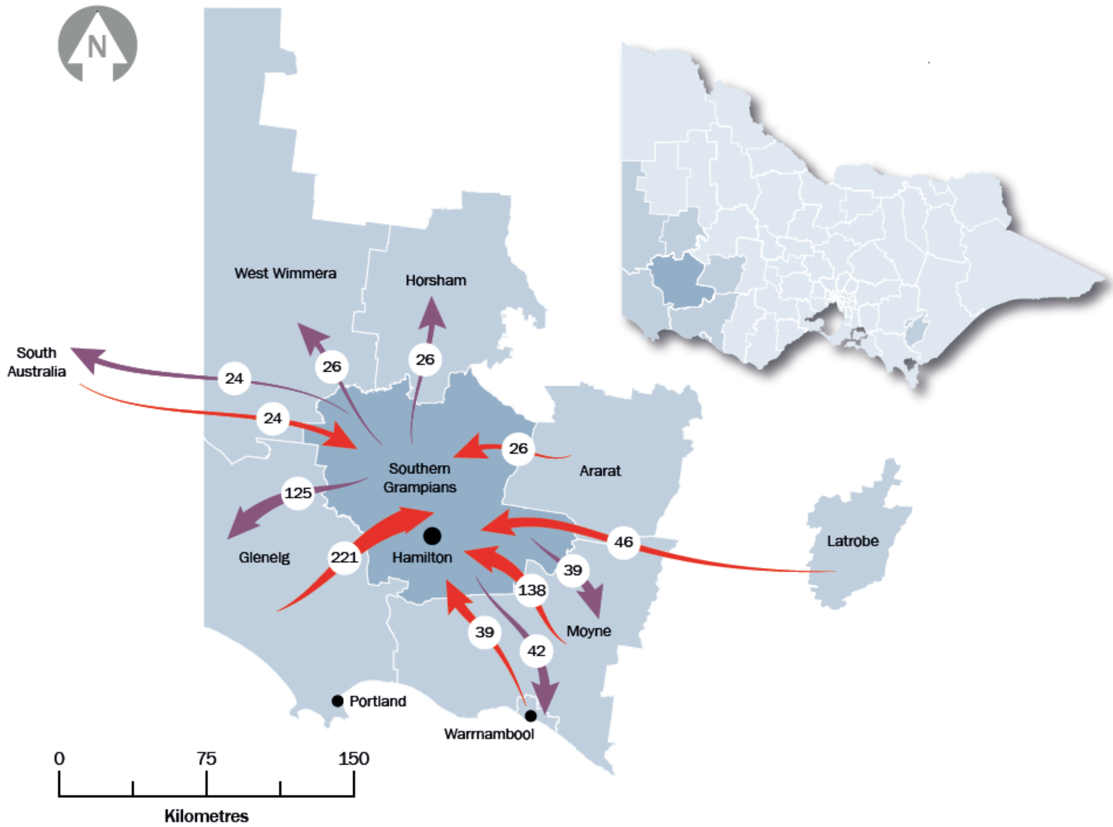

Figure 4.3 Southern Grampians Commute Patterns
Data source: ABS, 2006

4.2 Access to Labour and Skills

Access to skilled labour is a core industry concern in the Southern Grampians. Although it could be argued the low unemployment and the high participation rate indicates a healthy balance between available jobs and workers, it has its own risks and can impede the capacity of the local economy to 'gear up' for growth.

During the consultation, 'getting good staff' was cited as a critical bottleneck to expansion and a serious risk, with actual cases of businesses contracting due to staff losses – some of which are directly related to the labour demands of major projects in other industries. Notably, lack of entrepreneurial skills emerged from the consultation as one of the key skills gaps.

There are several compounding issues here (see Figure 4.4):

1. Thin markets across most industry sectors, which creates a high-risk reliance on a small number of difficult-to-replace people, particularly in more specialised fields. This creates a feedback effect that encourages these people to seek career advancement elsewhere (i.e. there is no career path locally available).

2. Local businesses also claim that the lack of a sufficiently sized pool compel them to poach skilled staff from one another. While a degree of this is inevitable, an excessive amount undermines local social capital.
3. Low diversity of employment within industry sectors (see Section 4.1.2).
4. Limited capacity to respond to peaks in labour demand out of the local labour pool, especially for tradespeople (e.g. major project expansion pricing out local employers).
5. Limited or no local surplus labour pool to train/re-skill to provide a pool of available resources.
6. A perception that there are not enough local entrepreneurs in the municipality to stimulate growth.
7. An ageing workforce in which the skilled pool may not be replenished at a sufficient rate.

Occupational data from the ABS Census can be used to document the thin markets and the shifts in skill mix that these create over time (Figures 4.5 and 4.6). Key trends are:

- The increase in proportion of workers employed as professionals (13% to 14% between 1996 to 2006) was lower than other benchmark locations;
- The Southern Grampians has seen a larger decline (or smaller increase) in most occupational classifications, with the exception of labourers;
- What gains there were, were largely amongst older workers; and
- Professionals under the age of 45 declined in total number over this time period.

Given the complexity of the interaction between these issues, there is a high level of uncertainty over how to successfully intervene. This means Council needs to be prepared to take risks and experiment and, more importantly, work closely with a wide range of local businesses to determine how to address these issues.

For example, several initiatives could be combined to encourage small business start ups in the Shire. The skilled migration scheme generates a skilled labour flow into the country (including regional Australia). Linked with a business start up support scheme to reinvigorate the smaller main streets (see Section 7), there may be a modest, but potentially effective outcome in terms of attracting new business owners. Equally, the growing number of retiring professionals do not have career pressures encouraging them to leave the Shire, consequently there will be an expanding pool of retired or semi-retired experts in various fields. This may be an asset that can be drawn on through mechanisms such as mentoring schemes, a 'Committee for the Southern Grampians', or the establishment of Boards of Management.

As noted earlier, focusing on the core issues, but having sufficient flexibility in action is the right framework within which to identify and pursue ideas of this nature.

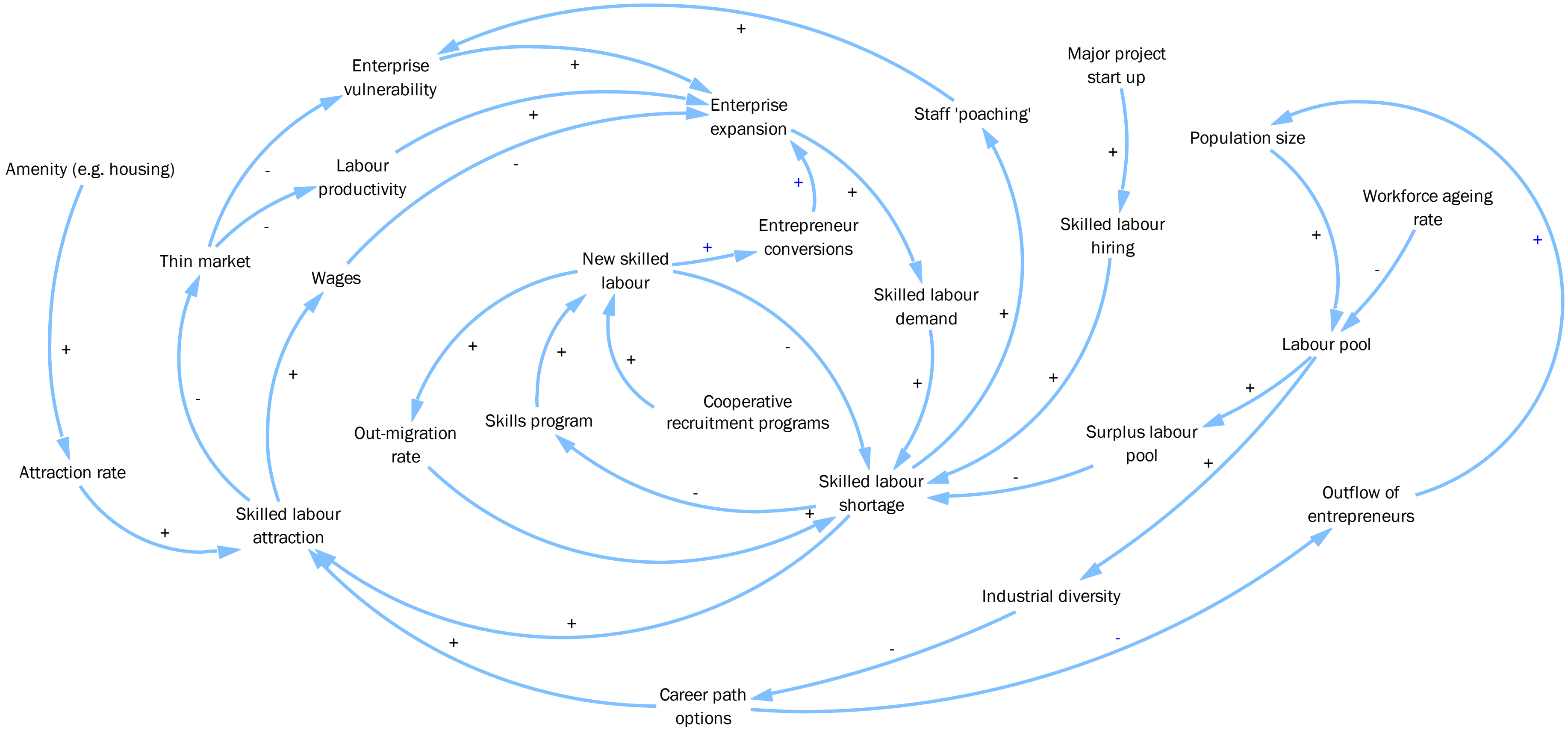

Figure 4.4 Impact of Thin Markets on Enterprise Expansion

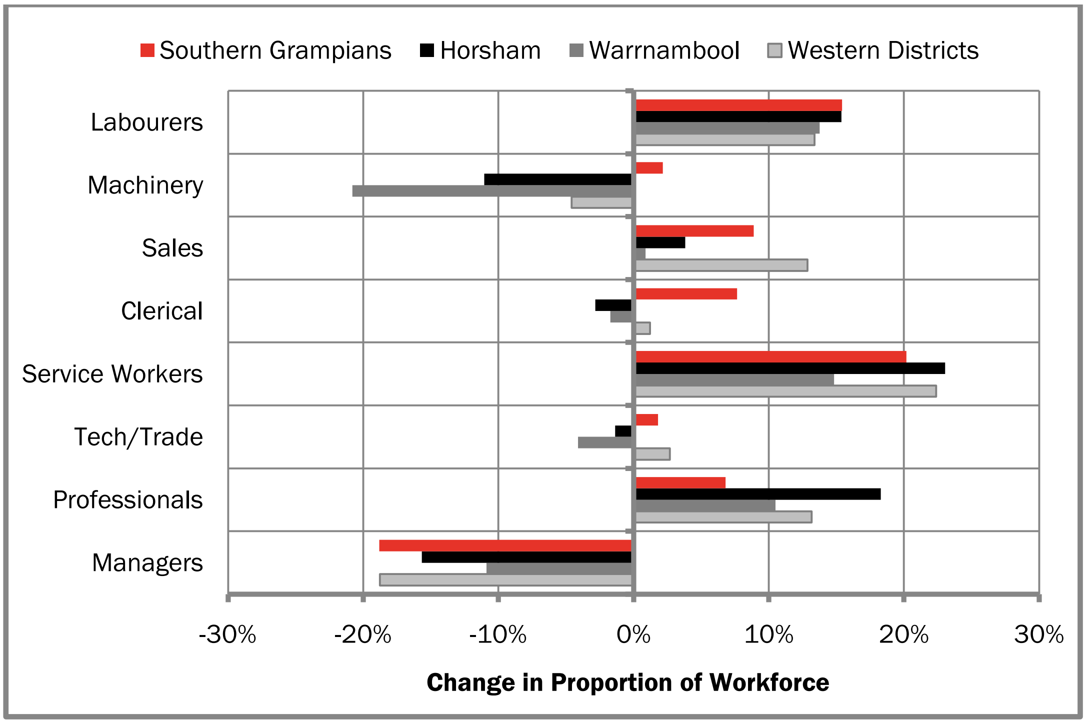

Figure 4.5 Change in Occupational Mix 1996-2006

Data source: ABS, 2006

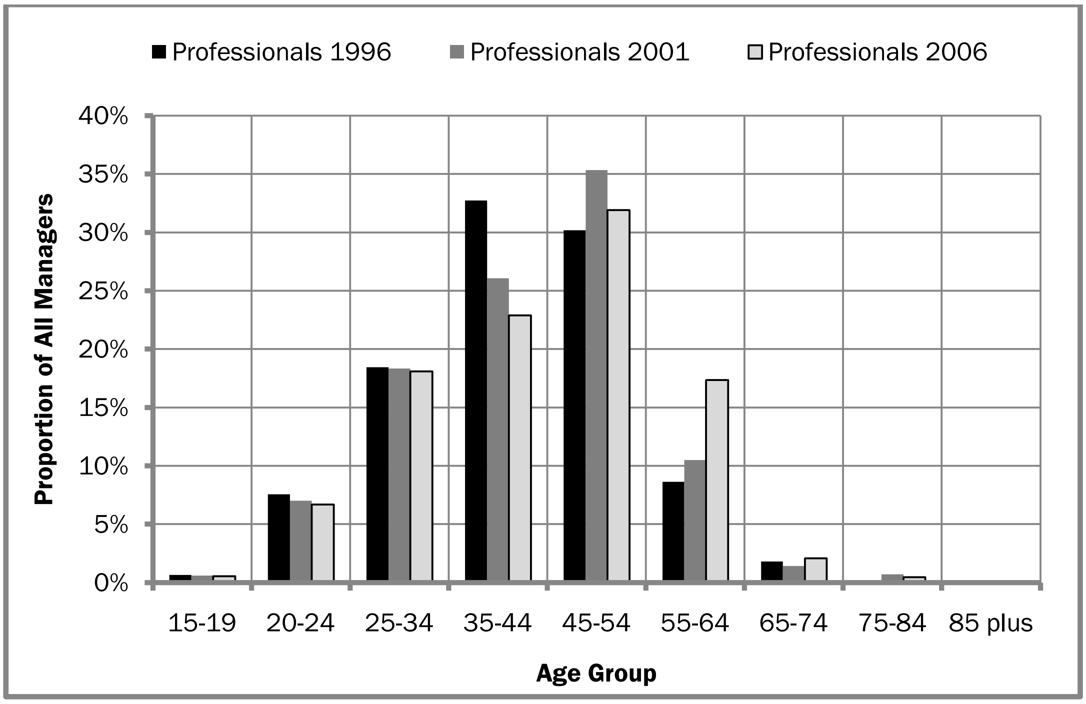

Figure 4.6 Professionals by Age Southern Grampians 1996-2006

Data source: ABS, 2006

4.2.1 Labour Supply and the Ageing Workforce

As outlined above, ageing is a key factor in much of regional Australia. This has been driven by the outflow of young people and the in-migration of retirees (mostly to coastal areas). One of the unforeseen consequences of coastal retirement has been the 'lock-in' of an ageing demographic profile; driven by shrinkage in the available local labour and capital pool; a re-orientation of local economic capacity to service the aged community, which then reinforces the attraction of the location to more in-migration of retirees.

Retiree in-migration, of the form seen in places like Port Fairy, is not yet a major issue for the Southern Grampians. In fact the coastward shift of retiring households from inland municipalities may be an opportunity. The Shire's high level of amenity (particularly health), and reasonable housing prices offer an alternative to increasingly expensive coastal living. Aged care (see Section 5) may also be a small, but important industry growth area for the Shire. However there are limits beyond which the ageing 'lock-in' starts to impede other sectoral growth. The shift towards retiree-focused services and amenities can accelerate the decline in the replenishment rate of younger, skilled workers. This then puts downward pressure on overall population growth.

Census data for 1996 to 2006 show some important trends related to ageing. Most notably, the proportion of the Southern Grampians workforce with higher level tertiary qualifications has been (and remains) lower than for the whole of Australia. However, the positive sign is that trend towards more post-school qualifications in the Southern Grampians' workforce has been stronger (that is, more rapid, albeit from a lower base).

The key uncertainty is whether this trend incorporates a sufficient inflow of younger, skilled workers. Figures 4.7 and 4.8 compare the proportion of the workforce with Certificate level and Bachelor Degree qualifications respectively for the three previous Censuses. In each case, there has been a perceptible shift towards an older skilled workforce. Moreover, the shift has been greater than for the rest of Australia (e.g. in 2006, close to 15% of all certificate-qualified workers in the Southern Grampians were aged 55-64 compared with around 7% for the rest of Australia).

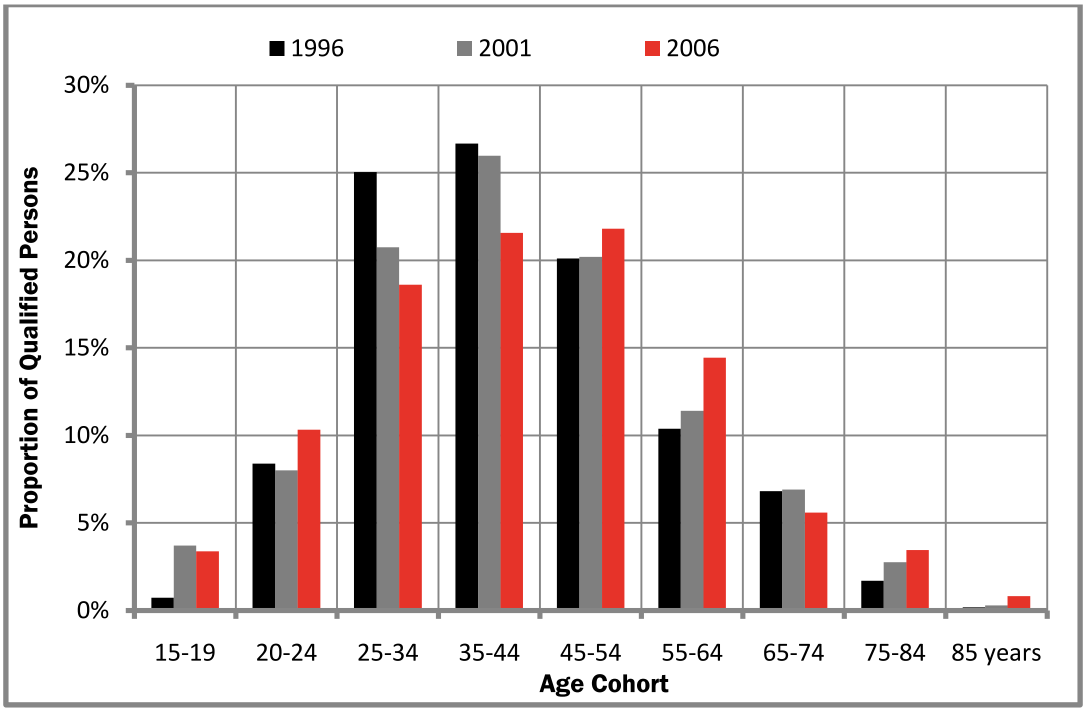

Figure 4.7 Certificate Qualified Workers Southern Grampians 1996-2006

Data source: ABS, 2006

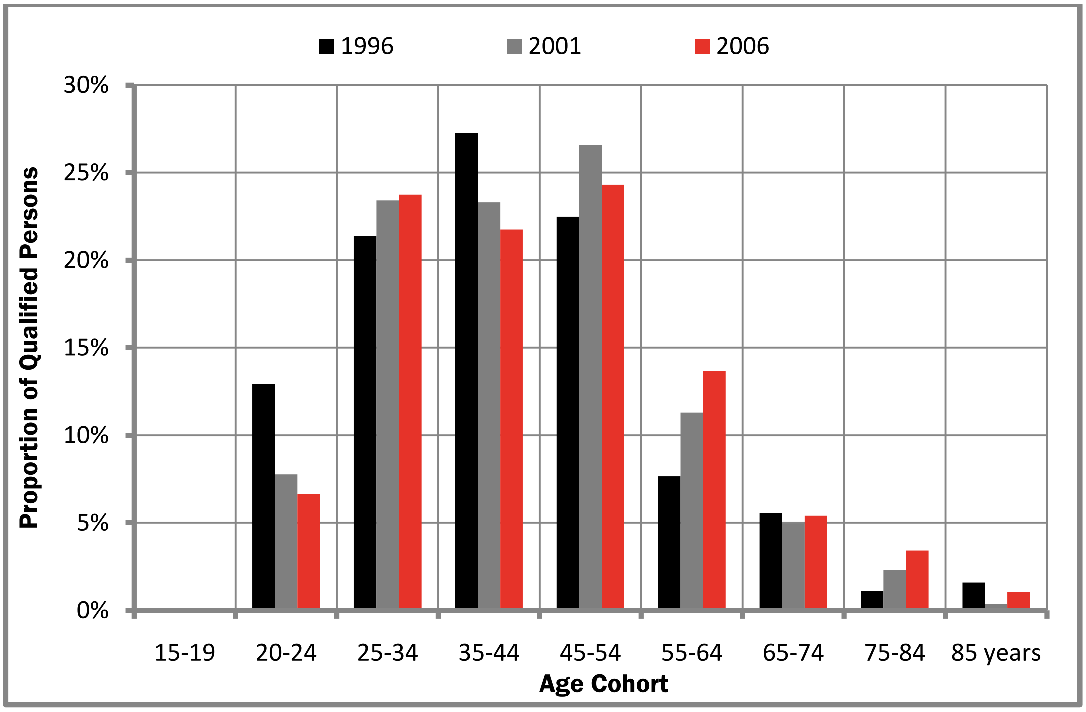

Figure 4.8 Bachelor Degree Qualified Workers Southern Grampians 1996-2006

Data source: ABS, 2006

4.2.2 Distinguishing Between a Skills and a Labour Shortage

The analysis above emphasises the importance of access to a steadily replenishing pool of skilled labour. The key issue is what combination of 'stemming the outflow' and 'increasing the inflow' will best address this. In this context, a review of existing research and consultation with local employers, educational institutions and the labour market branch in Skills Victoria raises the issue of distinguishing between labour and skills shortages.

Firstly, there are **skills shortages** across Australia that affect conditions in the Southern Grampians; the most relevant being[12]:

- Registered and enrolled nurses;
- Specialised building and construction workers (e.g. carpenters, plumbers, gas fitters);
- Professionals (e.g. architects, engineers, accountants, lawyers);
- Agrifood service workers (e.g. farm managers and skilled agricultural workers); and
- Child care, aged care, personal care and special care workers.

These shortages are largely being addressed through national and state policy interventions (e.g. via skilled migration programs and the Victorian Training Guarantee), or market adjustments (e.g. wage increases to attract people to retrain in key skills for the mining sector).

At the regional level, the real problem is **labour shortages.** These shortages are best addressed by focusing on the underlying causes rather than always responding to *ad hoc* demand. This research and previous work by the Commonwealth Government (BITRE, 2006), found that the underlying cause is the mobility of workers. That is: *"…there are enough suitably qualified people available to fill vacancies, but these people are not willing to work in the specified business, location or industry at the current rates of pay and conditions"* (BITRE, 2006: 3).

The Southern Grampians has an inadequately sized labour pool, primarily due to the out-migration of young people and insufficient in-migration of prime working age residents. This means there is an undersupply of both lower cost entry, or early career, skilled workers and highly skilled, mid-career workers. In this context, offering more access to local training will not necessarily solve the problem[13]. There is no large surplus local labour pool that can be re-skilled to fill jobs or provide enterprises with resources. There is also no certainty that anyone re-skilled will work in the industry for which they trained, or stay in the municipality once they are trained.

This conclusion is supported by the findings of TAFE graduate research that highlighted the mismatch between field of training and industry of employment (OTTE, 2006). Place of

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[12] A full list can be found at the Skills Victoria website, which has just recommended preparing regional study reports identifying skills and training issues by region.

[13] Several recent reports have evaluated regional labour and skills issues, concluding that the best way to assist industry in terms of training is to improve awareness of, and access to, public programs designed to help businesses attract and retain labour and to develop the local skills base (GSC, 2007, GSC, 2010). Additionally, there is a body of research on regional population and employment growth drivers that finds overall economic conditions, regulatory environments and amenity (e.g. schooling) are more important than locally based training (e.g. Carlino & Mills, 1987; Daley and Lancy, 2011).

work analysis (Section 4.4) also showed that higher skilled, higher income (albeit younger) workers are willing to commute from (or to) the Southern Grampians for work. A focus on local skilling programs, therefore, provides no guarantee of population or employment growth *within the municipality*. Rather, education and training become part of the Shire's amenity index, which contributes to investment decisions and an associated inflow of workers/residents.

Fortunately, the options that are available for expanding the skilled labour pool can be influenced by local governments working with local business. As the BITRE study noted, focusing on secondary job opportunities, local social capital building (including tailor-made support to assist local business people to expand), infrastructure, housing and health provision have the best prospects for solving the labour shortage problem. In simple terms, the key is to:

1. Attract more people to live in the region, particularly 25-44 year olds
2. Help develop a labour market that is large and diverse enough to provide people with employment options and career paths in order to retain them.
3. Work more closely with local business people to identify what is stopping them from expanding (or even staying in the region).

While there is not sufficient empirical evidence to support an approach that emphasises more local skills and training programs, it is not an either/or scenario. The modelling and analysis demonstrates that a larger population and labour market will resolve many of the skilled labour shortages. However, steps are needed to kick start the growth rate. This may include such things as marketing of the opportunities for diverse career experiences. The population thresholds are important in this respect, as is collaboration across the region to identify where labour pools can be shared and tailoring assistance to specific small businesses (point 3 above) is also essential. Aspects of this issue are considered further in Section 5.7.

4.3 Implications for Strategy

- While the employment-population ratio is robust, the Shire's dependency ratio is projected to increase, which will create difficulties for the regional economy. The key is to ensure the working age labour pool is replenished
- Agriculture has been the only consistently propulsive industry sector in the Shire
- At the aggregate level, the Shire has a relatively even spread of employment across industries. Within industries, diversity is lacking. This highlights the thin markets the local economy has. This is a significant vulnerability for the Shire
- Employment self-containment is high, although there are strong economic linkages with Glenelg, suggesting cooperative efforts between the Shires may be an opportunity
- The labour force is ageing rapidly, however, some opportunities do emerge from this, including the growing pool of skilled professionals who can act as business mentors and the behavioural preference for older workers to live and work locally
- There is no significant pool of surplus labour in the Shire that can provide local businesses with additional human resources. The Shire is facing a labour shortage and the key to addressing it is to focus on the cause, rather than the consequence
- 'Interim' steps are necessary to help propel the Shire to new population thresholds, Marketing and promotion are an important part of this

5.0 Key Industries and Major Projects

This section considers selected industry sectors-in the Southern Grampians Shire. Analysis is based on consultation with local businesses, State agencies and peak industry bodies, a review of the research literature and modelling. Where particular industry issues impact on the prospects for other sectors, causal loop diagrams (CLDs) have been included to illustrate the nature of the interaction. These CLDs have helped inform the development of the quantitative model and highlighted important intervention opportunities for Council.

While most industry sectors have some potential, the propulsive industries have received the most attention in the research and analysis. Additionally, the impact of major project developments has also been evaluated. For example, it is clear that the spatial concentration of new activities will generate issues such as heavy goods traffic congestion, but also opportunities for integrated activities (Figure 5.1). The likelihood of new projects proceeding links directly to the probability that growth targets can be met. In other words they represent the activities most likely to drive population growth above the BaU trend.

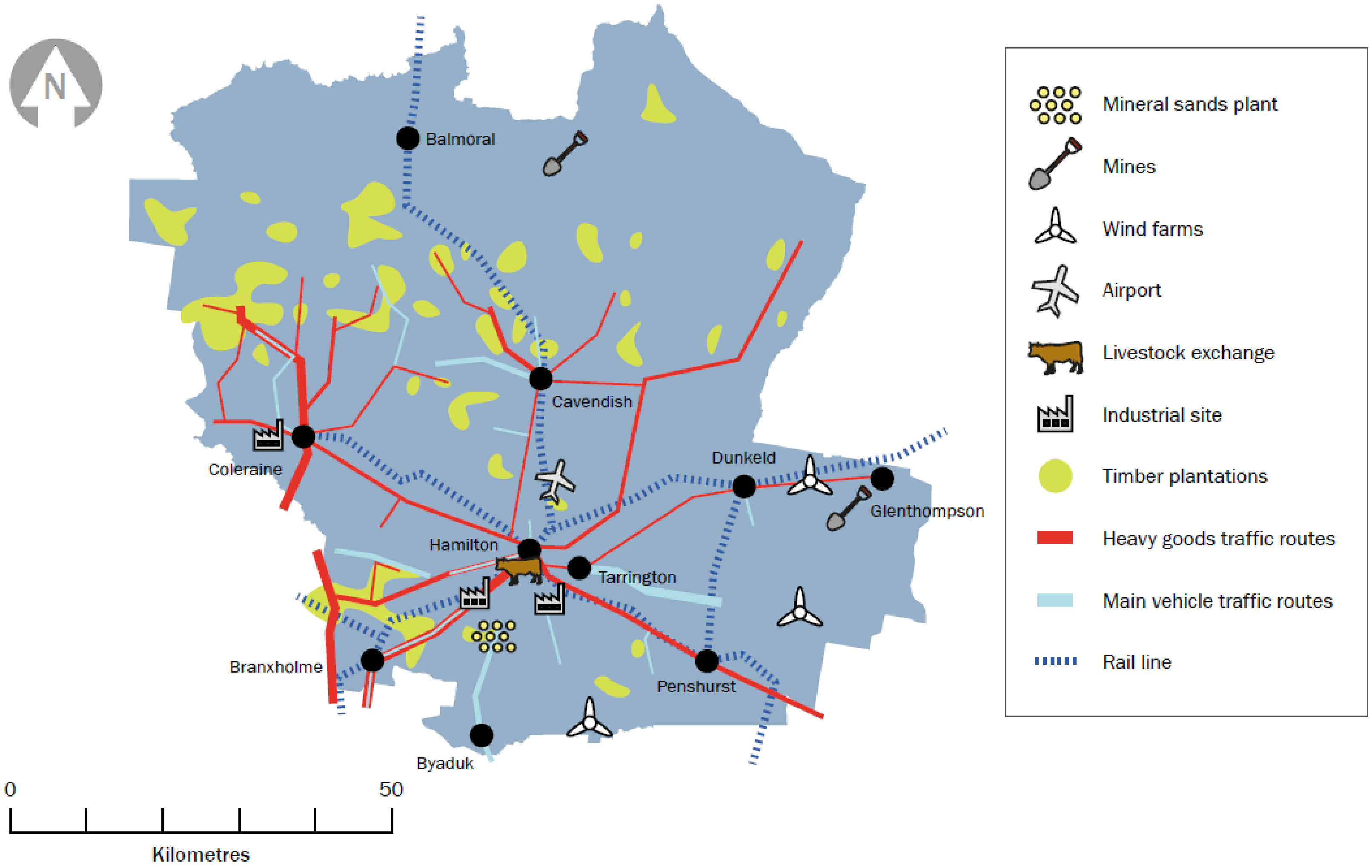

Figure 5.1 Southern Grampians Major Projects Current and Speculative

5.1 Agribusiness

Agriculture accounts for around 80% of the regional land use mosaic in the Southern Grampians and 20% of employment (DSE, 2008) and despite some major downturns it has been a success story. Good soil, sufficient rain and a large aquifer have allowed the sector to ride out the restructuring of the 1980s and 1990s (albeit with some difficulty). Part of this restructuring saw agricultural land leased or sold for timber plantation, many of which are now maturing and ready for harvest. More recently, farmers have leased land for the installation of wind energy turbines. Key measures of the sector are:

- Total product of over $220 million per annum[14];
- Nearly half a million hectares of agriculture land under production;
- Over 2 million sheep and lamb and 120,000 head of meat cattle;
- A net operating profit of around $210/ha (compared to $121 for the State); and
- Significant increase in returns on prime lamb and a shift towards grain production.

The scale of fruit, vegetables, piggeries and other intensive activities, such as viticulture, is limited, though not without growth potential. At the same time, there are several important causal factors that generate risks and opportunities for this sector. These include the higher road maintenance requirements due to the shift to grain production (and the subsequent heavier vehicles); high lamb prices encouraging a shift to meat rather than wool, in turn leading to a decline in breeding stock; and the decline in rainfall in the northern part of the State leading to greater demand for food production out of places such as the Southern Grampians.

5.1.1 Diversification and Value-adding

Global, regional and national food security is an emerging issue that may create opportunities for the Shire (PMSEIC, 2010). Fertile places with relatively reliable rainfall may come to play an increasingly important role in ensuring steady food production rates and leading the way in driving production efficiencies and environmentally friendly innovations. In fact, the combination of natural assets, hedging against commodity price fluctuations, professional management and rising land prices elsewhere in the State have already driven more diversification on farm and through intensive horticulture. Already the more productive and successful farms have spread their risk across a range of commodities (e.g. wheat, canola, manola and prime lambs within the one farm). There is also an emerging opportunity to tap into the European market for meat by introducing farming practices that meet EU protocols[15].

Direct consultation with the agriculture sector emphasised the value of this diversification to secure income streams and take advantage of new opportunities. Furthermore, work from both the Department of Primary Industries (DPI, 2010) and the Bureau of Rural Sciences (Rogers, 2003) concludes that traditional agriculture cannot provide sufficient

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[14] Data sources are the ABS National Regional Profile and the 2009-10 DPI Farm Monitor survey.

[15] Ararat's efforts to look beyond its borders and, where relevant, take an international perspective is an example of how local government can assist to link local producers with a global market.

economic security for regional Australia. Diversification of agribusiness is not only an opportunity, it is a necessity.

At the same time, there are limits and constraints to the prospects for intensification: industry advice is that larger firms (e.g. piggeries and chicken farms) are unlikely to shift from current locations closer to Melbourne and that the best prospects are with more niche-market, specialised products and products suitable to the local soil and climate (e.g. wine grapes). Moreover, intensification has land clearance and waste disposal issues that need to be addressed if they are not to undermine the Shire's environmental credentials.

Value-adding has some potential in the Shire, primarily in grain and speciality meat processing. Grain cleaning and grading already occurs in the Western Districts (e.g. Lowans Wholefoods in Nihl), as does stockfeed processing. The input needs are in relative abundance (raw material, electricity, water and land). However, most processing still occurs outside of the region and its introduction will require pro-active investigation. Current research (e.g. DPI, 2010) does not fully explore these value-adding opportunities and it should the subject of efforts in partnership with DPI, education and industry groups.

5.1.2 Council's Role

While there are a several issues that impact on the potential for the agribusiness sector, (e.g. the cost of transport, volatile commodity prices and competition from other councils), the consultation consistently found that the Council has an important role to play in facilitating growth and diversification; as an information broker, by assisting with regulatory matters and lobbying for private and public investment into the region. For example, Council can rezone land for intensive agriculture and then actively seek enterprises looking for new investment opportunities and possibly assist with business planning and feasibility studies. **This will require an increased commitment by Council to the sector.**

5.2 Plantation Timber

There are currently 34,326 hectares of hard and softwood plantations in the Southern Grampians; approximately 16% of the 204,000 ha in South West Victoria. Much of this is ready for harvest, all of which will eventually be chipped and shipped to paper mills (mostly in Japan but also in emerging markets in Vietnam and China). It is worth noting that there is little expectation that, once harvested, the land would be returned to its original agricultural purpose (except in locations greater than 150km from Portland).

The fact that both the hard and softwood plantations can remain 'on the stump' for extended periods, means that the decision to harvest is very sensitive to woodchip prices. Moreover, the concentration of ownership of the plantation timber means when the harvest does occur, it is likely to ramp up rapidly. Unfortunately, recent natural disasters in Japan have left most of the plantation owners without contracts. This uncertainty (which has been factored into the modelling) means it is difficult to determine when this harvest may occur.

Establishing and running the plantations requires little labour and other inputs. However the harvest process itself will be relatively labour intensive. Harvesting usually relies on crews of 6-8 people (including truck drivers) and there is an expectation that, at its peak, there may be between 30 and 40 crews working across the Shire, although concentrated in the region between Balmoral and Coleraine.

Logistical decisions have yet to be made, but chipping is most likely to be a combination of on-site mobile chipping and felled, debarked timber shipped to Portland. In either case, there will be a substantial impact on roads, particularly along the key routes to Portland (as indicated in Figure 5.1).

5.2.1 Opportunities for Value Adding

While there are no realistic prospects for downstream processing such as furniture production, there are several opportunities that will emerge from the harvest. These are:

- Housing for the timber crews (particularly drivers). For example, one company expects to employ 60 people during the peak of the harvest, 40 of whom are likely to live in the Shire;
- The need for a truck base/depot along the route from, and preferably in proximity to, the main plantation region (e.g. Coleraine);
- Equipment servicing for the harvest machinery; and
- Value adding from the timber residue.

There are several prospects for processing the timber residue; this includes pelletising for renewable energy production; synthetic oil production; and chemical production. Further exploration of these opportunities is warranted and there is a role for Council in liaising between the plantation owners, harvesting companies and possible residue processors.

5.2.2 Council's Role

The four key intervention points for Council are 1) liaising with the industry to discuss transport service land and infrastructure needs and pre-planning to ensure needs can be smoothly met; 2) facilitating the set up of harvesting company bases in the Shire; 3) marketing the benefits of living in the Southern Grampians to harvest crews; and 4) acting as a liaison between envirotech companies, harvest companies and plantation owners to fully scope the potential for timber residue use.

5.3 Renewable Energy

Renewable energy is a growing industry in Western Victoria, with a number of wind energy farms in operation, and more at various stages of development. There are now three wind farms currently under construction in (or on the edge of) the Southern Grampians: the 32 turbine Oakland Hill project five kilometres south of Glenthompson; the 13 turbine Morton's Lane wind farm north east of Penshurst; and the 140 turbine Macarthur Project south of Penshurst. Combined the three projects are estimated to have created some 500 jobs during the construction phase, and will result in up to 50 operational jobs. A third major proposal for south of Penshurst may generate returns similar to that of the Macarthur project (around 270 construction jobs and 30 operational positions).

Obviously the construction phase is the most labour intensive and has the largest impact, for example on local accommodation, including tourism accommodation. Moreover, some industry representatives complain of staff losses to wind energy firms. Heavy goods movements also have a significant impact on roads (see Section 6).

On the other hand, the wind farms do generate substantial income flows into the region during construction[16], as well as adding a more intangible, green energy reputation to the municipality. Beyond the direct and indirect employment and value adding multipliers (which encompass the flow-ons from the construction of the farms), there are no other discernible value adding opportunities from the wind farms at this stage.

5.3.1 Council's Role

Council's role is primarily one of: 1) ensuring negative impacts of the wind farm projects are managed appropriately; 2) providing information to assist the wind farm firms in sourcing local suppliers and accommodation for construction and operations workers; and 3) assisting local suppliers to gear up to service major wind farm firms.

5.4 Mineral Sands and Mining

Iluka currently has a mineral sands plant just outside Hamilton. It employs 120 people (45 plant workers and 75 technicians). Deposits are currently mined at Douglas, and trucked to Hamilton for processing, then on to Portland for export. The company is in the process of moving operations to a new mine site at Ouyen. From here the output will be transported to the plant by rail, and then on to Portland by road.

Mineral sands are not an internationally tradeable commodity and, for this reason (amongst others), mineral sands mining companies cannot compete with larger resource companies on wages. This makes quality of life an important recruitment tool. Anecdotally, the decision to locate in Hamilton was due to a combination of the scheduled air service and Hamilton's amenity, particularly schools. More rigid commodity prices also means that mineral sands projects are more sensitive to wage rises. While contracts are currently secure and markets buoyant, there is inevitably some long-term uncertainty over the potential impact of production cost shocks (this has been factored into the modelling).

While Iluka has no immediate plans for expansion, potential for the existing plant to process sands from Iluka's South Australian mine has been considered. If this were to occur, it would be shipped to Portland and trucked to the plant.

In addition to mineral sands, exploration drilling is occurring (or about to occur) on either side of the Grampians. Exploration is for copper, zinc or gold and should it proceed to mining, it would have an impact on demand for labour, with around 100 plus jobs per mine. The model will incorporate a function to test both the likelihood and impact of these projects.

The overall impact of mining in the region is positive, although labour demand impacts have had consequences. The compounding effects of mining activity in the municipality are illustrated in Figure 5.2.

[16] Direct benefits to the local economy start with estimated rental returns to landholders of $8,000-$10,000 per annum per turbine for the life of the project (approx 20 years). It should be noted that rents will not increase during this period and therefore they represent a declining return over time (a net present value of between $4,000 and $5,000 per turbine after 20 years).

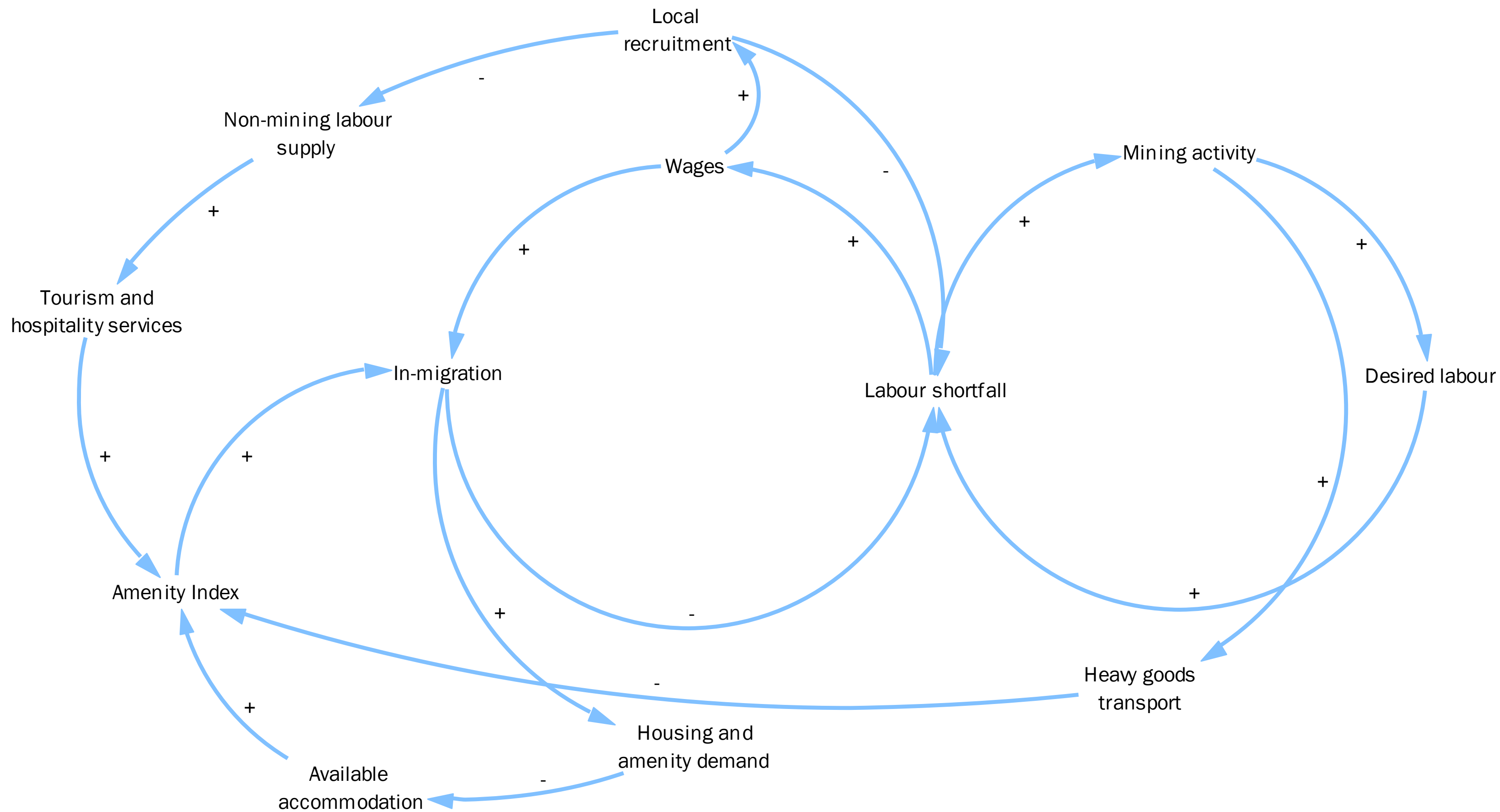

Figure 5.2 Mining Industry Key Issues Causal Loop Diagram

5.4.1 Council's Role

While copper (or similar) mine output is very unlikely to be processed locally, undertaking cost benefit analysis for new mines will help the Shire to identify opportunities for leveraging off both construction and operational phases. Examples may include local scholarship/traineeships for school leavers; buy-local policies; finding suitable camp locations (possibly integrated with an existing town); contributions to upgrades to essential infrastructure (mine operations need water, electricity, telecommunications, accommodation and other inputs); and, in return, assistance with permits and other regulatory matters. The key is to pre-plan to ensure long-term returns to the Shire.

5.5 Transport

Even though the Southern Grampians is at an important junction of north-south traffic, the shift share analysis suggests that the transport industry is underdeveloped in the Southern Grampians. This analysis, together with the consultation confirmed the findings of Nott (2010), noting that transport costs and the capacity of the industry were a potential bottleneck. Client industries also found that the markets are thin – that is, while there are few issues for regular shipments and transport contracts can be met, there are constraints for specialised transport, particularly for the construction industry, and there is limited capacity to respond to rapid demand increase.

Existing demand (e.g. the livestock exchange), coupled with the shift to grain production, mineral sands shipments, wind farm construction and future timber harvesting is already generating new demand for transport. A transport and freight hub may help to improve the sector's efficiency and allow it to expand into other functions. Hubs that include fuel, mechanical repairs and spare parts need to be located close to the termination points of major transport routes and with the exception of the timber harvesting, the industrial precinct to the southwest of Hamilton is the most suitable location (Nott, 2010). The truck bypass will add to the utility of a single transport and freight hub at this site. Its proximity to a railway siding opens up longer-term opportunities for an intermodal hub.

The other important aspect of transport is public transport. While Council is somewhat limited in terms of what it can do to encourage further commercial services, the idea of a community bus (to and from the smaller settlements) was raised and is worth considering.

5.5.1 Council's Role

Given that the sector is lagging in the Shire, it is likely growth is being impeded by lack of capacity to meet demand. Council's role should be to further investigate options for establishing a transport hub (including talks with regional trucking firms); a truck depot/fuel stop near Coleraine; and to consider seeking funding partners to establish small town community buses.

5.6 Health

Growth in the health sector in the Southern Grampians reflects a national increase, largely driven by the needs of the ageing population, but also the wider, and more technically demanding range of services available. Employment in the Shire has increased from 726 in 1996 to a little over 1,000 in 2011 (ABS, 2006, Geografia). The Western District Health

Service (WDHS) accounts for close to 75% of jobs and expects to continue to grow by between 5 and 10 FTEs per annum[17].

It should be noted that around three quarters of WDHS patient admissions are Shire residents. While the catchment area extends to Glenelg and Moyne, services from Horsham, Ballarat, Portland and Warrnambool limit the capacity for regional expansion. Apart from growing local service demand due to ageing, the key growth drivers are, then:

- The imminent redevelopment of the Coleraine District Health service into a single site (discussed further in Section 7);
- The WDHS's expansion into rural health services across Australia and including back-of-house services such as finance and primary care services;
- Securing specialist medical services (most notably paediatrics possibly in collaboration with neighbouring providers); and
- The small effect of the presence of regional hospitals on (mostly retiree) in-migration rates.

Figure 5.3 summarises some of the elements that are impacting on the growth drivers. It suggests the key intervention points are in relation to securing skilled workers, supporting the cross-subsidisation efforts of the WDHS (to improve local services); infrastructure investment; and the amenity value health services add to the Shire.

A proposal to develop a health precinct is designed to leverage off these different elements. By increasing economies of scale and expanding the available labour pool, a health precinct may facilitate the expansion of primary care services, outreach programs, and 'non-health' sector health initiatives. This will further consolidate the Shire's status as a place with high amenity and high levels of social capital. Given the ageing population throughout the region, aged care services need to be a part of this consideration.

A precinct may help generate additional direct population growth through its attraction of new services and indirectly through its amenity effect. It may also enable health providers overcome their key concern: securing skilled labour. This is a national problem but in a thin local market such as the Southern Grampians it has a particularly deleterious impact. With limited access to temporary replacements, or neighbouring alternatives, the loss of just a few key staff can (and has, as WDHS admissions data show) severely impede services. Development of a higher profile precinct could help stimulate the growth of a sufficiently large professional sector around the Hamilton Base Hospital.

5.6.1 Council's Role

Tasks such as assisting the WDHS with sourcing funding for program extension is already part of Council's range of activities. The key additional roles are pursuing the health precinct concept and identifying any emergent opportunities arising from the Coleraine hospital development project: two roles that are well within the range of conventional council intervention.

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[17] This has been factored into the autonomous growth calculations for the model.

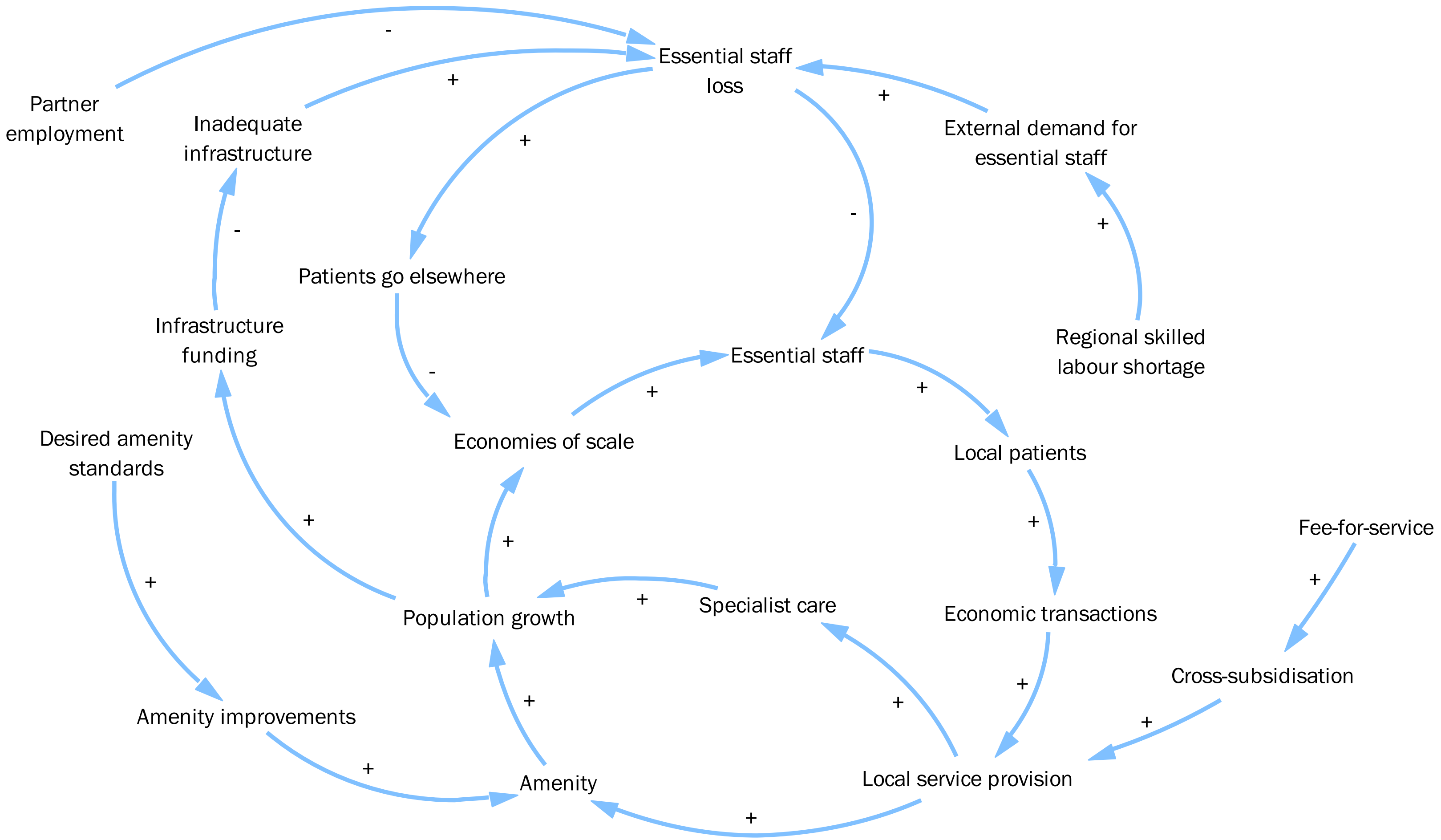

Figure 5.3 Health Sector Key Issues Causal Loop Diagram

5.7 Education

Although in terms of growth the education sector is a lagging industry, the combination of primary, secondary and post-compulsory schooling assets represent an important part of the Shire's potential. There are several dimensions to this that warrant examination:

1. The link between childcare, primary schools and the shift towards larger schools in Hamilton at the expense of the smaller towns.
2. The role of education as a direct growth driver compared to its influence as an indirect amenity-based attractor.
3. The role education and training can play in helping to deepen the local skilled labour pool and the effect an education precinct may have on facilitating this.

These main elements of these issues are shown in Figure 5.4.

5.7.1 Childcare, Primary Schools and Relocation to Hamilton

The nine primary schools in the municipality range in size from a seven-student school in Penshurst to over 300 at Hamilton Primary School. Services are well regarded and the key concern that emerged from the research is the gradual shift towards the larger schools in Hamilton. There are two causally linked reasons for this. Firstly, the lack of after-school care in the smaller towns makes it difficult to enrol children in the local school. Parents need local pre-school and childcare (particularly after school) to facilitate home-work-school commuting. Secondly, parents are increasingly looking to send their children to primary schools with more resources and opportunities for social interaction. Consultation revealed that both Dunkeld and Penshurst (and possibly some of the other towns) can directly attribute enrolment decline (and even population decline) to this. Obviously the two factors feedback on one another and the key to resolving it is in the provision of childcare in the smaller settlements.

5.7.2 Secondary Education as a Direct and Indirect Growth Driver

The Southern Grampians, and more particularly Hamilton, has a highly valued secondary education sector with four schools offering broad curricula and some affordable private schooling available as part of the mix. Existing assets have sufficient capacity to gear up for substantially larger populations and, so, lack of access to quality secondary schooling is not seen as an impediment to economic growth in the region. In fact, it is widely believed to be one of the most attractive features of living in the Shire.

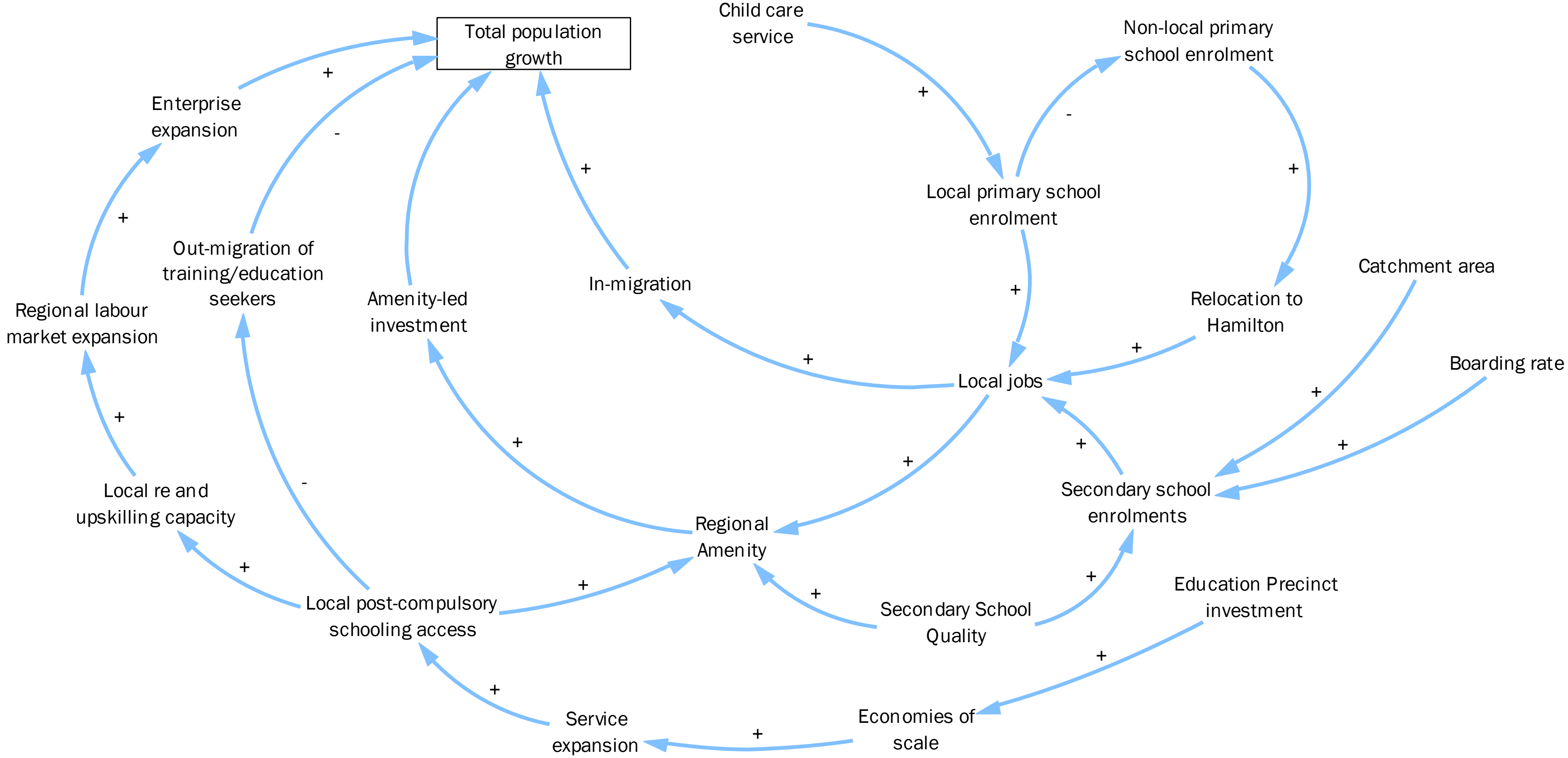

Figure 5.4 Education Sector Key Issues Causal Loop Diagram

As a service sector, there are two ways in which the secondary schooling sector can impact on growth: directly (i.e. increasing enrolment and therefore more employment, consuming inputs from other sectors such as construction and so forth); and indirectly (i.e. as part of the amenity mix to attract new household and enterprise investment). The sector's direct growth impact is limited for two reasons. Firstly, while catchment areas for Hamilton's high schools have grown (with parents or buses taking students much longer distances to school), there is an upper limit to the geographical range of the main catchment area, in the order of 60-75 minutes travelling time. Secondly, boarding is in long-term decline (up to 30% in Victoria over the last few decades)[18]. New niche markets have emerged, including country boarding offered to city-based students and long-day boarding (effectively an after-school care program).

The real opportunity lies in the sector's capacity to be an indirect attractor of major investment. Several compelling anecdotes testify to the importance of secondary schooling as an indirect investment attractor. Obviously any efforts that maintain, improve and promote this amenity attribute should be encouraged.

5.7.3 Post Compulsory Schooling and an Education Precinct

The Southern Grampians currently hosts a campus of Southwest TAFE, a small RMIT campus and three registered training organisations (RTOs): Rural Industries Skills Training, Southern Grampians Adult Education and Sharp Airlines Cadet Pilot Program. Even without considering the workplace-based training and other regular programs in the Shire, this mix of post-compulsory services and institutions is an important additional feature of the Shire's education sector and it is important to explore ways to leverage economic development from it.

While there may be no substantial surplus labour pool which can be linked to local skills programs to meet labour needs, skills programs can be important long-term social capital investments and the municipality has several stakeholders that can collaborate in this, including the training providers and major employers. Local scholarships or traineeships with shared funding arrangements may have potential for entry-level (via the schools), or high-skilled level (for example, via postgraduate courses at RMIT or Deakin).

The most significant recent effort in addressing skills issues commenced with the establishment of the Education Cluster Working Group. Several persuasive arguments have led to a focus on the idea of an education cluster (geographically located at the existing RMIT campus in Hamilton, but more broadly relating to the Shire's entire education package). These reasons include:

- The significant redevelopment potential of the RMIT campus;
- The need to provide new/enhanced facilities for the Southwest TAFE campus if it is to continue to deliver services and expand to meet growing on-campus demand (perhaps as much as a 20% increase in delivered contact hours);
- The recognition that co-location can generate economies of scale, incorporating cost efficiencies and productivity gains for complementary activities (e.g. video conferencing and marketing);

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[18] The beneficial side to this is that students who may once have boarded in Ballarat, Geelong or Melbourne, are increasingly likely to be enrolled as day students in Hamilton.

- The concern that the Shire's labour market needs to deliver more specific skills to the business community (e.g. entrepreneurial capacity to encourage small business start up) and that delivering the appropriate training requires a cost-effective and co-operative approach to ensure there is sufficient capacity in the post-compulsory education sector; and
- The recognition that benefits can result from the branding associated with a thriving education precinct.

Notwithstanding this, there has been some research on the impact of post-compulsory schooling campuses or clusters in regional towns which needs to be considered. For example, a somewhat controversial recent study on the impact of public investment in regions found that the presence of a university campus did not measurably impact on population or economic growth rates (Daley & Lancy, 2011). Geografia's own research into rural communities around Australia also found no statistically significant relationship between the presence of a university or TAFE campus and population growth (Geografia, 2011). Additionally, as pointed out in Section 4, the key labour issue in the Southern Grampians is more accurately described as a labour shortage, rather than a skills shortage. For reasons cited earlier, enhancing the local skills and training delivery capacity will not necessarily be the most efficient way of addressing the labour shortage.

This is not to say that universities, TAFEs and other RTOs do not deliver important services to rural communities, but, beyond the direct employment effect, the evidence for their impact on *local* economic conditions is uncertain. While it makes intuitive sense, at present the empirical evidence for significant outcomes is ambiguous. Given this and the significant political and financial capital that would be necessary to develop an education precinct, a thorough cost-benefit analysis is justified.

5.7.4 Council's Role

The Education Cluster Working Group is a good example of a co-operative economic development body. It is focused on a specific outcome and made up of representatives from all relevant sectors. The establishment of this group has provided the mechanism through which a detailed study of a proposal to redevelop the RMIT campus can be undertaken, as well as a broader consideration of building and marketing the education cluster concept. The other key issue that Council should assist in addressing is the provision of childcare services in the smaller towns.

5.8 Tourism and Hospitality

Tourism and hospitality in the Southern Grampians is a relatively robust sector and a large (if generally low wage) employer in itself. Tourism also provides indirect benefits, particularly to sectors whose future is tied to attracting people to areas of high amenity. That is, investment in tourism amenity is also an investment in amenity for residents and so a contributor to population growth.

The sector benefits from a mix of existing and potential tourist drawcards including natural assets like the Grampians National Park, venues such as the Hamilton Art Gallery and events such as Sheepvention. Between 2005 and 2007 there were an average 120,000 domestic visitors per annum to the Southern Grampians, with direct expenditure estimated at $48.6 million. Visitors stayed on average 2.4 nights (Victorian average 3.1) and spent $237 (Victorian average $397) (Tourism Research Australia, 2007).

The Shire's main contribution to industry development are funding for three Visitor Information Centres in Hamilton (38,000 visitors per annum), Dunkeld (21,000 vpa), and Coleraine (7,500 vpa); a dedicated Tourism Manager, whose responsibilities include facilitating events and other tourism-aligned activities; regular events, promotion and branding; the Volcano Discovery Centre; and numerous physical asset investments. These are framed by a 5-year Tourism Strategy developed in 2010. This recognises the need to work collaboratively across the sector to market the region.

Potential growth markets and opportunities include cycling and walking tours, tapping into Saint Mary MacKillop's connection to the area, and business tourism. Research has identified the following priority concerns for the sector:

1. A lack of accommodation (from low cost to high end), including in Hamilton, Penshurst and Dunkeld.
2. Vulnerability to the loss of key assets (particularly the temporary closure of the Dunkeld-Halls Gap road), resulting in a loss of profile.
3. Uncertainty over funding for the Wild Grampians Walk Trail.
4. Suboptimal development of existing assets (Rocklands Reservoir and Black Ranges State Park).
5. Risks associated with inappropriate development that undermines the rural character of the landscape. For example, an emphasis on signs and car parks, rather than informal bush walk trails.
6. Lack of detailed information on tourism market demand characteristics, particularly via the Dunkeld Visitor Information Centre. For example, there may be an untapped market of potential tree changers.
7. Undeveloped horticultural and viticultural tourism.
8. Limited night-time activities (e.g. meals and live music).
9. Little access to historic homesteads.

None of these issues present insurmountable problems assuming active Council intervention and therefore, the sector has been integrated into the quantitative model on the basis that its growth potential is reasonably assured.

5.8.1 Council's Role

Council has already committed substantial resources to tourism development. Given the importance (and further potential) of tourism in the municipality, there is justification for further commitments to help address the priority concerns including: 1) providing assistance to increase the availability of accommodation in Dunkeld and Penshurst; 2) branding to increase awareness of the Southern Grampians as a nature-based destination; 3) collecting and evaluating information relating to visitor intentions to help track movements and markets and improve tourism resource allocation; 4) regular discussions with all tourism operators to identify opportunities and constraints, including ensuring Council works enhance the amenity of key tourism locations; 5) continued involvement in the improvement of amenities at Rockland Reservoir; 6) further development of an arts precinct in Hamilton; 7) a wider range of events, especially music; and 8) continued investment in basic tourist amenity throughout the Shire.

5.9 Manufacturing

Over the last few decades Victoria has struggled with a sustained decline in manufacturing sector employment and output, largely as a consequence of cheaper imports. In light of this, prospects for manufacturing expansion in the Southern Grampians are modest, with a gradual decline in the number of people employed in manufacturing. There are, however, a number of success stories including cabinet makers; engineering firms and agribusiness-focused enterprises. Presumably ongoing maintenance and other services to the wind farms, transport sector and, potentially, mine operators, will generate further demand for locally-based manufacturing services. One of the more positive aspects of the local manufacturing industry is that even highly automated processes are still relatively labour intensive compared with other industries. This makes it a highly desirable sector to support, notwithstanding the uncertain prospects for the industry in Australia.

As with most other industries, the key concern in manufacturing in the Southern Grampians is access to skilled labour. While transport services would need to expand to support any increased output, it is considered to be a short-term supply constraint, rather than a major bottleneck. It can be assumed, however, that there is some latent demand for serviced industrial land. While much of this should be located near Hamilton, there is scope to provide some zoning to allow light industrial activity to the south of Dunkeld. Obviously this matter will (and should) be explored in more detail during the structure planning process. Notably, the SW TAFE campus is on industrial land and, should the TAFE relocate, this would release serviced land suitable for manufacturing.

5.9.1 Council's Role

The draft Investment Attraction Strategy for Hamilton (Nott, 2011), concluded that, for the foreseeable future, no additional *zoned land* is required for industrial purposes. Moreover, industry stakeholders note that, while additional zoned land would deflate prices, land price is not enough of an incentive to locate activities in the Shire. What can be inferred from the take-up rate of the Peck Street industrial land is that the provision of further *serviced lots* may secure additional investment. Furthermore, as pointed out in the draft strategy, it is a common practice of councils to provide serviced industrial land in this way and, so, the risk associated with capital investment in developing another parcel of serviced land is relatively low. It will require careful planning to ensure the long-term goal to improve the physical amenity (including entry points) of Hamilton is not undermined.

5.10 Housing and Construction

Recent work on the Hamilton Structure Plan (Nott, 2010) and consultation for this study found that the local construction industry faces labour shortages. This is due to major project demands and, so, is unlikely to be a major concern outside of peak periods.

Despite the peaks and troughs in housing demand, the underlying trend has been a steady, but low rate of construction over the last 10-years, with a shift towards commercial over residential activity. This reflects both the major commercial developments that have occurred in recent years and the flat population growth. For example, between 2005 and 2009, residential building approvals trended down from around 80 to 50 per annum (ABS, 2009). Current projections estimate an average residential land demand of some 14ha per year to 2028 and in the order of 2ha per year for industrial land.

5.10.1 Housing and Land Prices

Until recently land and building prices in the Shire have tracked in the same direction as the rest of regional Victoria (albeit more modestly). More recently this upward trajectory has levelled off and sales data for residential, commercial, industrial, agricultural and vacant land do not suggest any particular trend (Table 5.1). Anecdotally, however, vendor expectations for high prices are resulting in low market clearance rates and few residential and commercial properties coming onto the market.

Most stakeholders argue there is now an inadequate supply of accommodation (especially rental stock to support seasonal and cyclical workforces) and that this is acting as a brake on population growth. Existing sales and building approval data are insufficient to confirm this. Equally, factors such as the low take up of lots at the Lakes Edge development do not provide any clear indication of demand for *housing* (rather than land) and are more likely to be a result of marketing issues.

Vicurban's plans to reinvigorate Lakes Edge may go some way to address this. Although it has been argued that lot sizes in this development are too small for the local market, actual sizes are well within the range expected in regional centres. Moreover, the demand deriving from major project developments is likely to be for smaller lots with relatively high quality stock (although it has been suggested that, again, asking prices are too high).

Table 5.1 Property Price Data by Type 2006-2010

Type	*2006*	*2007*	*2008*	*2009*	*2010*
Detached Homes (avg annual price)	$192,273	$192,799	$202,160	$198,049	$199,697
Detached Homes (total sales)	$50.2m	$40.1m	$31.5m	$38m	$32.5m
Vacant Residential (avg annual per sqm)	$75	$59	$89	$91	$144
Vacant Residential (total sales)	$5.1m	$3.8m	$2.6m	$2.8m	$4m
Rural Residential (avg annual price)	$328,653	$314,190	$350,737	$258,625	$311,584
Rural Residential (total sales)	$18.7m	$15m	$17.5m	$13.4m	$16.5m
Vacant Rural Residential (avg annual per sqm)	$9.3	$9.7	$9.9	$79	$115
Vacant Rural Residential (total sales)	$3.1m	$2.6m	$2.8m	$2.1m	$3.9m
Retail (avg annual per sqm)	$490	$600	$320	$681	$1,027
Retail (total sales)	$5.2m	$4.8m	$2.6m	$2.1m	$4.7m
Industrial (avg annual per sqm)	$100	$39	$51	$41	$72
Industrial (total sales)	$115,000	$961,000	$90,000	$230,500	$580,000
Office Space (avg annual per sqm)	$584	n.a.	$444	$592	n.a.
Office Space (total sales)	$1.03m	n.a.	$1.04m	$2.4m	n.a.
Mixed Farming and Grazing (avg annual per sqm)	$0.66	$0.6	$0.63	$0.73	$0.58
Mixed Farming and Grazing (total sales)	$56.9m	$61.9m	$67.1m	$51.5m	$42.6m

NOTE: averages can vary considerably due to small data sets in some years. Data source: Council records

5.10.2 Council's Role

In an environment where there is clearly a sufficient quantum of most zoned land, council intervention in local housing and commercial property transactions is a difficult prospect. What has been suggested, however, is that the Shire is in a position to assist in the provision of temporary accommodation (e.g. cabins and hotel rooms) for tourism and short-term needs. This may help relieve particularly tight bottlenecks. The other opportunity lies with rural residential (for both locals and potential tree changers) in carefully planned rural living zones (e.g. around Hamilton, Tarrington, Dunkeld and possibly Cavendish); something that is being considered through the structure planning process. The key is to ensure that imminent growth opportunities (e.g. the timber harvest crews) are not lost for lack of affordable housing. Finally, there is the issue of housing quality: highlighting the economic returns to property owners of renovating (especially rental) stock may address the concern that there is insufficient quality stock to act as an attractor to in-migrating professionals.

5.11 Equine

There is a reasonably well established equine industry that shows nascent signs of growth and diversification. It contributes to both local lifestyle and employment opportunities. There are two race tracks in Hamilton. One, the Harness Racing Club, recently completed a $1.2 million refurbishment and now holds up to nine meets a year. There are also race courses in Penshurst, Coleraine, Cavendish and Dunkeld. The annual Dunkeld race meet is particularly well attended by visitors.

The demands of broadcasting and gambling have seen some centralisation of racing across the State. This has resulted in a decline in meets in the Shire. However the venues and related equestrian activities remain a focal point for many in the local community. For example, there are several local pony clubs and the Hamilton and Alexandra College runs a Horsemanship program. The equine industry also comprises breeders, trainers/coaches and a number of specialist horse vets. There are labour shortages in the sector, particularly farriers, and Southwest TAFE offers various courses related to the industry. Other spin off activities include retail saddler and horse feed outlets and horse sales at the Hamilton Saleyards (every 6 weeks). There is some related tourism activities mostly oriented around hospitality and horse riding adventures tours are run in the Grampians from Brimpean; just outside the municipal boundaries.

Discussions with local industry representatives suggest that there is scope for expansion of the sector and that it could make a substantial contribution to population growth. Broadly the view is that land prices and proximity to regional race meets in Ballarat, Horsham, Warrnambool and Mt Gambier make it ideal for professional trainers/breeders to move to the Southern Grampians (estimated at $0.5-$1 million set up costs). The Southern Grampians lifestyle and affordability could also attract recreational equine enthusiasts from the fringes of the increasingly urbanised centres such Warrnambool and Ballarat and would require larger lot development to support (i.e. rural living and activity zoning).

5.11.1 Council's Role

To realise the potential of the industry, the concept of establishing an equestrian precinct has been proposed. This would comprise of a horse hospital, training, feed and breeding facilities. A project cost benefit analysis and project feasibility/masterplan are yet to be undertaken; something Council could initiate. Other possible Council interventions include a horse census/owner survey, and targeted marketing to recreational horse riders in Ballarat, Warrnambool and possibly even Bacchus Marsh. Town planning will also play it role in terms of zoning for larger lot rural living. Local experts suggest 5-10 ha for trainer/breeders and 2-5 ha for equine lifestylers. Preliminary desktop analysis of these prospects have been commenced.

5.12 Retail

The retail sector is the subject of a separate background report. Key conclusions are:

- Retail spending is expected to grow at around 1% per year to 2021;
- The planning scheme rightly emphasises Hamilton's role as the premier commercial centre;
- There is a need to further develop policy to specify the retail roles of the other settlements in the Shire and assist with the developing main street businesses; and
- Specialisation and attractive CBDs offer the best solution for countering growing internet sales and the relatively modest retail growth prospects.

5.13 Other Services Industries

Covering the range of sectors, including professional, scientific and technical, information, media and telecommunications, finance and insurance and arts and creative industries, there is some scope for expanding the service sector in the Southern Grampians through support for 'knowledge economy' workers. The scheduled air service and high amenity attributes (see Section 6) make this a viable, if niche, proposition. Moreover, research shows that knowledge economy clustering is spatially linked to high amenity, particularly access to quality housing, transport and other services tailored to the characteristics of the knowledge economy worker (e.g. Johnson, 2011; Baum et al, 2007; JVSN, 2001).

Most of these sectors (particularly finance) are confronted with labour shortages. As noted in Section 4, the skilled service sector faces the challenge of working from a small and ageing labour pool. While lifestyle is considered a major drawcard to replenish this pool, it functions in a highly competitive environment in which many parts of regional Victoria are pursuing the same objectives. The key advantages the Shire may have are:

1. The robust agribusiness sector. This is a very large market for services (and one which may grow if the sector expands and diversifies further).
2. The scheduled air service. Not including Melbourne and surrounds, Hamilton is one of only four regional towns with a scheduled air service in Victoria. There is some anecdotal evidence that the concept of a new resident taking incremental steps from taking up a long-weekend holiday home to part-time telecommuting to full time resident is viable. If so, promoting the package of quality of life, ease of access and job opportunities becomes an important marketing strategy for the Shire and, in this context, the rollout of the NBN is an essential asset.
3. The connections the Shire has to high-value professionals based in Melbourne.

5.13.1 Council's Role

While not considered to be one of the major potential growth drivers, it is a highly important one in view of the flow-on benefits from having a larger skilled service workforce (especially in professional services). The Shire is already visited by a large number of highly skilled service sector workers for recreational weekends and discussions with Sharp Airlines and further data gathering is warranted to explore how some of these visitations can be converted into part-time and eventually full-time residency.

Over time, the impact of a larger higher income, high value service sector can be modelled. At this stage, though, there is insufficient evidence to say whether it is a real growth opportunity. If there are meaningful prospects, Shire's obvious role is one of marketing and ensuring (via information gathering) that there are no serial impediments to the transition (e.g. lack of suitable housing).

5.14 Implications for Strategy

- There are both unique priority concerns and recommendations for each industry sector and several overlapping issues. The latter may offer the best options for maximising returns. However, in most sectors, intervention points are relatively well understood
- Key propulsive industries (most notably agribusiness) justify substantial investment in time and other resources, particularly as constraints are relatively easily identified and the industry itself sufficiently self-organised to be able to take advantage of opportunities arising from relatively modest Council intervention
- The business community generally indicated that information collection, analysis and dissemination is the most important role for Council. As part of this, regular meetings (ideally one—on-one) was seen as a useful way to share concerns and identify solutions to economic development constraints
- Opportunities for diversification and growth often arise fortuitously and so ongoing monitoring and rapid action is necessary

6.0 Amenity, Infrastructure and the Environment

Local governments have a range of tools available to influence four of the drivers of economic success (i.e. connectivity, governance, infrastructure and amenity). This section outlines the infrastructure and amenity issues that emerged in the analysis and modelling and how these affect economic prospects. Governance is addressed in Section 9.

6.1 Amenity and Planning

'Quality of life' liveability[19] has the potential to directly and indirectly attract (and even more so, retain) investment and residents (Figure 6.1). In fact, studies of urban-rural interaction have found that perceived quality of life is a key determinant of rural-urban movement (Henry et al, 1997). While there is some conjecture over this and business opportunities are clearly always going to be the main driver, liveability is important enough to be part of the strategic thinking on economic development.

Quality of life liveability relies on specific amenity attributes. It incorporates a combination of built and natural features and services that add to the attractiveness of a place. It is particularly important to the Southern Grampians and one stakeholder stated that the Shire's competitive advantage is in amenity or lifestyle and not in commercial value, affordable land or labour. There simply is not a big enough land/labour price variation between the Shire's settlements and other locations to make it a deciding factor. Moreover, if there is a major property price correction in Melbourne, what difference there is will diminish even further. This will make amenity and lifestyle even more important considerations in economic planning for the Southern Grampians. This is particularly so for retaining (rather than attracting) people once they have moved to the Shire to take up work.

However, there are many regional municipalities emphasising liveability as a unique advantages to their region. Schools, health care, transport, telecommunications, affordable housing and natural and cultural amenities are citied as essential amenity attributes to attract new residents and enterprises, particularly knowledge economy workers. This is a crowded market and requires thorough and ongoing evaluation.

[19] In this context we are excluding economic attributes such as job availability.

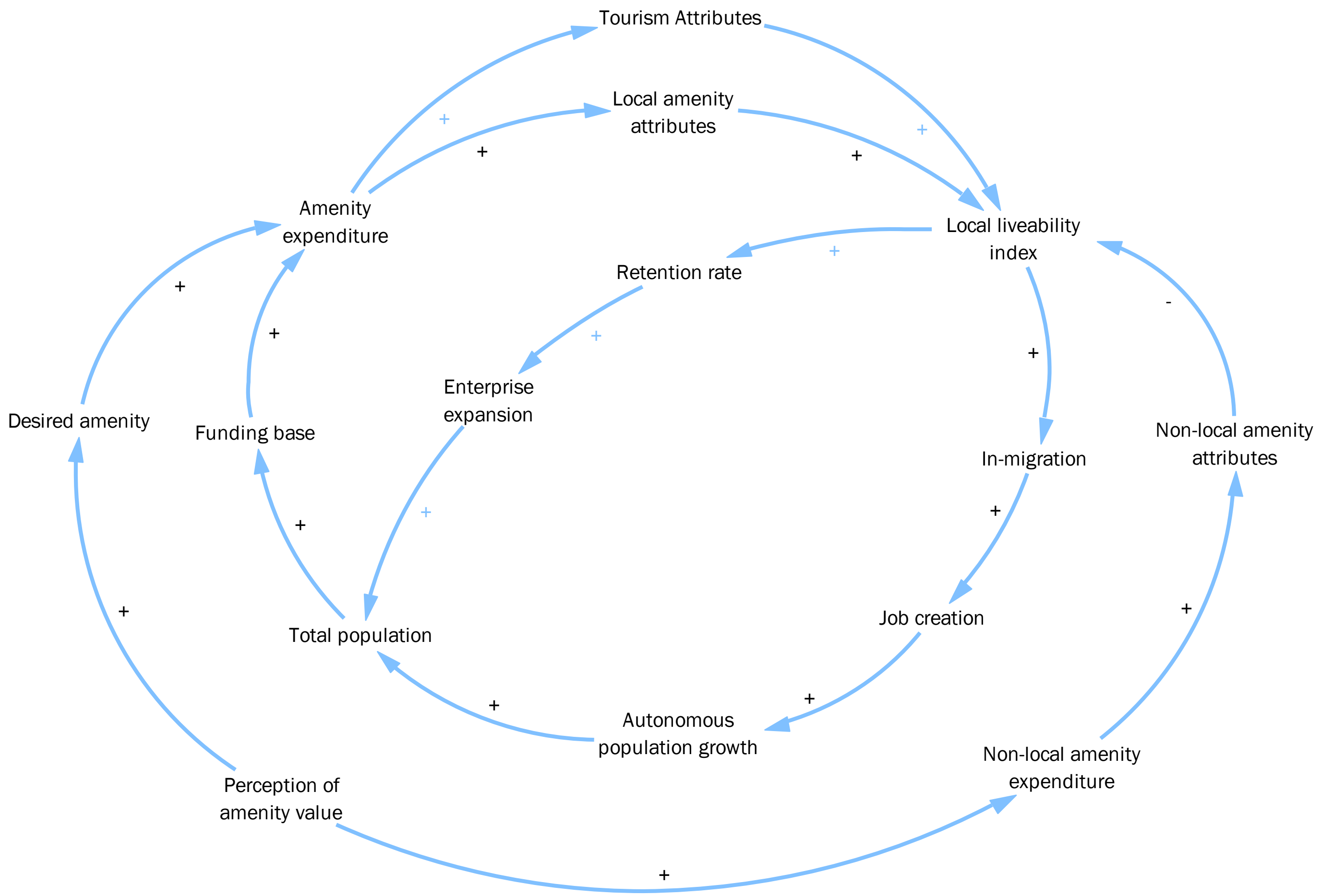

Figure 6.1 Amenity Led Growth Causal Loop Diagram

6.1.2 Zoning

The Council has already recognised the value of amenity to its economic future and has commenced an extensive program of planning exercises to enhance the amenity attributes of each settlement in the Shire. The work is embracing best practice principles of development and design and will go some way to improving the existing features.

As part of this, the planning review and structure planning has considered how zoning might improve conditions in the Shire. Amongst other things, there are clear demands for township zones, industrial land use plans, managed rural lifestyle and rural activity zoning. The current process of structure planning is the right mechanism through which to undertake this. The key is to ensure that economic development objectives are a central part of the process and that the economic themes of subregions and towns (as outlined in Section 7) are reflected in a settlement planning framework that encapsulates the more detailed structure plans.

6.2 Infrastructure

Each of the key infrastructure elements are briefly outlined here.

6.2.1 Utilities

Only Coleraine, Dunkeld and Hamilton currently have reticulated **sewage treatment** plants and systems, with the remaining settlements using ageing septic systems (SGSC, 2006). This limits the growth prospects for these towns as investment in reticulated sewage is unlikely and therefore purchasers are required to spend capital improving or installing septic systems. There are also vacant lots that cannot be developed because of site limitations for onsite wastewater treatment, though this is less a concern on larger lots surrounding many towns (which means development potential for unsewered towns is limited to large lots). It is worth noting that Wannon Water currently have no plans to upgrade systems in the Shire.

Table 6.1 provides a summary of the major waste water management issues by town. Many of these issues are affected by the type of subsurface drainage. For example in Branxholme, Cavendish and Glenthompson, soils do not drain well; while Penshurst has free draining soil which increases the probably of groundwater contamination and thereby reduces the potential for intensive horticulture.

In relation to **water**[20], the main concern is limited supplies to Branxholme and Byaduk and perhaps the most promising opportunity lies with the surplus recycled water available in Hamilton and, to a lesser extent, in Coleraine. Up to 1,000ML is recycled each year in Hamilton, of which some 150-250ML is not being used. This represents a relatively low cost, year-round resource for industrial or agricultural use (e.g. hydroponic farming). The Shire's own storm water pipe system could conceivably be used as a transport network for this.

The key issues in relation to **power and gas** are the lack of three phase power to the Airport; and the fact that only Hamilton has reticulated gas.

[20] Section 6.3 also includes discussion on water issues in the Shire.

Table 6.1 Sewerage Issues

Town	**Sewage Issues**
Balmoral	• Ageing split systems • Some greywater discharge into water ways • Systems on larger blocks working satisfactorily
Branxholme	• Ageing split systems • Some greywater discharge into water ways and neighbouring properties • Odour issues Systems on most larger blocks working satisfactorily
Cavendish	• Ageing split systems • Some greywater discharge into water ways and neighbouring properties • Systems on larger blocks working satisfactorily
Coleraine	• Sewered township • Community initiative for bioremediation of treatment plant
Dunkeld	• Sewered township • Structure plan to test capacity of existing system for expansion
Glenthompson	• Ageing split systems • Some greywater discharge into street drainage • Odour issues
Hamilton	• No major issues
Penshurst	• Ageing split systems but no evidence of failing • Minor discharge into waterways and surrounding properties • Probable contamination of groundwater • Limitation on horticulture potential
Tarrington	• Ageing split systems • Some greywater discharge into water ways and neighbouring properties • Odour issues

6.2.2 Telecommunications

Future prospects for telecommunications largely depend on the timing and rollout of the National Broadband Network (NBN). Deferred installation creates medium term issues in the capacity to make modest changes to the existing infrastructure.

The consultation found mixed views on the value of the NBN, although this was largely attributed to uncertainty over the timing of the rollout, which has resulted in little in the way of forward planning.

The general position on fast tracking the NBN was that a region-wide (i.e. cooperative) strategy to build the case for early rollout would be the most successful approach. Recent collaboration with the University of Ballarat and work with the GSC and RDV are recommended in this context.

6.2.3 Roads and Rail

There are over 220 kilometres of **road infrastructure** in the Southern Grampians, of varying quality and usage. The key issue relates to the movement of heavy goods vehicles (i.e. through the towns themselves and in terms of the road damage). BITRE (2004) analysis has found that larger heavy vehicle (i.e. 60+ tonnes) impact costs are not fully recovered through the various recovery mechanisms (e.g. registration and fuel surcharges). This means that the additional costs associated with truck movements from transport of wind turbines, plantation timber and mineral sands will not be generating sufficient returns to Commonwealth and State agencies to fully fund road maintenance.

For the purposes of this study, an indicative costing tool has been generated to estimate the additional Council road maintenance costs that may be attributed to the timber harvest and wind farm construction. Obviously a full life cycle approach to road costing should be undertaken to validate these indicative estimates. However, from existing evidence it is reasonable to conclude that the increase in heavy truck movements through the Southern Grampians may add as much as $350,000 per annum to the Shire's maintenance budget during the peak harvest and wind farm construction years. From a cost-benefit perspective, then, this preliminary modelling is showing a significant negative return to the host municipality.

With respect to rail, there is an operating **freight line** that traverses the Shire, from Ararat, via Dunkeld, to Hamilton then to Branxholme and onto Portland. Usage is modest, but the imminent commencement of mineral sands shipments via the rail network, shows the potential for increasing rail freight. There is also a network of underused rail lines.

The major bottleneck for the expansion of rail transport is the fact that the port of Portland has no capacity to offload direct from rail to ship.

6.2.4 Airport

The Southern Grampians is unique in having a scheduled air service operating from the Shire owned airport, 11 kilometres from Hamilton. There is also a flight training school and general aviation activities such as an aero club, charter flights, emergency services and aerial agricultural services.

To sustain its competitive advantage (as one of only four regional airports in the State with a scheduled service) the Shire must continue to facilitate infrastructure upgrades and seek to improve the way the facility is operated.

There is currently a master plan for the site which is being rolled out in stages by a partnership between the Council and Department of Innovation Industry and Regional Development. The purpose is to stimulate tourism and other economic activity; bring the facilities up to contemporary aviation standards; meet emergency service requirements; and better use this strategic asset. Major works include:

- Extension of the main runway;
- Resheeting of the secondary gravel runway;
- Strengthening of the apron and taxiways;
- Installation of a Precision Approach Path Indicator (PAPI) visual aid system for aircraft;

- Installation of an Automatic Weather Information Broadcast (AWIB) for pilots;
- Replacement of the existing runway lights;
- Replacement of the current Airport Reporting Officer (ARO) works shed;
- Upgrades to the terminal building;
- Installation of landscaping around the airport;
- Installation of an automatic backup generator at the airport;
- Upgrades to the airport car park; and
- Upgrades to the internal airport road network.

The works costs are $2.9 million over four years with significant funding by Regional Development Victoria (Table 6.2).

Table 6.2 Hamilton Airport Upgrade Funding Schedule

	2010-2011	***2011-2012***	***2012-2013***	***2013-2014***	***Total***
RDV	$600,000	$1,100,000	$400,000	$200,000	$2,300,000
SGSC	$273,000	$392,000	$110,000	-$200,000	$575,000
Total	$873,000	$1,492,000	$510,000	$0	$2,875,000

In addition to the required works, the master plan also identified excess land for commercial or industrial use, though the lack of three-phase power and high speed telecommunications are a development constraint. There is also an indication that Sharp Airlines may shift its headquarters to Hamilton, requiring office space of some 400sqm to accommodate 40 personnel. More generally, there was a suggestion from some community members that the airport be managed by a Board of Trustees. This could the first step in a staged plan to transition to a commercial, Council owned company as occurred with Mildura Airport, although this would depend on a substantial increase in passenger numbers.

6.2.5 Livestock Exchange

The Hamilton Livestock Exchange is owned and managed by the Council in conjunction with an advisory committee. It is critical to agricultural and transport industries. Farmers truck in livestock for auction to agents who then organise their sale, slaughter and transport to market.

The facility is a mix of covered and uncovered cattle and sheep yards, truck wash, scales, canteen and stock water facilities. Council also leases adjacent land from Wannon Water for post-sale agistment. Sheep, lamb and cattle sales are held 1-2 times per week, and horse sales every six weeks. Annual throughput is around 50-60,000 cattle and 1 million sheep.

Council fees are based on per head sales and result in approximately $1.1 million per annum turnover and $850,000 in operating costs. Around $150-250,000 of capital works are scheduled each year, with most spent improving the quality of yard infrastructure. A master planning study is currently underway which will explore future capital works, sale yard best practice principles and management options. As with the airport, it has been proposed that the facility either be managed by a Board of Trustees or a specialised private sector company. Of the 23 saleyards in Victoria only a handful are private companies, although the Board of Management structure is used in some cases (e.g. Ouyen).

6.2.6 The Cultural Precinct

While they do not have significant commercial prospects, the Hamilton Cultural Precinct venues are important features of the Shire's amenity. Excluding the Library, visitors to the cinema, gallery and performing arts centre are in the order of 25,000 per year and the Precinct is soon to finalise a redevelopment plan. Ongoing improvements to the Precinct will go some way to improving the quality of life liveability of the Shire and, therefore, contributing to economic development and population growth.

Of the three venues, the gallery is the most unique, having an enviable collection and reputation and, along with improved physical infrastructure, new governance arrangements are worth exploring. For example, the recent transition to a Board of Management at the Ballarat Gallery, while not without teething problems, has proven to be a success. One of the key advantages is that, when placed at arm's length from Council, the gallery can gain charitable institution status and thereby be a recipient of donations and sponsorship from various trusts. As with many metropolitan statutory authorities, service level agreements are necessary to ensure viability and a continued involvement of Council.

6.3 Environmental Issues and Opportunities

The Southern Grampians is typical of many Australian rural shires. It has shifted from an essentially unmanaged environment prior to European settlement to one in which the native vegetation has been extensively cleared and replaced with shallow-rooted agricultural crops and pastures. This has generated increases in agricultural productivity but at the cost of the loss of the majority of the area's native vegetation and subsequent water table rise and secondary salinity issues. Today only 13% of the original native vegetation remains in the Shire, which makes what is left of significant value. This is particularly so given that the region's natural assets are important for fishing, water skiing, camping and bird watching.

Managing a fractured and damaged natural resource base while maintaining, or even increasing, the region's levels of agricultural profitability is not an easy task. Only ongoing, effective management of the productive capacity of the natural resource base will ensure the maintenance and improvement of regional soil and water quality and ecosystem services; increases in agricultural productivity and more resilient communities.

6.3.1 Overview

Soils of the region vary in texture, structure, chemical composition and age. This results in diversity in agricultural productivity potential. While many of the soil groups exhibit some form of physical and chemical limitation to maximal sustainable production, the inherent fertility of some of the more recent soil series is high (GHCMA 2004).

The climate for the majority of the region is characterised by hot, dry summers and cool, wet winters with average annual rainfall levels varying between 530 and 1,010mm/year.

In terms of groundwater, the Shire is located entirely within the Glenelg-Hopkins Catchment Management Authority (CMA), primarily within the Glenelg Hydrological Basin but also with small areas of land within the Hopkins and Portland Coast catchments. Ground water resources are extensive and occur in both deep and shallow aquifers with ground water quality being generally good to moderate although decreasing towards the central north of the Shire, where it is saline in parts. Severe dryland salting due to the removal of natural vegetation has been identified as a major cause of increasing salinity in the streams of the region.

6.3.2 Land Capability Assessments

The Victorian CMAs have been designated the "primary caretakers" of the land and water resources at a regional scale through enabling State legislation and are therefore an essential partner when developing medium to long-term sustainable development strategies. Some land capability assessments have previously been undertaken in the region, particularly by the Glenelg Hopkins CMA (GHCMA 2004a, 2004b), the Department of Primary Industries (DNRE 2001, DPI 2009) and consulting firms (such as Kellog, Brown and Root 2006a, 2006b).

Much of the region exhibits low to moderate levels of susceptibility to sheet, rill, gully or tunnel erosion; predominantly low levels of susceptibility to wind erosion and; low levels of susceptibility for mass movement except on the western boundary of the region.

A moderate capability for dairying and wine grapes has been identified (higher than the potential for cropping or forestry) although only a very limited number of land use alternatives were actually assessed in detail in these studies (DNRE 2001).

6.3.3 Water Availability and Responses to Climate and Market Forcing

Climate change is expected to have substantial impacts on water use and availability. Left unchecked, regional water use may rise while water availability declines due to expected higher temperatures and lower rainfall, but the major impact on water availability comes from the decline in regional water yield. Increases to regional water use efficiency may (perhaps counter-intuitively) be attained through expansion in irrigated agriculture as long as more efficient irrigation methods are used (e.g. well-managed centre pivot irrigators).

Agriculture has always been a responsive and adaptive sector and the experience it already has in responding to seasonal and annual weather-scale variations will assist in its adaptation to annual and decadal climate-scale variations. The agricultural marketplace is as fickle as the weather and, again, agribusinesses are well adapted to responding to market forces. However, they are not overly pro-active when dealing with exogenous impacts. While agribusinesses are already diverse and capable of further 'responsive' diversification, their resilience is limited and would benefit greatly from regional and industry-scale forward planning.

6.3.4 Succession Planning

As with most of the rest of Australia, the Shire's farming community demographic is defined by an ageing population of farm owners and managers. The next generation of farmers perceive more opportunities available to them than their parents and many are choosing to leave rural areas and agriculture as a profession and move to urban centres and follow different career paths. The development of a sustainable agricultural economy and community requires that this community is supported through succession planning to allow the development of goals and values over time.

6.3.5 Planning for Change

The major influences on agribusiness development are largely exogenous but can be planned for at the regional scale.

Changes to weather and climate patterns, both within and external to, the Southern Grampians will inevitably drive shifts in agricultural production systems and commodity markets. Water security within the Shire seems assured, at least in the short term, but decreasing water availability or increasing water costs will drive the movement of both intensive and extensive agricultural industries from areas where water is scarce or expensive to where it is more plentiful (and perhaps perceived as cheap). Although this is largely an external driver for change, it presents an opportunity for the Shire to commence marketing of the region as a more ‘assured’ natural resource base.

Similarly, an Australian carbon economy is still in the immature stages of development and potential drivers and directions are, therefore, unclear and largely outside of the control of both the Shire and business community. These drivers and directions are also highly variable at present, as the various political and lobby groups assess the potential (but uncertain) impacts on their particular areas of interest. The Shire is best placed in this respect in ensuring that whatever strategies that are developed, whilst not necessarily focused on carbon sequestration as an income stream or carbon use as a cost, at least consider the potential impacts in these areas of their various planning strategies.

Given the uncertainty over climate change and associated policy impacts, the dominant short-term change driver in the agricultural sector remains commodity prices and changing market demands. These are difficult to plan for, although robust data gathering, modelling and ongoing industry liaison will assist.

Together with the assessment completed by State agencies and CMAs, the Shire has in place a comprehensive array of strategies to identify and address the major issues relating to strategic planning and environmental stewardship. However, there does appear to be a gap in terms of transferring policy to action, especially promoting a sustainably developing agribusiness sector.

6.3.6 Opportunities and Constraints

The combination of changing environmental and economic conditions is creating opportunities in the region, as well as a need for strategic responses from Council. These responses generally align with the already-established sustainability priorities, values and commitments of the Shire, particularly in terms of making balanced and priority-based decisions; developing improved regional partnerships; and establishing an integrated management ecosystem approach (SGSC, 2010).

1. Managing conflicting land use expectations

The compromise between the conflicting needs and expectations of the various agribusinesses and other community sectors must be addressed. For example, participation in the Bush and Eco Tender initiatives, whilst increasing the area planted to native vegetation in the region and thereby improving environmental standards will also be perceived by some as reducing the area of potentially productive agricultural land. The costs and benefits of this practice in terms of economic, social and environmental standards need to be assessed and then communicated objectively to allow for planned, on-ground works which meet the needs of all parties. When carbon becomes a costed and tradable commodity, this will sway these cost-benefit analyses.

2. Improved land use planning

Land use planning is essential to manage the response to major environmental and economic drivers. A more comprehensive and specific land capability study will allow prioritisation of natural and agricultural resources. Moreover, regional and State agencies stand to gain from partnering in this work, with bodies such as the CMA and RDV benefiting from the strategic planning outcomes that can contribute to their own obligations and the State Government benefiting from having their regulations and guidelines built into regional development strategies. In turn, active co-operation with State regulatory agencies at regional and/or industry levels is often viewed favourably by the sector and can help develop more realistic, co-operative and industry-endorsed environmental guidelines, which are then easier to implement.

Planning tools can also be used to assist potential agribusiness investors by providing greater certainty about land use and, consequently, land prices. A land capability assessment system can generate maps and policies of land use “intent”, which may include the creation of zones of highly valued land assessed as having significant potential for increased agricultural production but with minimal environmental impact[21]. Development in these areas could then be controlled (for example) via the rural activity zoning and associated schedules that impose minimum lot sizes and regulated land uses.

Similarly, this process may identify zones where agricultural production would not be expected to increase significantly due to resource limitations (e.g. soil and water) even under optimum conditions. These may then be marked for less productive agricultural pursuits or changes to land use – plantation timber, residential (rural living), and even industrial. In this way, it may be possible to control land use change and mitigate against the uncertainty of land price fluctuations. If, on the other hand, rural contraction and residential expansion is uncontrolled, land use will be almost exclusively driven by incremental increases in land costs adjacent to urban areas and smaller rural communities in the Shire risk stagnation as they wait for residential expansion to reach their front gate.

3. New markets and industries

Alternative energy generation is a key alternative land use in parts of the region. This includes wind, but there is also the potential for tree plantations to be more commercially appealing via soil-carbon sequestration and biomass fuel; particularly if carbon pricing and trading emerge as market drivers for carbon-intensive industries. As noted earlier, wind farms have been a useful additional source of income for land holders (although negative impacts during construction periods can be significant).

However, land use alternatives such as these, or even intensive farming (piggeries, boutique vineyards and so forth) should be approached with caution. If widely adopted,

[21] For example, sites close to pre-existing agricultural/transport infrastructure; located on productive soils with high nutrient retention capacities; located away from sensitive receiving water bodies and potentially conflicting land uses; and with the ability to share water resources with adjacent properties.

they can markedly shift the land use mosaic. Broad acre agricultural industries still require a significant level of occupant residency and work effort relative to these other land uses, most of which require low levels of site maintenance. Ongoing, subsector and even project specific analysis will be necessary to fully evaluate the consequences of encouraging these changes. Moreover, environmental concerns have been raised about intensive farming as it generates higher levels of waste per hectare and may require clearance of the Shire's remaining native vegetation.

Rural-based and eco-tourism are perhaps less uncertain. They 'modify' rather than 'change' land use and can, therefore, increase economic diversification without whole-scale land use change. These activities would also benefit from the development of some form of eco-accreditation system for regional agriculture.

Urbanisation via low density residential or rural living rezoning arguably cannot be avoided if the full range of housing and lifestyle demand is to be met and population is to increase. This will drive up land prices and rezoning should be undertaken in consultation with regional and community groups, State agribusiness and environmental agencies to firstly identify and then seek to protect high priority agricultural assets within a framework of a hierarchy of agricultural assets. For example, one solution may be to locate intensive agribusinesses such as feedlots or piggeries within lower-value agri-regions in order to provide a buffer between these activities and a growing peri-urban, or rural tourism area.

6.3.7 Council's Role

The strategic issues outlined above require a coordinated response as they are inherently and comprehensively inter-related. They are also intrinsically part of the Shire's general responsibilities: planning and land use; and support in the provision of timely and thorough information for the local business community, particularly with respect to dealing with regulatory matters.

There are several possible approaches to addressing this, including the employment of a dedicated agribusiness development officer within Council. Ararat's Rural Business Development Officer is an example of one way in which this can be implemented (the role is a mix of agricultural business and agricultural community development, combining one-on-one meetings with farmers, with trade events organisation, information dissemination and so forth). Collaboration with the Department of Primary Industries may identify ways in which such a position can be funded. At the least, DPI and discussions with other councils who have had experiences with the role, can contribute to identifying the best functions for such a position.

6.4 Implications for Strategy

- The business community regularly raised zoning and other planning processes as matters of concern. It is likely that this is primarily a case of information exchange, rather than regulatory impediments
- Improvements to Council's major infrastructure assets can support more industry development. Co-operation with relevant partners (e.g. Wannon Water and RDV) will continue to offer the best option for facilitating this, as may reorganisation of governance arrangements
- As with the rest of Australia, environmental conditions in the Shire are entering a period of major change. This, together with rapid market changes, highlight the importance of investing more fully in supporting the agribusiness sector

7.0 Towns and Places

The Southern Grampians is made up of 10 interconnected settlements, each of which has development constraints and opportunities. While there are similarities in the towns' function and the issues they face, there are also important differences. Seven sub-regions have been identified, each with its own development emphasis (See Figure 7.1.). Cavendish, Tarrington and Hamilton form part of a higher order service zone; Dunkeld and Penshurst are part of a tourism, arts, horticulture and agriculture zone; Branxholme and Byaduk forestry and agribusiness; Coleraine health, slow food and agribusiness; and Balmoral agribusiness and recreation. These themes begin to define the structure of the Southern Grampians settlement system and the functional economic role each towns plays.

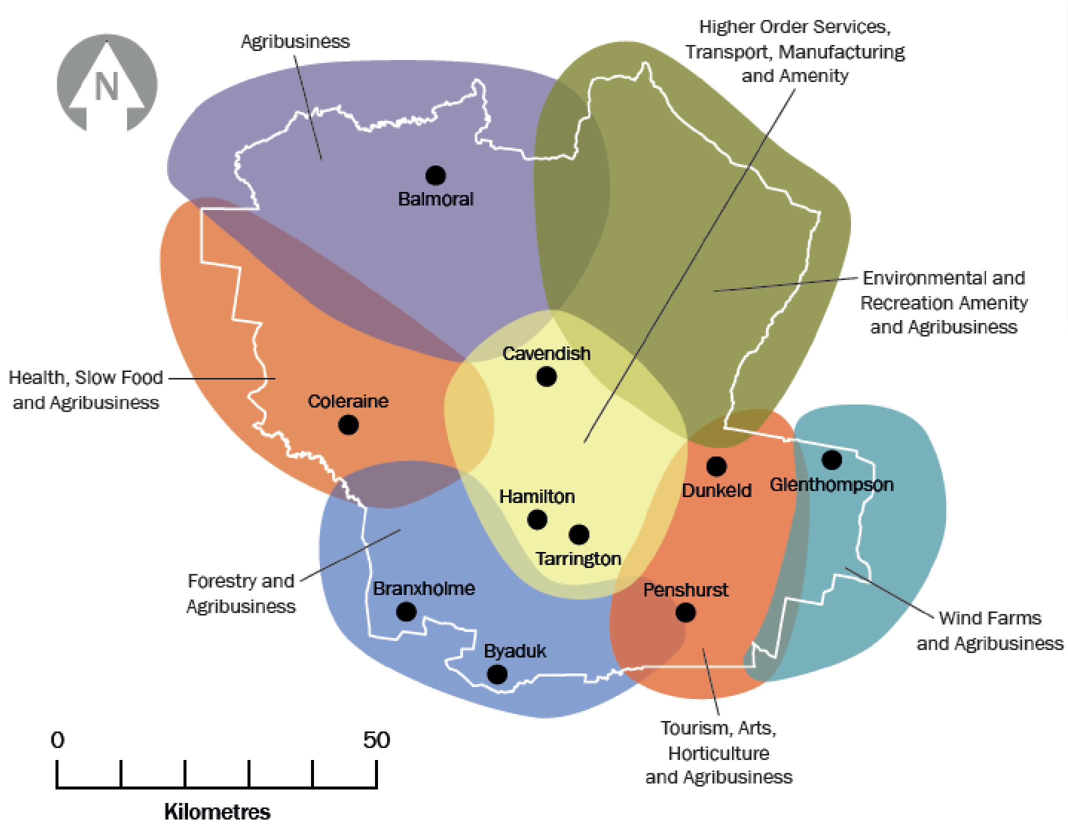

Figure 7.1 Subregional Economic Development Drivers

7.1 Hamilton

Several documents (including the Council's planning scheme review and the Municipal Strategic Statement), along with consultation have all highlighted the importance of

Hamilton as a centre with a level of amenity and services higher than would usually be expected of a town of this size. Access to gas, sewage and water and road links also make the town an ideal location for industrial land provision.

With the completion of the structure planning process, the priority issue for Hamilton is to find its place in the Western Victorian settlement system and capitalise on its status as a regional centre. Competition from other centres - especially Warrnambool - is an underlying cause of many development constraints. In its efforts to expand, the town will need to build on its point of difference, rather than mimic the development trajectory of its neighbours. For Hamilton this means focusing on building more diverse retail, professional and other services. All of which will need to be done without compromising physical amenity features. The key factors will be: improved housing stock; maintaining and improving the visual amenity of the town; investment in amenities for young families; and business start-up support services.

7.2 Penshurst

Penshurst is only 30 kilometres from Hamilton. It has good (free-draining) soils, good rainfall, few climate risks, and good groundwater. Its economic future most likely lies with continued support for surrounding farming communities, some tourism and additional industry, aged care and a more robust retail sector. Proximity to employment hubs (Hamilton and Warrnambool) makes Penshurst a potential commuter town. The key constraints are no town planning scheme; limited overnight accommodation; high vacancy rates in commercial buildings on the main street; lack of quality housing stock (especially rental); general town amenity; and few visitors. The closure of the Halls Gap-Dunkeld Road has also had a negative impact, which demonstrates the town's connection to a touring route that includes Hamilton, Tarrington, Cavendish and Dunkeld.

Sewage is possibly the largest constraint as it limits development of housing. Resolving the overnight accommodation issue, investment in town centre amenity and tourism (Mt Rouse) and business start up incentives are possible Council interventions.

In discussions about Penshurst it was noted:

1. The town has several heritage buildings unfortunately commercial prospects for their sympathetic use have been poor.
2. The town currently has one B&B. However, given that it is on a tourist route to the coast, affordable backpacker style accommodation may be warranted. Further examination of this should form part of the tourism planning.
3. The Penshurst Music Festival is slowly growing and, again, should be examined.
4. The town currently has a rural character (e.g. through soft edges on roads). This should be retained via urban design guidelines emerging from future structure planning.

7.3 Dunkeld

Dunkeld is the obvious focal point of the Shire's tourism industry – though it has suffered recently with the closure of the road to Halls Gap. Its close proximity to Mt Sturgeon, caravan park, chalets, and the Royal Mail make it an ideal destination. However, the town is poorly integrated into the Grampians National Park, and it has previously been positioned as a *gateway* rather than *destination*.

The forthcoming structure plan will resolve a number of planning issues. Relevant to this is that retaining the rural character of the town ranked amongst the most important concerns in the local business community. Also important were:

- The urgent need to address lack of childcare;
- The need for a greater range of accommodation;
- A more active retail sector, including boutique stalls and extended café hours;
- Informal walking and cycling trails (linking the town centre with the national park);
- Options for cottage industries (attached to a light industrial zone);
- Options for rural living that do not undermine the town's scenic vistas; and
- Development of the local arts scene (possibly via an artist-in-residence program).

It has also been suggested that, as the primary recreational tourism stopping point, the Dunkeld Visitor Information Centre should be staffed by paid professional employees. Detailed data gathering and analysis may help to reveal tourist movement patterns to assist in resource reallocation of this form.

7.4 Cavendish

Cavendish is in close proximity to Hamilton and Dunkeld, and has an inviting village feel. However, it is suffering economically, the most recent example being the closure of the general store. Connecting roads are in poor condition and trucks regularly pass through the town, adding little value. Its economic future most likely sits as a satellite town of Hamilton, offering a more relaxed rural-urban environment with high level natural amenities. This may be provided through a rural living zoning, although care would need to be taken in view of the attractive remnant bushland around the town site. Basic provisions (petrol and some grocery) along with social spaces (e.g. the hotel) will be critical community services aspects of this function.

7.5 Coleraine

Coleraine has a quite distinct personality. It too has suffered from economic restructuring; has retail vacancies; and limited water. However, there are emergent opportunities. The key activity is the major investment in the local hospital. Along with aged care and aligned medical services, the facility can anchor Coleraine's economic future. Part of this rests with new agricultural techniques being promoted by soil health advocates. A related project is looking at redevelopment of the waste water treatment plant that will include a new ecosystem comprising of wetlands, and mushroom growing. Close cooperation with Wannon Water is essential to ensure this proceeds efficiently.

Coleraine also has tourism potential, most likely focused around organic/slow food, fine dining and health, as well as the Eucalyptus Discovery Centre. Support initiatives should include incentives to occupy main street vacancies (e.g. via inviting a business incubation firm to establish a facility) and a farmers' market.

7.6 Balmoral

Balmoral acts as a midway point between Hamilton and Horsham and services the local farming community as well as related industries. Truck traffic through the town is relatively heavy and anecdotal evidence suggests that, as with Cavendish, this generates very little retail spend. The status of local roads is a concern, particularly with the increase in grain production and (at least for the next 12 months) mineral sands. Climate and distance to market does not lend itself to intensive horticulture, though there is a rosemary farm in the area, and many local farmers have diversified their production. Isolation is considered less of a concern with online marketing options and communication. The key to its economic future is the status, use and amenities of Rocklands Reservoir. Recent rainfall has increased the use of the popular camping, fish and boating recreation destination. Opening up Black Ranges is also considered an untapped tourism opportunity. Mineral exploration to the south may have some benefits although it is too early to evaluate this.

7.7 Tarrington, Branxholme, Byaduk and Glenthompson

Tarrington, will continue as a satellite town to Hamilton, with options for some boutique cafes/restaurants, and possible produce outlets. Maintaining the green wedge separation between the towns is considered an important objective to retain Tarrington's unique character. Branxholme's function is perhaps best suited as a dormitory commute village for major projects such as forestry and mining and related activities (e.g. transport). There is some limited rail opportunities, including a future as a loading point for exports.

Byaduk townsite has limited economic function, but does act as an important community focal point for surrounding farms, as well as a potential information hub for some of the local tourist attractions. Glenthompson is a small hamlet on the eastern edge of the Shire. It services surrounding farm communities, has a brickworks and is in close proximity to newly constructed wind energy farm (with the prospects for a copper mine to start up to the north). It also has a road house and is an easy truck stop. Efforts to improve local retail and tourism amenities are the most likely economic development activities, although the range of different major project activities may have implications for housing. Pre-planning now (considering zoning issues, infrastructure and housing) will have two compounding benefits: firstly it will help to ensure that Council's efforts contribute to the mine proponents' feasibility study and secondly that Glenthompson gains from increased local activity (e.g. via workers' accommodation and mine support operations being located in the town). Branxholme shares similar spatial characteristics with Tarrington and Cavendish and has some potential as a rural lifestyle commuter suburb for Hamilton.

7.8 Implications for Strategy

- Settlement roles are largely defined by their current economic activities and location with respect to one another. These roles are the competitive advantages each town has and should be emphasised
- Over time, a settlement plan may help by providing a framework for prioritising ongoing interventions in each town
- Underlying economic and cultural changes have emphasised larger retail and commercial centres over smaller towns. This has impacted on the main street vitality in most of the smaller settlements in the Shire. While this trend is unlikely to reverse in the short-term, there are promising interventions that can be used to repopulate main street commercial premises. This is a key priority

8.0 Governance Governing Policies and Principles

Governance and policy issues relate to the 'logistical' role of Council, other government bodies (e.g. RDV) and business organisations to stimulate and support economic activity. Several themes emerged through the consultation and analysis. Resolution of many of these issues will occur once industry and place-specific strategies are implemented.

8.1 Aligning Council Goals

Successful implementation of an economic development strategy requires the responsible organisation to operate in a co-ordinated manner. Suboptimal outcomes result from a lack of co-operation across the divisions of Council. This means, for example, that the Economic Development Strategy should align with the five fundamental objectives outlined in the Council Plan. It also means that economic development is not just the responsibility of the economic development team, but it is a role for the entire Council.

By way of example, consultation revealed the fact that, if the Shire were to stimulate large-scale in-migration, many of the new residents will come from non-English speaking backgrounds. At this stage, most cultural and community facilities do not cater to diverse cultural backgrounds and, over the long-term, the Shire will have to play a large role in managing this. While this is conventionally a community development role, it has implications for economic development. Similarly, planning frameworks have a direct bearing on the economic activities that are allowed or not. The structure planning process and subsequent planning initiatives should, therefore, be mindful of principles and strategies outlined in the forthcoming Economic Development Strategy and the EDU's current work program reflects an awareness of this.

8.2 Governing Boards

Council currently hosts numerous advisory boards contributing to the management of its various assets. Suggestions have been put forward that boards of management would be more useful, particularly with respect to assets which can directly or indirectly influence economic prospects and so improve the quality of life for residents. This includes the Airport, Livestock Exchange, Art Gallery and HILAC. Given the scope of disciplines necessary to manage such a diverse range of entities, it is very unlikely a single board could be established with sufficient expertise. This means that if Council were to establish boards, several would be necessary and, ideally, their creation would be staged.

8.2.1 The Importance of Business Organisations

Irrespective of the concept of boards of management, a common theme to almost all of the one-on-one discussions was the perception that the Southern Grampians is a conservative community that did not encourage change, or new residents. For example, although anecdotal, major project operators have cited difficulty in finding information about available services and support. It has been suggested a more welcoming environment for new businesses would help encourage investment, as would a contribution to supporting local small business start ups by nurturing local entrepreneurial capacity.

Business organisations have a role in addressing all of these issues. Collaborative forums to bring innovative and entrepreneurial people together, as well as sharing information and advice to new businesses are a well regarded mechanism for building social capital in regional economies. Currently the Hamilton and Region Business Association (HRBA) is the primary (but not only) agency involved in this in the Southern Grampians. However, there is a perception that HRBA is Hamilton-centric and not suitable for advocating on behalf of the entire municipal economy. It has been proposed that a new mechanism along the lines of a 'Committee for the Southern Grampians' may be helpful (in addition to HRBA). There were mixed responses to this proposal, although it is worth considering *in consultation with the business community, including HRBA.*

8.2.2 Working from the Ground Up

In terms of how business support organisations or mechanisms should operate, consultation and the research literature highlight the importance of the concerted effort of people who can bring technical knowledge, leadership and, for want of a better word, salesmanship. The forums from which they can effect change need to be 'grassroots' in that they come from the business community. While the business community is encouraged to take the lead, Council has a role in supporting and contributing to the ideas generation emanating from these forums or groups. In fact many current EDU tasks should be undertaken collaboratively with local business organisations.

8.2.3 Meeting Eye-to-Eye

Following on from above, business development can often occur in a serendipitous way, via chance meetings and regular discussions. While forums, workshops and other briefing sessions can be useful (and are an important part of the current efforts), regular one-on-one discussions with Council staff are seen by the business sector as helpful in building awareness of different parts of the economy (for both parties). It is something that Ararat Rural City Council has applied to great effect. The economy is essentially a system in which different entities play important roles. Without awareness of what those roles are (gained via regular face-to-face conversations), outcomes will be suboptimal. This is why one-on-one meetings are still considered an essential part of consultation work (and made an important contribution to this study).

8.3 The Council as Information Broker

The consultation findings emphasised the need for better information distribution across the economy and several consultation respondents suggested the Council is the ideal organisation to collect, maintain and disseminate this information (through regular one-on-one meetings, rather than occasional forums). Additionally, the idea of a prospectus was raised several times: that is, an easy-to-read, regularly updated information source for potential investors, but also for existing businesses looking for particular services.

8.4 Different Approaches to Economic Development

There are several broad approaches to an economic development team's work. Looking nearby:

- Glenelg focuses on large-scale employers and infrastructure projects;

- By contrast, Ararat has emphasised spreading its reliance across industry sectors, ongoing one-on-one meetings with small businesses and ‘selling’ the success of the Shire. That is, branding and promotion, to some extent even before there was ‘something to sell’ (arguably an approach that would be particularly useful for tourism and amenity-led growth);
- Ararat has also had success with the creation of a rural development officer role;
- Horsham’s approach has been to become a regional service centre for a larger region and close collaboration with three neighbouring councils (West Wimmera, Hindmarsh and Yarriambiack) through the jointly funded Wimmera Development Association; and
- The Wimmera Development Association also runs a successful business incubator that has supported the development of small business.

Each of these provides a useful insight into how an economic development function can be carried out and the success of some efforts confirm some of the findings from this study.

8.5 Regulatory and Operational Flexibility

As data are collected and evaluated, it readily becomes apparent that conditions are always changing. This makes regulatory flexibility important, particularly in relation to infrastructure and planning. It is recognised that the current organisational and operational structure of the Economic Development team already allows for changes of plan and rapid responses to new ideas. As innovation needs to be nurtured where it emerges, this is a valuable operational asset.

The need for flexibility also applies across Council. For example, the idea of introducing an economic development component to Council decision-making (particularly, but not only, planning decisions) was proposed. That is, before a decision is made (e.g. to upgrade a particular road/street, or impose a zoning regulation), the impact on local business or business opportunities should be evaluated. If there is potential for the decision to impact on the local economy, the economic development team should be consulted as a matter of course. Conversely, the team could be promoted as the first port of call for all local or new businesses that need to engage with the Council on any matters.

Given that population growth (or at least stabilisation) is arguably the most critical objective for Council over the next 10 years and that economic growth and diversification are the keys to this, prioritising economic development outcomes can be justified.

8.6 The Southern Grampians as Part of a Region

Co-operation across municipalities (and across industry sectors) was raised several times during consultation. To begin with, the close integration of the Southern Grampians and Glenelg economies cannot be ignored. The two municipalities are effectively part of one integrated economic region and notwithstanding the need to occasionally bid for the same pool of State and Commonwealth funds, the two shires mostly function in a complementary, rather than competitive, manner.

While there may be occasions on which objectives will be in conflict, *in the long-run* the ‘backwash’ effect of growth and development (see Section 3) will be an important element of the Shire's success. Council already has many successful examples of co-operation across the region and, to the extent that it is possible, the economic development strategy should continue this.

For example, regional workforce planning may benefit from a 'sub-regional' component through which Southern Grampians and Glenelg cooperate to address key labour shortage issues. Regional Development Victoria is well placed to facilitate this co-operation.

The structure of Horsham's approach to economic development is a case in point. The Wimmera Development Association is a body set up and funded by four councils (). It takes a regional approach to economic development and has been particularly successful in lobbying for funding to develop regional infrastructure.

8.7 Carbon Pricing, Oil and Transport Vulnerability

Although no concerns were expressed about the introduction of a carbon price, there are important implications for the Shire. The reliance on private transport is, in itself, an undeniable and largely intractable problem given the widely dispersed population. Car ownership is in the order of 912 per 1,000 residents, compared with 739/1,000 in Victoria as a whole and 701 in metropolitan Melbourne. On top of that, a higher proportion of these cars are older, therefore less fuel efficient, than is the case elsewhere (ABS, 2009). Add in to the mix the likelihood of sustained (albeit volatile) higher global oil prices and there is a clear need to investigate all options for addressing the emerging transport vulnerability. This may include:

- Developing and regularly updating a cost benefit analysis demonstrating the value of a passenger rail service to Hamilton. While it is not currently a political or economic reality, this may change within the next 5-10 years. Maintaining a knowledge base on the prospects for and details of a passenger service may pay off in the medium-term. One key to this may be in undertaking regular surveys to gauge latent demand so that modelling in the future has the benefit of a data time series;
- Supporting, where possible, more extensive use of the freight rail network;
- A community bus to reduce the need for private vehicle use;
- Investigation of the merits of biofuel production; and
- Performing an information provider role to the business community in terms of potential impacts and opportunities arising from these major environmental and economic changes.

Broader economic effects of higher oil prices have been modelled with highly variable estimates. However, there is a consensus that higher oil prices affect household consumption patterns (such as reduced entertainment and recreational discretionary and retail expenditure); and particularly agricultural production costs. Direct costs such as machinery use, are in the order of 6-8% of cash costs and indirect costs (e.g. rail and road freight) an added burden (around 5% of total transport costs are currently due to oil prices). These will add a substantial burden to the region's economy and should, at some point, be factored into planning and analysis.

8.8 Implications for Strategy

- The hierarchical organisational and policy structure within Council is an excellent resource from which to generate substantial returns to economic development. It requires that efforts are co-ordinated across Council and that the Economic Development, Retail, planning, community development and other policies are aligned
- There is a wealth of knowledge and community spirit in the Shire, including business experience. This can be used to assist the Shire in making the most of its assets and efforts. Governance arrangements should be designed to meet this objective and there are several ways in which this can be achieved; in each case it is important to draw on the business community and to include regular, one-on-one meetings with the business community. In doing so, resources will be freed up within Council to take on some of the larger, more strategic initiatives outlined in this document
- Information gathering and dissemination is one of the most fundamental roles that Council can play in local economic development. Moreover, in doing so, it will become apparent how regularly conditions change and, therefore, how strategic responses need to adapt to stay relevant
- The Shire is part of an economic region and there are several bodies already in place that can assist with co-ordinating economic development efforts across municipal boundaries. Long-term and region-wide perspectives are necessary to ensure sustainable outcomes
- Major environmental and economic changes will affect the local business community and the current lack of awareness of the implications speaks to the need for Council to take a role in informing the community and providing a best practice exemplar. A transport strategy may be required as part of this

9.0 Outline of Strategy

The consultation, background research, a review of the existing work program and modelling work has generated a range of proposals for intervention. These form the basis of the action plan, to be guided by a policy framework.

9.1 Policy Framework

The actions in the final Strategy will have a policy framework, which specifies the overall intent and the core principles. A description of tentative concepts is provided below. Note that, at this stage, these are indications and for discussion only.

9.1.1 Strategic Intent

As stated at the commencement of this project, the strategic intent is to provide a blueprint for Council action over the next 5 to 10 years. To do this requires two key steps:

1. To understand the Southern Grampians local economy.
2. To identify the most effective way that the Council can contribute to expanding the economic base, attracting and retaining residents of all age groups and stimulate above-trend population growth.

9.1.2 Core Principles

These principles are drawn from the consultation and background research (e.g. see 'Implications for Strategy' boxes at the end of each section). The principles are the foundation upon which future actions and operations are based. While the latter can be modified, the principles should represent the interests and values of Council and, as such, be retained.

1. *Working as part of a team*
   Working through its guiding documents the Council has the capacity to optimise outcomes through co-ordinated efforts. The Economic Development Strategy should be implemented in a way that it makes a contribution to the Council's five fundamental objectives and emphasises collaboration across all divisions of Council. That is, the Economic Development Unit is not the only part of Council that should be involved in economic development.

2. *Flexibility and adaptability*
   A common mistake in strategic planning is an overemphasis on developing a detailed action plan and making fixed investments. This is not to say that specific recommendations and actions cannot be included in a strategy. However, it is essential that, as a general principle, we allow for both rapid response to newly emerging opportunities (flexibility) and the capacity to learn as new information comes to light and respond to this by changing interventions and investments (adaptability), *while maintaining a commitment to the overall objectives and underlying issues*. This requires a capacity to take calculated risks; and implementation of a continuous improvement mechanism that includes information collection and analysis. Without these, the Shire's efforts and economic development will not progress.

3. *Evidence-based planning*
   All of the actions proposed through the Draft Strategy are based on evidence compiled during this study. The compilation and thorough analysis of evidence provides greater certainty to support decision-making and avoids high risk policy missteps. As such it should be a core principle of Council operations.

4. *Focusing on causes not consequences*
   Underlying features of the Southern Grampians economy will continue to generate the same outcomes if they are not addressed. Evaluating and testing the issues will help to reveal the causes of economic problems and thereby provide a pathway to a solution.

5. *Facilitating the business community*
   With the exception of areas of intractable market failure, Council's role should be one of facilitation and capacity building in the business community. Council should be an important resource to support all local businesses and prospective investors. This requires ongoing and regular interaction with enterprises and, where relevant, governance structures that leverage from the business sector's skills. It also means redirecting Council's current efforts to include facilitation as a core principle.

9.2 Solutions

These solutions or actions are draft initiatives for consideration. For more details on the rationale behind, and objectives of, these ideas, refer to the relevant section.

9.2.1 Growing the Skilled Labour Force

Sections 3, 4 and 5.7

The research has emphasised the importance of population growth to address thin labour markets and labour shortages. Without intervention, these problems will intensify due to low growth and population ageing. The research also shows that:

1. Certain population thresholds can stimulate higher and/or more stable growth rates.
2. Reaching certain labour market sizes results in more diverse and deeper labour pools.

Adopting a clearly articulated settlement strategy with growth objectives for the towns in the Shire may assist in supporting economic expansion. This will require a commitment to data collection and analysis (to identify the changing causes of in and out-flows of population) and a focus on attracting 25-44 year olds.

Ideally the data collection should be undertaken in partnership with local organisations with data collection and analysis capabilities (e.g. RMIT). It should form part of an ongoing data collection program that will allow the Council to set performance indicators; refresh its economic model on a regular basis; and identify new emergent growth opportunities.

There are also interim steps that Council can take to assist in improving access to skilled labour. Key solutions include:

- Collaborative efforts (with neighbouring councils and RDV) to build on the regional nature of the economy including, for example, to address the spousal/partner employment issue;
- Liaison with as wide a range of local businesses as possible to ensure interventions are appropriate to different sectors;
- Marketing to improve awareness of what is available to local employers by way of training programs for their staff, in order to encourage internship style programs;
- Partnering to undertake a cost benefit study of an Education Precinct in Hamilton;
- Developing and piloting a small business attraction scheme for the smaller towns (e.g. commercial space incubators and fee waivers).

The research also found some variability amongst businesses in the way that skilled labour issues affect their business. This speaks to the need to adopt a flexible and (almost) individually) tailor-made approach to supporting enterprises.

9.2.2 Major Projects (Wind, Timber and Mining)

Sections 5.2, 5.3 and 5.4

Lack of awareness of locally available services and support has been a key challenge for major project operators (particularly wind farm construction firms). While it has created an opportunity for brokering services, an Economic Prospectus may also assist. As well as providing assistance to major project developers, a prospectus will also draw attention to the potential in the region to new investors and local businesses. The operational principle underlying this proposal is project-specific 'pre-planning' using a variety of tools including information gathering and dissemination.

In relation to the timber harvest, there are several growth opportunities. Firstly, through housing for the harvest crews (requiring promotion of the Shire's amenity attributes and direct, ongoing discussions with the main plantation companies); the need for a basic truck depot along the route from, and preferably in proximity to, the main plantation region (e.g. Coleraine); space for equipment servicing for the harvest machinery; and value adding from the timber residue. Perhaps the most exciting prospect is this latter one. There are several concepts that have merit and ongoing discussions between Council's Timber Harvest Coordinator, Sustainability Officer, plantation owners and residue recycling proponents may identify opportunities for pilot programs. In addition, the harvest firms will need assistance with securing transport services, including land and infrastructure for a transport depot/hub.

The leveraging opportunities from mining are to attract as many of the mine construction and operations workers as possible to reside in the Shire; and enhance the capacity of local businesses to support major project companies. Regions familiar with mine projects regularly undertake 'pre-emptive' cost benefit analyses to identify how returns to the community can be maximised. These are usually collaborative exercises with mine proponents and potential interventions arising from this analysis may include: upgrading existing caravan parks to provide interim (or permanent) serviced spaces for construction and operational workforces; development of nearby industrial land for service businesses;

negotiations over shared funding for essential infrastructure upgrades; and co-funded traineeships for school leavers.

Mining companies incur significant costs navigating through regulatory and exploratory processes. This adds uncertainty to project proposals, particularly with tradeable commodities with volatile prices. Assistance with this can help ensure mines proceed and there are numerous municipalities in regional Australia whose similar experiences can be drawn on for ideas (e.g. Morawa in Western Australia).

9.2.3 Agribusiness and Sustainable Industries

Sections 5.1 and 6.3

There are several issues that Council has an important role in addressing to ensure the agribusiness sector can thrive in newly emerging environmental and economic conditions. The most effective way to achieve this is via the engagement of a dedicated agribusiness development officer (ideally in partnership with a neighbouring municipality such as Glenelg and with the assistance of RDV).

Agribusiness opportunities can be highly opportunistic and short-lived depending on market demand for particular products and seasonal climatic variation both within the Southern Grampians but also in other regions which compete in the same markets. This industry–market–climate fluidity warrants a dedicated, regionally-based officer who can assess agribusiness and marketing opportunities as they develop and link them with appropriate land managers and grower groups. The fact that agricultural industries make up the largest regional employment sector justifies increased levels of support from Council, as does the growing issue of food security in Australia and the region.

The appointment of this officer would improve links to market development, community, environmental and financial assistance groups such as AusTrade, the various Natural Resource Management organisations and industry-specific development agencies such as Meat and Livestock Australia. All of these bodies, and those that may emerge if a national food security strategy were to be implemented, will have access to sometimes significant market development seed funds.

The appointment of an agribusiness development officer would be a significant step forwards in terms of planning for, and developing, a robust and resilient agribusiness sector within the region. It could provide many outcomes including:

- More detailed assessments of regional resource constraints and industry strengths and opportunities;
- Investigation of the prospects for grain processing in the Shire;
- The development of spatially and temporally-specific datasets, maps and strategies for priority agricultural areas within the region;
- The development of priority, protected agricultural and horticultural zones;
- The development of linkages and synergies within the agricultural sector and between agricultural operations and their regional neighbours (for example some of the by-products of mineral sands processing have previously proven useful for improving the productive capacity of marginal agricultural lands);
- Further exploration of value-adding opportunities (in partnership with DPI, education and industry groups);

- Links to rural and eco-tourism groups;
- Coordination of agri-business and succession planning activities;
- Strengthened links with regional environmental, industry and funding groups;
- The development of a regional sustainable agriculture strategy or Environmental Accreditation/Corporate Social Responsibility framework; and
- Further exploration of carbon and water issues and links to decision makers.

9.2.4 Transport

Section 5.5 and 8.7

The proposal to develop a transport hub on industrial land adjacent to the railway siding south of Hamilton requires further investigation. It should be the subject of planning in consultation with the Department of Transport and RDV. Discussions with the timber industry may also help clarify the need for a truck depot/fuel stop on industrial land west of Coleraine to support the timber harvest activities.

Additionally other transport issues (such as the need for a community bus servicing some of the smaller settlements), and imminent environmental challenges suggest the need for a form of transport strategy that, amongst other things, secures partners to fund community buses and allows Council to provide a best practice example to the community.

9.2.5 Health

Section 5.6

The major intervention opportunity for the Shire is to capture the growth opportunities inherent in expanding to service regional Australian needs (via the WDHS), improving amenity attributes to attract retirees and young families; and, most importantly, ensuring infrastructure and other investments address the skilled labour needs. Investigating the prospects for a health precinct proposal for Hamilton will address all of these factors in a co-ordinated manner. At the same time, there will be opportunities emerging from the Coleraine hospital development project.

9.2.6 Education

Sections 3, 4 and 5.7

The Education Cluster Working Group is the ideal mechanism for continuing to explore both the Education Precinct and Education Cluster proposals. For two reasons, Council should undertake a more detailed analysis of the returns on investment in a precinct: firstly because it is necessary to do this to secure State and Commonwealth funding; and secondly because the commitment of substantial capital to this project is an opportunity cost in terms of pursuing other objectives.

A more immediate and smaller scale intervention involves developing a child care plan that secures child care services in the smaller towns.

9.2.7 Tourism

Section 5.8 and 8.4

A range of tourism-related actions have been proposed through this study. These are intended to add to, rather than replace the Tourism Strategy Action Plan. They include:

- Assistance in providing accommodation in key tourist-related towns;
- A survey of visitors at Dunkeld and Hamilton to distinguish those passing through from day, overnight visitors. The data can be used to inform decisions about resource allocation to the visitor centres, promotion and so forth;
- Funding support to provide visitor accommodation in Dunkeld and Penshurst;
- A strategy to rebrand Dunkeld as the key *destination* for visitors to the Grampians National Park;
- Intensive liaison with local tourism and accommodation operators to clarify priorities as part of a detailed works (and other) program;
- A plan to develop night-time activities (for example, around the Cultural Precinct) to attract younger (25-44 year old) participants; and
- Investment in infrastructure at (and promotion of) Rocklands Reservoir.

9.2.8 Manufacturing

Section 5.9

As noted in the draft Investment Attraction Strategy (Nott, 2011), the provision of further serviced lots (rather than zoned industrial land) may secure additional investment in manufacturing. The key is to ensure it is done in an incremental way to test market demand and also so that the physical amenity (including entry points) of Hamilton is not compromised. If the SW TAFE campus were to relocate, the land would be ideal for light industrial manufacturing.

9.2.9 Housing and Construction

Section 5.10

The key indicative action in what is largely a private sector environment is to assist in the provision of temporary accommodation (e.g. cabins and hotel rooms and new serviced lots in caravan parks) for tourism and short-term needs; the careful zoning of rural residential land (for both locals and potential tree changers) around Hamilton, Tarrington, Dunkeld and possibly Cavendish; and the analysis and presentation (to property owners) of the value in improving rental stock.

9.2.10 Equine Industry

Section 5.11

Prospects for an integrated industry in the municipality are solid. Current suggestions are:

- A desktop analysis to provide a preliminary scoping of the prospects for the sector;
- A cost benefit analysis and project feasibility/masterplan for an equine precinct prior to any significant investment by Council (incorporating an assessment of planning issues);
- Ensuring a supply of appropriate lot sizes;
- A horse census/owner survey; and
- Targeted marketing to recreational horse riders in Ballarat, Warrnambool and possibly even Bacchus Marsh.

9.2.11 Other Services

Section 5.13

At this stage only anecdotal evidence exists for the potential of attracting highly skilled professionals to the region via the 'weekender' transitional route. While many shires around the State pursue this idea, the Southern Grampians has several assets in this respect: links with the skilled professional industry in Melbourne via several entrepreneurs currently connected with the Shire; a profitable agribusiness sector that requires professional services; and a scheduled air service.

While the prospects may be modest, the flow-on effects in terms of enhancing local services and amenity may be significant. The first step should be to identify the scale and nature of the growth prospects. This could form part of a research agenda in collaboration with RMIT. Once this is achieved, Council's role is one of marketing and ensuring serial impediments to growth are overcome.

9.2.12 Amenity and Infrastructure

Sections 6.1 and 6.2

As identified elsewhere, there are several areas in which Council can address amenity and infrastructure to improve economic prospects. The rollout of structure plans for each settlement is a high priority issue and can be complemented by other efforts including:

- Working with Wannon Water to explore ways in which excess recycled water can be used as an incentive to new businesses;
- Undertaking further research to address the lack of sewage in the smaller settlements and calculating the returns on investment for securing partnered funds to address this;
- Rolling out the Airport Masterplan and, together with the Livestock Exchange and Art Gallery, considering the merits of establishing boards of management to oversee their operations; and
- Ongoing work to identify what assets will retain people in the Shire once they have moved to take up work; and
- Comprehensive assessment of agribusiness opportunities to leverage from environmental assets.

9.2.13 Small Town Development

Section 7

Mindful of the *slightly* lower than State-average proportion of employing small businesses in the Shire, and the high vacancy rates in several of the towns' main streets, a small business development program is warranted as the key small town initiative. It has both economic and social development benefits and could focus on a mix of actions to repopulate shopfronts (including Council purchase and rates relief). It should be noted that this does not necessarily mean that direct incentives to small business operators should be considered. In addition to initiatives outlined elsewhere (e.g. child care), small town interventions include:

- Implementing a small business development scheme to address main street vacancies, including development of a business incubator in Coleraine;;

- Adopting development ‘themes’ for each settlement;
- Consideration of rural living subdivision adjacent to Cavendish; and
- Investigation of the prospects for a Penshurst community co-operative business venture.

9.2.14 Governance

Section 8

Several governance-related ideas emerged from the consultation. For the most part they involve bringing together informed local experts who can consider emerging problems, encourage innovation and share knowledge. These ideas include:

- Establishment of boards of management (rather than advisory boards) for key Council asset with revenue generating, or other economic potential. Given the number of potential boards, it is advised that they be established in stages commencing with ones that have the best examples to draw from (e.g. Bendigo or Ballarat Art Gallery or Mildura Airport, which moved from direct Council operation, via a board of management to incorporation);
- An ideas generation group or think tank. This would be a regular brainstorming session bringing together local entrepreneurs to discuss impediments to growth and potentially use public and private funds to invest in new enterprises. For example, some of the workshops for the economic development strategy study proved to be useful information sharing forums;
- An economic and financial benefit cost analysis of direct and indirect effects of a buy-local procurement policy in order to estimate the returns to the local economy (factoring in potential inefficiencies);
- Regular contact with as many local enterprises as is possible through site visits by members of the Economic Development team with an emphasis on helping to link local producers to as many potential markets as possible; and
- A firm commitment to scenario planning, data collection and analysis to ensure the Strategy and Council’s broader efforts remain relevant.

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