



Reinventing the Regions

Victoria's changing regional economies

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The views and opinions expressed in this report are those of the authors and event participants and should not be regarded as representing the views of the Victorian Government, Regional Development Victoria or CEDA. Analysis performed within this report is intended to contribute to ongoing discussions and is based on limited data gathered from each event in the *Reinventing the Regions* series together with open source information.

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INTRODUCTION

The **Committee for Economic Development Australia (CEDA)** is an independent not-for-profit organisation with members around Australia from business, government, academic and community organisations.

CEDA influences discussion about Australia's economic and social development by publishing independent research and policy analysis and providing forums for debate and discussion to bring about better public policy outcomes and to create better economic prosperity.

Regional Development Victoria (RDV) is the Victorian Government's lead agency in regional and rural development. It works, in accordance with the *Regional Development Victoria Act 2002*, across government to meet its key strategic objective of facilitating economic, infrastructure and community development to help ensure new prosperity, more opportunities and a better quality of life for regional Victorians.

RDV delivers its objectives largely through the \$1billion *Regional Growth Fund* (RGF) which supports major strategic infrastructure and community-led local initiatives that improve the competitiveness and liveability of regional and rural Victoria, creating more jobs and career opportunities.

About the series

Regional Victoria accounts for around a quarter of the State's population and economic output. Looking towards 2030, CEDA in partnership with RDV during 2011 – 2013, hosted a series of events titled *Reinventing the Regions* which focused on Victoria's regional economic development.

Federal and State Government focus on regional, population growth, demographic change, emerging policy changes, global market trends, and disparity between supply and demand, prompted these regional events.¹

The series provided an opportunity to engage business, industry, government, communities and academia in a discussion of key economic drivers and prospects for growth to identify how regions have adapted to shifting dynamics; how business has employed innovation to capitalise on new opportunities; and what industry profiles were evolving in response to changing circumstances locally, nationally and internationally.

The series consisted of five events looking at the experiences of Ballarat and the Central Highlands, Hume, Geelong and Barwon South West, Bendigo in the Loddon Mallee region and the Latrobe Valley. This report provides an overview of changes taking place in these regional economies, key themes that emerged from discussions throughout the series of events and five individual event summaries.

¹ CEDA (2011).

PART ONE: OVERVIEW

Victoria's changing regional economies

Over the last 30 years Australia has experienced substantial economic and social change, driven largely by the ongoing process of globalisation. At a macro level, globalisation has accelerated concentration and rate of economic flows, generated greater integration between economies and opened up new possibilities for growth. This led to the formation of global production networks and new industrial structures challenging traditional approaches to trade, finance and production.² At the same time, new technologies have increased the pace with which people, ideas and resources move around the world. Collectively, these developments have resulted in increased competition, which has driven improvements in productivity and economic efficiency.

Within Victoria, these changes have created new opportunities for business to transcend traditional boundaries, opened up access to new or expanding markets and increased opportunities for collaboration and innovation. At the same time, increased competition for investment has highlighted the need to identify sources of future growth as well as the importance of developing strategies to retain local production and labour, particularly skilled workers.

In this context, Victoria demonstrates a number of economic strengths. These include a skilled workforce, diverse industry base, competitive business environment and cities and communities regarded nationally and internationally as highly liveable. This ensures Victoria is well positioned to capitalise on economic opportunities arising from global transitions, especially unprecedented population and economic growth in Asia.

It is important within this context to acknowledge the significant contribution of regional Victoria. Regional Victoria comprises the state's 48 non-metropolitan councils. Regional cities and communities play a key role in driving the growth and prosperity of Victoria. Regional Victoria accounts for around a quarter of the State's population, jobs and economic activity. For example, in 2009-10 regional Victoria accounted for 24.6 per cent of gross state product (GSP), 26.5 per cent of the State's population and 25.9 per cent of employed persons.³ In many respects, regional Victoria powers the State.

Regional Victoria has an open and diverse economy and is the primary source of the State's agricultural output, food production and processing, energy and mineral resources. It is also increasingly the location of a large proportion of secondary goods production and service delivery. Regional Victoria's diversity of natural, historic and lifestyle attractions within a relatively small geographic area ensures that tourism is also a significant contributor to the economy.

² Held, D., McGrew, A., Goldblatt, D. & Perraton, J. (1999) *Global Transformations: Politics, Economics and Culture*, Polity, Cambridge, pp.438-9.

³ Access Economics (2011) *Victorian Regional Economic Outlook*, Melbourne.

Regional Victoria is home to the vast majority of the state's rich and varied natural assets and biodiversity. Not only are these of great intrinsic value, but are also important in economic terms. All contribute to Victoria's liveability. Regional Victoria also boasts a rich and varied social fabric ranging from large regional cities and towns to smaller rural communities.

Over the next two decades, the population of regional Victoria is projected to grow substantially from 1.5 million to 1.9 million.⁴ This presents significant opportunities for regional businesses and communities. Strong growth also brings challenges. Planning to maximise opportunities in emerging markets while addressing adjustment pressures associated with population growth will be integral to both regional and state prosperity.

Regions and cities expected to experience substantial growth include Geelong, Ballarat, Bendigo, Latrobe Valley, Shepparton, Mildura, Wodonga and Warrnambool. Regional cities are fundamental to supporting growth because of the important role they play in providing primary transport, economic and social links within their respective region, and to Melbourne. Regions experiencing growth tend to have strengths in terms of stock and investment in infrastructure, diversified economic activity and high levels of liveability. They may encounter challenges in terms of attracting and maintaining a skilled workforce, capacity to employ innovative technology or supporting industry networks. Currently, the strong Australian dollar is also impacting on trade-exposed sectors, including primary production and manufacturing, which have a significant presence throughout regional Victoria.

Reinventing the Regions

As the first event in the *Reinventing the Regions* series, Ballarat and the Central Highlands focused on the theme of *driving change today for tomorrow*. The region includes attractive natural landscapes, historic villages and vibrant cities, with diversity in circumstances between eastern and western areas. In the east, Ballarat is a strong driver of growth, new investment and business opportunities.

Increasing prosperity around Ballarat and between Melbourne has proved a major driver in attracting new residents. In the west, there has been a greater emphasis upon diversification of the area's economic activities to counteract effects of agricultural restructuring and increasing capacity to take advantage of new opportunities associated with the completion of the Wimmera Mallee Pipeline. Consistent with these trends, accommodating the needs and expectations of a growing population, growing industry through innovation, strong leadership and fresh thinking, and revitalising the region through cooperation and good governance, were key themes at this event.

The theme for the second event in the series, in Shepparton, was *transitioning for the future*. As one of the fastest growing regions in Victoria, the Hume region is characterised by a network of regional cities and centres located along major transport routes, including the Hume Freeway and Goulburn Valley transport corridors. Transport infrastructure plays an important role in economic growth within the region through the competitive advantage it provides to key industries, including manufacturing, processing and tourism.

⁴ Department of Planning and Community Development (2012), *Victoria in Future 2012*, Melbourne.

The region has significant food and vegetable processing industries and a strong rural economy based on irrigated and dry land agriculture, grazing, viticulture and forestry. The Goulburn Valley is widely regarded as the food bowl of the Murray-Darling Basin. Given the region is a net exporter of goods and services, innovation, product differentiation and best practice to ensure competitiveness and sustainability of agribusiness; attracting and retaining a skilled workforce through innovation; and connectivity in freight and passenger transport, were just some of the themes discussed at this event.

The third event in the series, hosted by Geelong, concentrated on the Barwon South West region. The theme for this event was *planning for the future*. Stretching from Queenscliff Heads to the border of South Australia, the region is home to Victoria's largest regional city: Geelong. The city has a longstanding manufacturing and engineering base, with particular strengths in automotive and textiles, and has experienced strong growth in the health and education sectors. The region has access to a deep-water port at Portland, an established rail network with interstate connections and several commercial airports. The internationally renowned Great Ocean Road attracts thousands of visitors each year. The region is also home to horticulture, viticulture, dairy production, timber plantation/harvesting, cattle grazing and wool production.

The dynamics of strong population growth, proximity to Melbourne and good international connectivity has enabled the region to attract ongoing investment. Looking at the challenges associated with demographic change, planning for growth and responding to shifting global markets, participants at this event considered the role of best practice, innovation and flexibility in building the capacity of traditional industries to adapt to new circumstances; positioning the region for further investment; and capitalising upon health and education providers as drivers of future growth.

The fourth event in the series in Bendigo examined *growth, development and renewable energy* in the Loddon Mallee. Occupying more than a quarter of the state's geographic area, the Loddon Mallee has a rich natural and built heritage, attractive towns, pleasant climate and social and economic diversity. Over the last decade the region has experienced strong economic growth. As the lifeblood in the north of the region, the Murray River supports highly productive agriculture, horticulture and food production servicing Victoria, Australia and export markets. Echuca, Swan Hill and Mildura represent larger centres experiencing sustained population growth. In the south, Bendigo has been a key driver of growth through its role as an economic, cultural and educational centre.

Location and transport linkages make the region highly accessible, with good connectivity to Melbourne. Key industries in the south include retail, health and manufacturing. Drawing on regional potential to increase growth through innovation and investment, a key theme at this event was potential within the renewable energy sector to play an increasing role in the growth of the Loddon Mallee.

The final event in the series, held in Traralgon, considered the activities of the Latrobe Valley in *creating a new competitive advantage*. As part of the Gippsland region, the Latrobe Valley is best known for its extensive natural resource base. While the Latrobe Valley has natural strengths in energy production, agriculture and paper

manufacturing, it is also the main service and population centre for the Gippsland region.

In light of an increasingly competitive global economy and a changing policy environment, particularly around energy production, the region is undergoing significant transition. Recognising it is rich in natural resources and has many infrastructure, workforce, cost-competitive and lifestyle advantages, this event examined how the region could capitalise on its strengths and an evolving industry profile to attract new investment; develop further competitive advantages; and grow emerging industry sectors through innovation.

It is evident from the *Reinventing the Regions* series that there is great diversity in the opportunities and challenges, characteristics and experiences of regional Victoria. Despite these variances, a number of recurring themes are distinguishable. Balancing demand and supply within labour markets and improving connectivity were identified throughout the series as both a key driver of economic growth and a challenge. In terms of adapting to new circumstances, competitiveness through increased productivity, innovation, entrepreneurship and environmental credentials featured consistently in presentations by industry as central to capitalising upon new growth opportunities.

Identifying key determinants of economic growth and competitiveness has important policy implications. During the series, participants heard examples of how public policy had progressively evolved from a narrow focus on industry sectors and infrastructure provision, towards tackling broader issues around skills development, productivity, liveability and more recently climate change. Consequently, the way governments work with regional communities has changed significantly.

“Regional Victoria has an open and diverse economy and is the primary source of the state’s agricultural output, food production and processing, energy and mineral resources. It is also increasingly the location of a large proportion of secondary goods production and service delivery. Regional Victoria’s diversity of natural, historic and lifestyle attractions within a relatively small geographic area ensures that tourism is also a significant contributor to the economy.”

PART TWO: KEY THEMES

Regional development policy

Public investment often faces a number of challenges. Not the least of which is the tension inherent within a place-based approach between promoting genuine locally derived initiatives, responding to political imperatives and investing in productive infrastructure. In addition, regional investment is often impacted by various constraints including fiscal (a tight financial environment); capacity (resources, staffing and processes for efficient and transparent implementation); policy (difficulty in exploiting synergies across different industry sectors and portfolios); and administrative (fragmentation at the local level). Consequently, governments are often confronted with an imperative of 'doing more with less'. These challenges affect regional development investment differently, depending on local circumstances.

In 2011 the OECD undertook a review of multi-level governance of public investment to identify good practice. This review found combining investment in physical infrastructure with development of soft infrastructure (such as skills development); improving coordination and implementation of investment strategies across all levels of government (through partnerships to achieve common objectives); building transparent management processes; and enhancing monitoring and evaluation through robust risk management, represented good practice.⁵

To this end, regional development policy is now largely based on increased emphasis upon regional communities setting their own priorities for the future and building on existing assets, resources and skills to maximise opportunities for economic growth. Improving cooperation between governments to minimise duplication and facilitating an environment conducive to private sector investment is also a feature.⁶

The establishment of a network of 55 Regional Development Australia Committees (RDAs) by the Commonwealth ensures alignment of governments across Australia to an agreed set of regions and mechanisms for leadership and in doing so, strengthened linkages between the Commonwealth and states. It also provides regional communities with a mechanism to influence investment decision-making through direct engagement with the Commonwealth.

At the state level, regional development activities demonstrate similar attributes to those evident at the national level. Across Australia, improving cooperation and collaboration, adopting an integrated approach to planning and place-based investment are key features of regional development policy. An important element of regional development activities within Victoria has been the development of Regional Strategic Plans for each of the five non-metropolitan regions. These plans outline the long term vision for each region and provide a framework for communities to partner with industry, business and government to deliver initiatives and projects tailored to local needs. Each plan identifies strategies and priorities for industry and business development, transport, community services, health, education, tourism, land use planning and improving the amenity of towns. Each plan is owned and endorsed by a range of local stakeholders, including local councils and RDA Committees. Many of these participated in the *Reinventing the Regions* series of events. Throughout the

⁵ OECD (2011) *Regional Outlook 2011: Building Resilient Regions for Stronger Economies*, OECD Publishing, Paris, p.22.

⁶Ibid.

series, Regional Strategic Plans played an important role in setting the scene for the discussion that followed.

From a policy perspective, a dedicated Regional Growth Fund (RGF) has been established in Victoria to promote local identification of projects and to provide flexible funding to supplement existing provision of core services, facilities and infrastructure. An economic reform agenda to address current challenges, promote growth and ensure regions are well positioned to capitalise on opportunities from global economic shifts, is also a feature of regional development in Victoria. Consistent with the opportunities and challenges highlighted by participants during the *Reinventing the Regions* series, key priorities include:

- Improving productivity through investment in infrastructure, skills, creating competitive markets and reducing business costs;
- Growing economies and export markets to support Victorian businesses through enhanced international engagement;
- Strengthening capacity to fund infrastructure, maintain high quality services and keep taxes competitive; and
- Supporting industries and employees in transition.

Reinventing the Regions: adaption and growth

It is evident from the *Reinventing the Regions* series that economic performance of regions is not attributable to any single factor. Consistent with the view of the Council of Australian Governments (COAG) Standing Council on Regional Australia, participants in the series suggested regional growth was dependent upon a range of factors related to:

- Human capital (particularly education and skills);
- Sustainability (economic, environmental and social) and population growth;
- Access to markets (international, national and regional);
- Regional comparative advantage and business competitiveness; and
- Cross-sectoral cooperation, intergovernmental partnerships and integrated planning.⁷

Identifying key drivers of economic growth has important implications. In this regard, participants in the *Reinventing the Regions* series offered valuable insights into the opportunities and challenges associated with each of the factors outlined here. These are discussed below with reference to the factors identified here. They are grouped under the three recurring themes or context within which regional challenges and opportunities were discussed during the series: connectivity, labour markets and competitiveness.

Connectivity

The factors identified above imply infrastructure provision must be coordinated with building human capital and enhancing opportunities for collaboration and innovation. This is based on the premise that greater coordination is a necessary prerequisite to

⁷ *Inaugural Meeting of the COAG Standing Council on Regional Australia Communiqué 5-6 July 2012*, available at: http://www.minister.regional.gov.au/sc/releases/2012/july/sc140_2012.aspx (last accessed 24 July 2012).

addressing the multifaceted nature of regional development as investment in one category would not be enough to guarantee growth.⁸ A critical lever for accelerating growth is investment in productivity enhancing transport networks, energy, water and communications infrastructure that increases access to markets (regional, national or international). Improving access to markets is central to competitiveness as it assists to diversify regional economies by enabling businesses to expand existing markets or reach into new ones. Increased connectedness also contributes to competitiveness by reducing transport costs, enabling specialisation through economies of scale, exposing businesses to greater competition and increases diffusion of technology.

Throughout the series, participants identified improving connectivity within regions, across regional borders and into metropolitan Melbourne particularly, as a key driver of future economic growth. Participants also identified a number of opportunities and challenges associated with connectivity in both traditional hard (or physical) infrastructure and soft (or social) infrastructure. In the case of physical infrastructure, participants highlighted the importance of:

- Identifying gaps in existing infrastructure networks and opportunities to develop enabling infrastructure as potential ‘game changers’ for regional industries, businesses and communities;
- Building adaptive capacity of infrastructure services to meet changing needs and circumstances (such as shifting passenger usage patterns, increased volumes of freight and accommodating future population needs); and
- Seeing regional infrastructure as a basis of unlocking comparative advantage and mechanism for industry and business to compete for investment on a global scale.

A key recommendation of the Inquiry into a State-Based Reform Agenda by the Victorian Competition and Efficiency Commission (VCEC) was for the Government to strengthen links between regional Victoria and Melbourne, and among regions by prioritising investment to improve road and rail connections, which have a large impact on productivity.⁹ For example, transport links that improve the efficiency of supply chains or improve labour supply; ICT links that facilitate improved exchange of information or new ways of delivering services; and water and energy infrastructure to meet the needs of increasing population and industry growth.

While discussion of physical infrastructure featured at each event, across the series a number of participants also drew attention to the social aspect of improved connectivity. Focused on improving integration, participants highlighted the importance of:

- Recognising regions as social and economic catchments of interaction;
- Enhancing cooperation across borders and industry sectors;
- Building stronger partnerships with regional networks; and
- Strengthening inbound and outbound investment linkages (especially with metropolitan Melbourne).

⁸ Tomaney, J. (2010) *Place-Based Approaches to Regional Development: Global Trends and Australian Implications*, Report for the Australian Business Foundation, November, p.13.

⁹ Victorian Competition and Efficiency Commission (VCEC) (2011) *Securing Victoria's Future Prosperity: A Reform Agenda*, draft report of the Inquiry into a State-Based Reform Agenda, Melbourne, November, p.XLIV.

Social connection, in terms of meaningful and positive interaction, is widely recognised as being critical to general health and well-being collectively within communities and at the individual level. If regions are to grow and offer improved quality of life for residents they need to meet social as well as economic needs.¹⁰ Successful regions have high levels of social capital (networks, norms and values that facilitate cooperation), trust (level of confidence in others to act according to established norms or values), cohesion (common values, civic culture, social order, shared sense of belonging), and social inclusion (resources, opportunities and capabilities to participate in all aspects of life). Investing in facilities that provide a forum for social connection provides a mechanism to achieve these.¹¹

Labour markets

Growth in the working age population contributes to regional labour forces. Together with skills and education, this builds the capacity of a regional economy to grow and diversify. At the same time, increased economic activity generally leads to improved access to infrastructure and services and in turn higher amenity. This increases the liveability of a region. In this sense, regions can support social connection or constrain it. They are often assessed on how well they address population needs across factors such as mobility, land use, amenity and local sense of identity. Transport accessibility, housing affordability and diversity of options, amenity, shared space and community facilities provide some examples where public policy and investment can have a positive influence.

Many economies across Australia are experiencing the challenge of an ageing and sometimes declining population, which reduces workforce participation. Regional Victoria is more exposed to ageing populations than metropolitan Melbourne. In the case of smaller rural communities, declining populations has become a critical issue. Overall, regional Victoria has a higher median age than Melbourne and relatively fewer residents aged between 20 and 34.¹²

An ageing population and attractiveness of regional Victoria to retirees has implications for labour force participation. The challenge of attracting new residents and skilled workers to regions is amplified due to competition between different regions and sometimes different towns or locations within a region. Even when the overall population of a region is static, internal migration and increasing mobility means that there are shifts in the settlement patterns of populations, usually relocating to where opportunities, infrastructure and services exist.

Throughout the *Reinventing the Regions* series, push/pull factors or demand versus supply within labour markets, was highlighted as a key challenge for regions. Specific challenges identified by participants in maintaining and growing regional workforces included:

- Difficulty in attraction and retention of skilled or young workers and elasticity of supply of labour;

¹⁰ Kelly, J., Breadon, P., Davis, C., Hunter, A., Mares, P., Mullerworth, D. & Weidmann, B. (2012) *Social Cities*, Grattan Institute, Melbourne, p.3.

¹¹ Ibid., p.7.

¹² McKenzie, F. & Frieden, J. (2010) *Regional Victoria: Trends and Prospects*, Department of Planning and Community Development, Melbourne.

- Disparity between demand and supply because of competition between industry sectors or locations;
- Demographic trends reducing supply through urbanisation and a reduction in the connection between regional populations and traditional industries such as agriculture (especially among young residents);
- Increasing the productivity of existing workforces following the introduction of innovative technology; and
- Demand-driven employment (seasonal or casual in nature) requiring flexibility and willingness of the labour force to work across regional businesses or industry sectors to secure full-time equivalent employment.

Regions with strong levels of human capital are more resilient to unexpected change and better placed to capitalise upon opportunities for growth. Highly skilled workforces can also leverage private sector investment as business is more likely to be located in close proximity to a skilled workforce. Working with business to facilitate training and education is one way regions can secure ongoing investment or leverage new investment. This has the flow-on effect of promoting increased adaptability, leadership, and through increased specialisation, a culture supportive of innovation.

Development of human capital was a central feature of the discussion at each of the *Reinventing the Regions* events. Throughout the series participants acknowledged a number of challenges, including:

- Attracting students to regional locations, including local students who typically choose to relocate to metropolitan cities from regional areas;
- Improving regional education offerings and training facilities;
- Establishing alternative pathways; and
- Strengthening industry linkages.

Discussion across the series also identified a number of opportunities where education and training could contribute to regional growth. These were based on recognition of:

- Education and training as an investment in future growth as opposed to a business cost;
- Educational institutions as drivers of transition within regional economies;
- The role of education and training in economic strengthening and diversification through development of human capital; and
- The importance of developing industry partnerships and pathways to support growth.

During the series, participants discussed a number of different strategies for developing human capital. Utilising international migration to increase the supply of labour through preferential avenues for settlement in regional areas was considered. However, international migration can bring new challenges in terms of increased demand for essential services. Another example was improving labour force flexibility where skills are transferable between employers and industry sectors, to present multiple regionally-based employment opportunities per person.

Set against the backdrop of the drivers of economic growth identified earlier in this section, the discussion around labour markets highlighted the importance of local capacity to economic performance. As a driver of economic growth, local capacity refers to the ability of a region to mobilise assets and address constraints to create a well-educated population, attract and retain talented people, be connected to global markets and have a supportive business-friendly environment.¹³ From this it becomes apparent that a 'one size fits all' approach to economic growth will not address variances in regional capacity and performance that exist across Victoria.

Competitiveness

At each event in the *Reinventing the Regions* series, discussions focused on a group of industries or businesses to learn how they had adapted to changing circumstances, ensured they were in a position to capitalise upon opportunities for economic growth, and the industry profile that was evolving from this process. The link between industry and business competitiveness and sustainable economic growth was a key feature of these discussions. Competitiveness can be defined as the ability of a location, industry or business to attract and retain production inputs, such as investments and human capital, and to use these resources effectively to maintain high levels of economic and social prosperity. Providing a further dimension Michael Porter's definition of competitiveness centres primarily on productivity.¹⁴ Within this definition competitiveness is determined by the productivity with which a region, industry or business uses its human, capital and natural resources.¹⁵ Competitiveness is therefore a significant driver of economic growth, since productivity essentially underpins increases in per capita income.¹⁶

The importance of competitiveness for growth was reflected in the insights provided by participants in the *Reinventing the Regions* series. They highlighted the need for a flexible but integrated vision of competitiveness, focused on strengthening economic diversity and productivity; building liveable cities with high quality networked infrastructure; improving human capital; and developing institutions to encourage greater cooperation between government, business and local communities.¹⁷

Globally, Australia is in a considerably strong economic position comparative to other nations because of natural resource endowments, rising trade and increased globalisation. Underpinning this is the concept of comparative advantage, which occurs when a nation can produce goods or services at a lower marginal cost than other nations. The concept of comparative advantage can be applied to regional economies. Policies and investment strategies that are based on a region's comparative advantage will lead to a rise in production capacity, increasing regional output while contributing to state and national prosperity. Focussing on areas of

¹³ OECD (March 2009) *How Regions Grow*, *OECD Observer Policy Brief*, p.2.

¹⁴ Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School, has published extensively over the last two decades on the theory and practice of competition, including how regions gain and sustain competitive advantage. *On Competition, Updated and Expanded Edition*, Harvard Business Press, 2008, provides a compilation of more than a dozen articles by Porter for *Harvard Business Review* on competitiveness.

¹⁵ Porter, M. (2008) *Competitiveness as an Engine for Economic Growth: Implications for Saudi Arabia*, Global Competitiveness Forum, January, available at: http://www.isc.hbs.edu/pdf/20080121_Saudi_Arabia.pdf (last accessed 8 November 2012).

¹⁶ Australian Government (2008) *Productivity Commission Annual Report 2007-08*, available at: <http://www.pc.gov.au/annual-reports/annualreport0708> (last accessed 8 November 2012).

¹⁷ OECD (2009) *Regions Matter: Economic Recovery, Innovation and Sustainable Growth*, OECD Publishing, Paris, p.95.

comparative advantage provides a mechanism to maximise efficiency of investment in increasing economic performance.

Consistent with this approach, industries and business that discussed their experience in adaption and growth throughout the series of events, consistently identified competitiveness and comparative advantage as key drivers of adaption and economic growth. Examples of comparative advantage highlighted by participants as contributing to increased competitiveness included:

- Concentrating on custom or niche manufacturing as opposed to large-scale repetitive production;
- Leveraging regional trade specialisation, skilled workforce and local commitment
- Environmental credentials;
- Lower production costs associated with labour, facilities, transport, energy production, telecommunications and taxes; and
- Integrated supply chains (local processing of product).

Worldwide, cities are increasingly seen as the engines of economic growth. By 2008, more than half of the global population settled in urban centres. The same trend that is evident across the world can be seen within Australia. In Australia, major cities are estimated to have accounted for 84 per cent of the nation's economic growth over the 2003-2008 period¹⁸ and 81 per cent of employment growth in the 2001-2006 period.¹⁹ Ballarat, Bendigo, Geelong, Latrobe, Shepparton, Horsham, Mildura, Warrnambool, Wangaratta and Wodonga represent Victoria's 10 regional cities. In 2011, these cities accounted for an estimated 55 per cent of Victoria's gross regional product (GRP) and 50 per cent of the regional population. More than half of the absolute growth in GRP and population over the past decade occurred in regional cities. Higher performing regional cities have strengths in terms of their stock and investment in physical infrastructure, economic diversity, liveability and agglomeration.

Agglomeration refers to physically concentrated economic activity. This is based on the premise that 'proximity is good for productivity' and that a dense network of activity will be more productive than fragmented pockets of activity.²⁰ In this sense, Victoria's regional cities, including those which hosted a *Reinventing the Regions* event, play a major role in, and are well placed to support, increasing competitiveness of regional industries, businesses and economies.

However, these benefits can be outweighed by congestion costs (inflation in land markets, transport bottlenecks, pollution and social problems) as cities grow, particularly if this occurs rapidly.²¹ Cities can also face constraints in terms of bottlenecks in labour markets (likely to be revealed in issues such as skilled shortages) and the innovative capacity of firms. Indeed, these were challenges highlighted by a number of participants during the series of events. Based on these regional insights, it would appear regional strategies that address the skills base of the population, support

¹⁸ Raskall, P. (2010) *Estimates of Economic Output and Growth in Major Cities of Australia*, available at: <http://www.docstoc.com/docs/72338584/Productivity-of-Australian-cities-Chapter-4#> (last accessed 8 November 2012).

¹⁹ Bureau of Infrastructure, Transport and Regional Economics (2009) *Changes in Australia's Industry Structure: Main cities 2001 to 2006*, Information Sheet 32, Canberra.

²⁰ Venables, A.J. (2006) *Shifts in Economic Geography and their Causes*, Centre for Economic Performance Discussion Paper No. 767, London School of Economics, December.

²¹ OECD (2006) *Competitive Cities in a Global Economy*, OECD Publishing, Paris.

development of specialised clusters of industry, business and research institutions and facilitate export and foreign investment opportunities, are most likely to unlock growth opportunities associated with agglomeration, including improved competitiveness and innovation.

Innovation

The development of specialised clusters of industry, business and research institutions is another way of increasing competitiveness, by improving the innovative capacity of a regional economy. Innovation can be defined as the process of generating new value by creating and implementing new or significantly improved products (good or services), processes or methods. According to the OECD, innovation broadly falls into four categories: product-based (through technical specifications); process-based (through production technique); marketing (through product design) and organisational (through management practices).²² While innovation is not restricted to any industry in particular, it is often heralded as a driver of transition and adaption in traditional industries such as manufacturing.²³

At the third *Reinventing the Regions* event in Geelong, David Peart from the Geelong Manufacturing Council reflected on the evolving nature of the manufacturing sector and importance of innovation to adaption and growth when he said:

*“If you haven’t changed, innovated and reinvested to reinvent your business then you are probably not here anymore”.*²⁴

According to the Geelong Manufacturing Council, innovation has been central to regional productivity gains. Many regional industries and regional businesses have invested in innovation as an adaption strategy and mechanism to increase productivity. Within this approach, industry specialisation and value-adding were key features of increased regional competitiveness. This was a consistent theme throughout the series of events. Some of the other examples discussed during the series included:

- Gekko Systems: specialist designers, developers and distributors of mineral processing equipment and systems based in Ballarat, suggested adopting ‘learning consortiums’ as a method to transition to new economic circumstances and build adaptive capacity. These consortiums employ an innovative approach to skills development based on developing educational expertise through direct linkages to business and/or industry sectors, as opposed to traditional models of attendance through a formal higher education institution.
- SPC Ardmona: a premium fruit and vegetable processor located in the Goulburn Valley, focusing on adapting to changing market demands through packaging innovation.
- Plunkett Orchards: an innovative orchardist based in the Goulburn Valley, adopting intensive growing production techniques to increase productivity, improve competitiveness and address resource constraints.

²² OECD (2011) *Reviews of Regional Innovation: Regions and Innovation Policy*, OECD Publishing, Paris.

²³ See Green, R. (2012) *Death by the Dollar? How Innovation Can Save Manufacturing*, University of Technology Sydney Business School, available at: <http://datasearch.uts.edu.au/business/news-events/news-detail.cfm?ItemId=29688>.

²⁴ Peart, D. (2012) Presentation to *Reinventing the Regions, Geelong and Barwon South West: Planning a Region for the Future*, 22 March, Geelong.

- The Great Ocean Road adopting a ‘global experience’ approach to tourism to increase competitiveness. A global experience is defined as the combination of a visit to a location plus being immersed in local culture.
- Sustainable Regional Australia: established by the Central Victoria Greenhouse Alliance in 2005 and a lead proponent of the Central Victoria Solar Project, working with regional communities across the Loddon Mallee to overcome barriers to investment in renewable energy through community-owned solar generation.
- OneHarvest: a leading value-add facility for packaged salads and healthy snacks in the Latrobe Valley under the Vegco brand, establishing a ‘grey nomad’ portal to address labour shortages.

Conclusion

Collectively, the regional insights, opportunities and challenges highlighted by participants during the *Reinventing the Regions* series of events confirm there is no single model or magic ingredient to ensure regional growth and prosperity. For a region to be able to adapt to changing circumstances and capitalise on growth opportunities, what is required is: an optimal mix of options and strategies around developing human capital (particularly education and skills); increasing sustainability (economic, environmental and social); improving access to markets (regional, national and international); building on regional comparative advantage; and increasing innovative capacity of regional economies.

This task falls primarily to industry, business and regional economies to continually innovate and evolve in order to remain competitive. To support these efforts, governments can play an important role in identifying areas of comparative advantage, facilitating increased cooperation, integrated planning and collaboration, and adopting a place-based approach to regional development that recognises local needs, circumstances and priorities and aligns resources to address and capitalise upon these accordingly. In this regard, regional Victoria is well placed to capitalise on its advantages, as evidenced by the many success stories that comprise the *Reinventing the Regions* series of events. With clearly defined strategies and a long-term view, regional Victoria should continue to make a significant contribution to state growth and prosperity.

PART THREE: REGIONAL SUMMARIES

Ballarat and the Central Highlands Driving Change Today for Tomorrow Friday 3 June 2011



The following is an overview of *Reinventing the Regions - Part 1 Ballarat and the Central Highlands: Driving change today for tomorrow*. The event took place on Friday, 3 June 2011 in Creswick and featured the following speakers and presenters:

- Cr Craig Fletcher, Mayor of Ballarat
- Anthony Schinck, Chief Executive Officer, City of Ballarat
- Fiona Davey, Senior Advisor, Regional Development and Investment, SED Consulting
- Denis Leviny, Service Line Leader, Public Transport Planning and Freight & Logistics, Australia & New Zealand, AECOM
- Virginia McLaughlan, HR Executive, Business and Technical Leadership Growth Markets Unit, IBM
- Chris Scott, Chief Executive, Wimmera Healthcare Group
- Xavier Csar, Acting Chief Executive, Regional Development Victoria
- Russell Bray, Associate Professor and Head, School of Business Services, University of Ballarat
- Elizabeth Lewis-Gray, Chief Executive Officer and Managing Director, Gekko Systems
- David Moodle, Regional Director, Victoria, SMS Management & Technology
- Dr Wej Paradise, Chief Executive, Hunter Valley Research Foundation
- Murray Cullinan, Executive Director, Transport Planning and Programs Division, Department of Transport
- The Hon Peter Walsh MP, Deputy Leader of the Nationals, Minister for Agriculture and Food Security; and Minister for Water
- Paul Broderick, Commissioner of State Revenue, State Revenue Office.

Ballarat and the surrounding region are at a turning point as populations and demographic change continue to challenge businesses and the community. The Central Highlands, like many regions around the state, are faced with the task of operating under different economic and societal circumstances through a shift in demographics, along with a substantive change in industry composition. Managing the transition will be vital for ongoing growth and prosperity of the region.

City of Ballarat Chief Executive Officer, Anthony Schinck, suggested that a key challenge for regional development is to determine what success looks like and map a path to make it happen. Population change can significantly affect where opportunities occur as some areas within the region see increases and others decreases. Irrespective of population growth, stasis or decline, the Central Highlands still have a role to play in meeting Melbourne's labour market challenge.

Keynote speaker Minister Peter Walsh highlighted that Victorian regions have capacity to take a larger share of the state's growth. With Victoria's population expected to grow by 44 per cent to 2.7 million in coming decades, only 477,000 people are expected to live in regional Victoria. The Minister argued that:

"These growth patterns could be evened out across the state, that would result in an additional 120,000 people into regional Victoria...with a consequential reduction in services and infrastructure that are going to be needed in Melbourne".

The cost of providing critical infrastructure to accommodate Melbourne's growing population is estimated at \$3.1 billion. If people could be encouraged to move to regional areas, the cost of building infrastructure would reduce by two-thirds.

In his speech, the Minister referred to findings from the OECD that regional policies should be based on a mix of interventions such as skills and productivity, infrastructure (transport and communications) and the region's competitive advantages.

Ballarat and the Central Highlands' historic strengths lie in the traditional sectors of manufacturing and agriculture, which are going through transition. The region is adapting to changing economic conditions through new sources of activity in IT, retail, professional services and health to help drive local economic growth. For example, the 1400 jobs at Ballarat Technology rival the large manufacturing industries that have driven the region previously. The development of new strengths in services, technology and skills as well as innovative management can lead to comparative advantage for the region.

Ballarat and its surrounds are seeing changing workforce demographics first hand brought about by population change. As a regional employer and multinational company, IBM sees the best way to manage changing demographics is to maintain workplace diversity, across age groups, gender and culture. In managing its workforce, IBM seeks to understand the intergenerational motivators needed to attract and retain young and old workers by being responsive to the needs of each age group.

Population and demographic changes in the region are also adding pressures to the ability of regional service providers to deliver outcomes, especially under variable conditions. Wimmera Health CEO Chris Scott suggested that changing populations is resulting in different expectations on the health system. For example, technology and a more informed and demanding consumer base have shifted the demographic mix of health services users from a charitable and complicit cohort to one that seeks immediate results and has a low tolerance for a less-than-perfect outcome. At the same time, the service is seeing an increasing number of older people who are sicker, adding to pressures on the health system.

Attracting and retaining people to the region is vital for its long-term prosperity. The University of Ballarat, in particular, is an anchor for regional growth, driving skills and productivity, tying in with industry to build opportunities. The overall aim, according to the University's Russell Bray, is to provide regional students with flexibility, choice and options for study. Expanding higher education across the region through better relationships with TAFE and developing flexible programs from diploma, to degree and master's level is vital. Programs need to be online, flexibly delivered and built around workplace and industry needs, specifically targeted at people in the workplace.

Working with and understanding the needs of industry are critical if graduates are to develop workplace ready skills, or up-skill them sufficiently to tackle the challenges of a globally competitive economy.

Building and enhancing regional liveability in order to attract and retain people is important, with beneficial economic spin-offs for the region and the economy as a whole. It requires populations to have access to good jobs, high quality health and education services as well as the continued development of cultural and recreational amenity. Ballarat and the Central Highlands are well positioned to leverage off changing populations, maximise diversity and create liveable communities and economic competitiveness.

The ability to be globally competitive is one area Gekko Systems, CEO and Managing Director, Elizabeth Lewis-Gray sees as lacking in many regional businesses. Collaboration, fostering partnerships and working with education and other service providers to ensure skills are available and ready to meet demand are key steps to foster competitiveness. Ballarat's advantages in this regard include its proximity to the Port of Melbourne, the largest port in Australia, and access to major road links enabling growth of transport and logistics companies. Collaboration and driving a whole-of-community approach to innovation are factors that will help drive long-term regional growth and success.

Case Study: Ballarat and Central Highlands

Gekko Systems

Gekko Systems, a specialist in design, development and distribution of mineral processing equipment, had a choice to make several years ago in determining where the company should be based.

Perth, Brisbane and Ballarat were the locations under consideration.

Perth and Brisbane are considered to be globally-leading centres for mining supplies and services, and yet the company heads chose Ballarat.

Ballarat was the top choice due to sound business reasons such as its excellent engineering and mining skills base, efficient local supply chains, and its proximity to Melbourne airport and port.

But the lifestyle reasons were just as compelling.

The company thought its people in regional areas were more likely to engage with a family-based business, Ballarat has greater amenity advantages compared to living on a mine site or 'fly in fly out' locations, and Ballarat offers excellent education and health facilities.

Gekko operates in global markets and exports new-to-world mining technology and services. The company focuses on delivering a package of services to its clients along with equipment.

It has 130 employees across the Ballarat head office and branches in Perth, Vancouver, Johannesburg and Santiago.

The company is driven by innovation across all aspects of its business, from the services and equipment it designs for its clients through to its people management systems.

The key economic development factors for Gekko Systems are competitiveness and innovation, which embody the theme of the *Reinventing the Regions* event which was *driving change today for tomorrow*.

As CEO and Managing Director Elizabeth Lewis-Grey explained: “Understanding the market is a key to being able to develop and sell products and capabilities. Gekko regularly attends overseas conferences and targets its marketing at Chief Financial Officers and CEOs, selling the financial benefits of its products and services rather than just the technological benefits.”

“The mining industry is known for its caution and it takes a long time for new technologies to be taken up and become established. Some of the technologies that Gekko is competing against are 30-50 years old. The company is often coming up against perceptions of local mining companies that what they can buy from overseas will be better than what can be produced locally.”

The company is constantly innovating to remain competitive in the way it delivers its services, the quality of its services and equipment, and its relationships with overseas clients.

Innovation is also a key factor in how the company manages its people.

Gekko recognises that travelling overseas and selling new concepts to an industry that is known for its caution can take a toll on people, so the company has implemented programs to help staff manage this.

Gekko also participates in a number of industry networks including the High Performance Consortium, Austmine and the Coalition for Eco-Efficient Comminution.

Hume Transitioning for the Future Friday 16 September 2011



The following is an overview of *Reinventing the Regions - Part 2 Hume Region: Transitioning for the future*. The event took place on Friday, 16 September 2011 in Shepparton and featured the following speakers and presenters:

- Geoffrey Dobson, Mayor of Greater Shepparton City Council
- Hayley Cail, Chair, Hume Regional Development Australia
- Lil Healy, Executive Director, Policy, Regional Development Victoria
- Andrew Plunkett, General Manager, Plunkett Orchards
- Daniel Moorfield, Chief Financial Officer, SPC Ardmona
- Bruce Rodgerson, Chief Executive Officer, Rubicon Water
- Peter Bryant, General Manager, AMI Services Citipower and Powercor
- Paul Culpan, Chief Executive Officer, GOTAFE
- Christine Nunn, Chief Executive Officer, Uniting Care Cutting Edge
- Ros Gall, Director - Dookie Campus, University of Melbourne
- Professor Paul Johnson, Vice Chancellor and President, Latrobe University
- The Hon Peter Ryan MLA, Deputy Premier of Victoria and Minister for Rural and Regional Development
- Julie Salomon, Acting Chief Executive Officer, Greater Shepparton City Council
- John Begley, Chair, Victorian Freight and Logistics Council
- Bernard Shepherd, Global Technical Leader, Transportation GHD.

The Hume region, much like many regional areas, is facing its fair share of challenges. These include the ongoing restructuring of the agricultural sector, poor internal transport links, low tertiary education attainment, urban growth pressures in lower Hume, and increasing frequency and intensity of extreme weather events. Addressing these priorities will help businesses and government to capitalise on the region's competitive advantages, which include economic diversity and potential for good transport corridors.

Deputy Premier of Victoria and Minister for Rural and Regional Development, Peter Ryan acknowledged that the region is facing challenges, especially due to the high Australian dollar, but he was confident that it could meet them. He said that restructuring is not easy and that difficult decisions may be unavoidable for the long term prosperity of the region:

"It is a difficult decision taken at a moment in time, but in a circumstance where it will open an opportunity to do more in time to come."

Agriculture is a sector in transition. It is no longer the arena of traditional farmers with little thought to business acumen or innovation. Competitive pressures, a high Australian dollar and the need to feed a growing population have led farmers to adopt an agribusiness model which seeks to be competitive and sustainable. With changes coming from all fronts (for example, climate change uncertainties, government policies

such as compliance requirements and customer needs), significant investment and innovation is needed to improve productivity and remain competitive.

The event showcased examples of local businesses that have innovated or invested to meet the challenges facing the agricultural sector. Plunkett Orchards General Manager Andrew Plunkett revealed that the company shifted its operations towards “intensive growing”, which increased productivity and quality while reducing water use. The operational model adopted by SPC Ardmona has three priorities, according to their CFO Daniel Moorfield: low cost, innovation and customer intimacy. The company used packaging innovation to adapt to customer needs.

Reducing water use in agriculture is a priority to promote sustainability and reduce costs. UNESCO estimates that 70 per cent of fresh water globally is used for agricultural purposes. Investment in water saving technology is crucial to improve water efficiency. Rubicon Water CEO Bruce Rodgerson said that the Northern Victoria Irrigation Renewal Project (NVIRP) provides precision surface irrigation delivering 85 per cent efficiency, 2.6 mega litre (ML) water savings per hectare, and low energy use at a capital cost of \$2,000 per hectare.

Participants and speakers alike suggested that the only way to secure a place on the government agenda was to aggregate sub-regions into a larger regional view. The problem with this approach is that it fails to account for the differences within and between regions, which hinders the development of a cohesive approach. However, integration can be used to the region’s advantage. For example, it implies greater labour force flexibility and presents multiple employment opportunities for one individual across different industry sectors.

Human capital is essential to support economic growth in most sectors and agriculture is no different. This crucial sector requires a skilled workforce to contribute to all stages of the supply chain. Skill shortages are being felt by businesses in the region, at a time when they are crucially needed to drive innovation. According to the Australian Council of Deans of Agriculture, there are about 800 graduates in agriculture and related studies for a market of at least 2000 jobs.

The region’s historic strength in tertiary agricultural education provision (the Dookie College, now part of the University of Melbourne) is an advantage; however, challenges remain. As with other regional universities, attracting students is difficult. Australia is one of the most urbanised countries in the world and the majority of the population does not have a strong connection to the rural environment. As for regional school leavers, moving to Melbourne for tertiary education is a rite of passage.

The region carries the stigma of having one of the lowest secondary school completion rates and tertiary education attainment in the state. Students have weak university aspirations while those from low socio-economic backgrounds are left behind in the education system. Many new residents to the region are migrants from a variety of educational backgrounds, from refugees with varying levels of English competency, to business migrants with professional degrees.

Managing these challenges through a supportive environment and fostering opportunities is crucial. Post-secondary education providers in the region have strategies in place to address low student numbers and improve access to education

for mature age students and students from low socio-economic areas. For example, they are working with the local community and with each other to develop flexible education pathways to enable a seamless transition from vocational training to university.

Freight and rail infrastructure is a priority for the Hume region. Victorian Freight and Logistics Council Chairman John Begley said that freight volumes are expected to grow by three per cent between 2000 and 2020 according to forecasts by the Commonwealth Department of Transport and Bureau of Industry, Transport and Regional Economics. The freight sector is currently heavily reliant on roads and is not exploiting opportunities in rail due to outdated infrastructure. GHD, Global Technical Leader Transportation, Bernard Shepherd, said that passengers are often considered more important than freight when it comes to politics, which is a hurdle to rail infrastructure development and upgrades.

Case Study: Hume

SPC Ardmona

SPC Ardmona processes, packages and distributes locally grown fruit and vegetables from its sites in the Goulburn Valley of Shepparton, Kyabram and Mooroopna.

Operating within the region is ideal for such an enterprise as it is close to the growing areas of produce and the area is also a source of labour.

In order to stay competitive, the company continually invests in new equipment and makes capital improvements to increase productivity and reduce costs. The company also invests in market research to understand its customers better and then alter its product offerings in response.

The company continuously invests in innovation to remain competitive as well.

It has worked with research organisations to improve its processes and product lines.

In fact, one of its product lines that will be launched in the first quarter of 2013 has come about through developing a new process that will extend the shelf life of processed fresh apple, and which can be extended to other fruit and vegetables.

SPC also works with its growers to trial processes that improve the quality of produce.

Chief Financial Officer Daniel Moorfield says two of the main challenges in operating in a regional location are having an ageing workforce and attracting professional staff.

“In regional centres, it’s not unusual for some workers to have one employer for their whole working life. In this situation it can be more difficult to get productivity improvements through the introduction of new processes. Sometimes, productivity gains can only be achieved by increasing automation or upgrading equipment. The downside of more automation is that it can result in job losses and the impact can be greater in regional communities.”

“SPC can attract professional staff by selling its organisational culture. It can also sell the opportunities to gain a broader business experience in a regional company that might not be available in a metro company. For example someone from a finance background could get operations experience in a regional plant. These types of experiences create opportunities for career advancement.”

Loddon Mallee Growth, Development and Renewable Energy Friday 20 July 2012



The following is an overview of *Reinventing the Regions - Part 4 Loddon Mallee: Growth, development and renewable energy*. The event took place on Friday, 20 July 2011 in Bendigo and featured the following speakers and presenters:

- Jenny Dawson, Chair, Regional Development Australia - Loddon Mallee
- Professor Hal Swerissen, Pro-Vice Chancellor - Regional, La Trobe University
- Brian Gould, Manager - Economic Development Unit, City of Greater Bendigo
- Stuart Grainger, Managing Director, Don KR Castlemaine
- Owen Davies, Head of Marketing and Communications, Bendigo and Adelaide Bank
- Ben Barnett, Director, Elements Projects
- Nathan Taylor, Chief Economist, CEDA
- Leah Sertori, CEO, Sustainable Regional Australia
- Anthony Lawrie, Regional Director, Bendigo Office, Department of Premier and Cabinet.

North Central Victoria (Loddon Mallee) is a region of contrasts - Bendigo's growth is outpacing the rest of the region due to its proximity to Melbourne, while the remaining towns are not growing as quickly due to their reliance on the traditional agricultural sector. The region, similar to many other areas of Australia, is turning to investment and innovation and is developing expertise in other industries to remain prosperous into the future.

La Trobe University Professor Hal Swerissen suggests that the region's economic success is dependent on physical infrastructure and strong human capital, a tradeable economy and access to the global city that brings connectedness to international markets. Furthermore, Professor Swerissen emphasises the importance of local analysis, coordination and development to maximise effectiveness. Ultimately, long term viability of the region depends, according to Professor Swerissen on the ability to trade with global cities, and investment in the infrastructures that make this possible.

City of Greater Bendigo's Brian Gould says that the region is expected to see an estimated 40,000 to 50,000 new residents over the next 20 to 30 years. Managing and providing for this growth will be essential, particularly to ensure people can live and find work in the region. The region, like many other regional economies, faces the challenge of finding and retaining skilled labour, with approximately 5,000 people leaving the area every day by car or train for other opportunities. The City of Greater Bendigo identified a potential solution to the challenge is to increase awareness of the opportunities that exist in the region, to gain a better understanding of industries and the types of skills needed. Connecting academia, schools and business to work collaboratively on regional opportunities will help the regional industries to promote roles to the local population.

Bendigo attracts people from surrounding regions who travel to Bendigo to access services offered such as health and education, putting additional strain on community

services and infrastructure. Over the next five years, the region will continue to embark on projects that will help better serve the interests of business and the community. The Bendigo Theatre project, Art Gallery extension project, library redevelopment and a proposed aquatic centre will all provide the community with valuable infrastructure that will support tourism and develop the region's arts and culture profile. The "ultimate project" for the region, the \$630 million New Bendigo Hospital, is the largest regional hospital development in the state's history, and one of the largest hospital projects in Australia. It represents a potential game changer for the region.

Finding and retaining skilled labour continues to be a challenge for regional Australia and North Central Victoria is no different. Don KRC, the small goods subsidiary of FMCG giant George Weston Foods (GWF), made a \$400 million investment to develop a food processing plant in Castlemaine that created almost 400 jobs. However, securing an additional 400 workers was difficult – even now, 15 per cent of the workforce drives more than 45 minutes to get to work. The location also finds Don KRC paying more in logistics costs and labour: *"Castlemaine is not a cheap place – we pay up to 20 per cent more in costs than our competitor who operates out of Western Sydney"*, Don KR Castlemaine, Managing Director, Stuart Grainger said. The investment in technology on the premises was necessary, but demanded specialised labour that was difficult to get from Melbourne, or locally. Don KRC ended up drawing on labour from other large regional centres, such as Albury.

While the food sector is experiencing significant constraints, the region has been looking at new sectors for growth, including building a renewable energy sector. North Central Victoria is well positioned for the renewable sector because of its abundant natural resources. Element Projects Director Ben Barnett highlighted that the Loddon Mallee regional strategic plan includes large scale solar. Renewables uptake is on the increase due to the halving of the cost of solar panels in the past two years. Rooftop solar is expected to double Victoria's renewable generating capacity by 2016.

Mr Barnett says that while Loddon Mallee is well placed with skills and services in the region, the ongoing challenge for the sector is to further develop transferable skills to continue to grow the sector in the region. He sees potential for a diversification of renewable energy sources and technology to include bio-thermal, mini-hydro, geo-thermal and wind. Investment certainty is required for these technologies to grow, a condition emanating from strong backing of their potential. For example, wind technology has been successful but recent experiences, legislative changes and concern around the social and health impacts of wind farms has seen a change in the public acceptance of these facilities. This uncertainty has resulted in a decrease in investor confidence in the sector.

Sustainable Regional Australia CEO Leah Sertori suggests that a bigger challenge is to understand how people consume energy and understand what barriers exist to a greater uptake of the technology. She suggests that better understanding of consumption patterns, pricing regimes and the cost of energy is needed and in this regard a strategic conversation is needed. Ms Sertori highlighted that *"most businesses can't tell you how intense their energy use is, what they pay or what other businesses pay"*. A knowledge campaign could go a long way in addressing the barriers to the uptake of low carbon technologies.

Case Study: Loddon Mallee

Sustainable Regional Australia, Castlemaine

Sustainable Regional Australia (SRA) manages the Central Victoria Solar City project, which also includes Bendigo and Adelaide Bank, Central Victoria Greenhouse Alliance, Origin Energy and Powercor.

Central Victoria Solar City is a trial involving a variety of projects to test how effective different products and services are in reducing energy use.

CVSC trials the uptake of energy efficient measures and their impact on consumer use, and explores options to address challenges in delivering sustainable energy.

The CVSC project has developed programs, products and services that can help householders, businesses, community centres, schools and hospitals in the region to reduce their energy use and transition to renewable energy. In addition the CVSC project has built and monitors the generation of two 300kW solar parks in Bendigo and Ballarat.

As lead proponent of the CVSC consortium, SRA, works with its partners to share skills and information, develop new ways of marketing, and new methods of delivery. With its research partner, University of Ballarat, it is developing innovative ways to showcase research results.

SRA also partners with community groups to share information and mentor on governance and project management. In turn the community shares its expectations, values and ideas.

SRA holds industry forums that attract innovative business leaders to network and learn about ways to improve energy efficiency and opportunities for energy generation.

Due to the nature of working with a cross-section of academic, commercial, government and community organisations, SRA is expanding its business because it learns from the examples set by others.

SRA Program Manager, Ross Egleton, says the company is passionate about making regional and rural Victoria viable in the 21st Century.

Mr Egleton says these projects provide triple bottom line outcomes – saving people money; they provide a reason for people to come together; and there are environmental benefits to using less energy.

The company has found doing business in regional Victoria has the benefit of being more noticeable to customers, along with the ability for SRA to provide communities and industry with skills, expertise, experience and leadership for community-owned renewable energy.

Its base is in Castlemaine and it also works across 14 central Victorian shires, so SRA is truly local.

Geelong and Barwon South West Planning a Region for the Future Friday 22 March 2012



The following is an overview of *Reinventing the Regions - Part 3 Geelong and Barwon South West: Planning a region for the future*. The event took place on Thursday, 22 March 2012 in Geelong and featured the following speakers and presenters:

- Lachlan Bruce – Chief Executive, Regional Development Victoria
- Peter Anderson – Regional Director Barwon South West, Department of Planning and Community Development
- Professor John Catford – Deputy Vice Chancellor (Academic) and Vice President, Deakin University
- Paul Cohen – Deputy Chief Executive Officer and Executive Director Performance, Planning and Resources, Barwon Health
- Cr Rod Macdonald – Economic Development and Planning, City of Greater Geelong
- Roger Grant – Executive Director, Geelong Otway Tourism
- David Peart – Executive Officer, Geelong Manufacturing Council
- Janet Dore – Chief Executive Officer, Transport Accident Commission (TAC)
- Professor Geoffrey London – Victorian Government Architect.

Health and education are critical services whether you live in metropolitan or regional Victoria. Health services are required to meet the needs of an ageing population, while education plays a crucial role in strengthening the skills and knowledge-base of the population. In the Geelong and Barwon South West region, the education and health sectors are facing the challenge of finding and retaining staff and students.

Deakin University, along with other regional universities, compete with Melbourne-based universities for students, which can be a challenge as metropolitan universities are generally the preferred option of students. In addition, many regional university students move to Melbourne once they graduate, leading to brain drain from regional areas.

The health sector, one of the largest employers in the region, is also facing challenges. As populations age, metropolitan centres draw services and staff away from regional areas leaving residents with poor access to health services. Managing the provision of health services to improve accessibility is vital for regional growth.

The health and education sectors are tackling these hurdles through strategic partnerships, which aim to build capacity in the region in order to strengthen the economy. As an example, Barwon Health, Deputy Chief Executive Officer and Executive Director Performance, Planning and Resources, Paul Cohen, discussed the partnership between Deakin University and Barwon Health, which has been successful in creating employment pathways for medical graduates and reducing brain drain from the region.

The Transport Accident Commission (TAC) took the novel approach to tackle the labour market challenges of the region. It relocated its head office from Melbourne to Geelong, the largest ever move of a government agency or department in Victoria. The TAC's CEO, Janet Dore, said that the move injected \$59 million into the Geelong economy, through a number of spill over effects including staff purchasing homes and job creation.

While the move was a success overall, the TAC faced the challenge of retaining skilled and experienced staff during its move to Geelong. The organisation responded by adopting flexible work arrangements (including part-time work and job sharing) and focusing on recruiting the best people for the job. Barwon Health, which also faces difficulty in retaining staff, particularly specialists and generalists, is addressing the problem by building a culture that supports retention, by ensuring that the hospital is a great place to work.

Creating a vibrant region and improving the quality of life are crucial to attract and retain the brightest and best staff. Victorian Government Architect, Professor Geoffrey London, proposed that the *Mayor's Vision for Auckland* could apply to Geelong. Discussing the vision, he said:

"They acknowledge their unique natural setting and they recognise in this vision that they're aiming for an extraordinary built environment of heritage buildings, sustainable new development, and quality streets and spaces befitting a globally competitive city."

A similar plan could be implemented to revitalise the Geelong and Barwon South West region and improve its competitiveness.

While the health sector is always on the look out for new staff, the manufacturing and tourism sectors in Geelong and Barwon South West are struggling to remain competitive under the weight of a high Australian dollar, intense international competition and structural issues. Despite these challenges, there are growth opportunities for transitioning industries if they improve their competitiveness, be it through innovation, infrastructure investment or by responding dynamically to changes in demand.

Geelong Manufacturing Council, Executive Officer, David Peart, said manufacturing accounts for 43 per cent of Geelong's output. This reinforces the importance of improving the competitiveness of the sector to ensure the long term prosperity of the region. Innovation is central to productivity gains in the manufacturing sector and is one of the drivers of economic growth, even though jobs may be lost in the short run.

The education and health sectors are turning to innovation to improve their competitiveness. The National Broadband Network (NBN), once rolled out, will have the potential to make distance learning more accessible and attractive to potential students. It will also enable hospitals to render services in a more efficient way.

There are enormous opportunities for the tourism sector in the Geelong and Barwon South West region due to the presence of comparative advantage in areas such as wildlife, food and wine, and events. However, these comparative advantages have not been fully capitalised. Many tourism spots in the region, such as the Great Ocean Road, lag behind global standards due to infrastructure gaps.

These infrastructure gaps need to be addressed to allow tourism operators to capitalise on the region's comparative advantage, deliver world class products and achieve the real potential growth. Geelong Otway Tourism Executive Director Roger Grant talked about two types of infrastructure projects that would help to close infrastructure gaps - enablers, such as the Great Ocean Road, and game changers such as the Port Campbell resort. He said that the potential economic impact of the game changers infrastructure project could amount to \$1.1 billion.

The tourism sector is responding to changes in demand by targeting new markets, such as Asia, and improving the types of holidays on offer. For example, the sector is focusing on the short break domestic market in response to the domestic tourism downturn. This marks a move towards yield as opposed to quantity. Further, by moving to digital platforms, the sector is using technology to be more responsive to the market.

Case Study: Geelong and Barwon South West

Deakin University

Deakin University was established in 1974 and has grown to be the eighth largest university in Australia. It enjoys a prominent position within the region and is one of the largest employers.

Professor John Catford, Deputy Vice-Chancellor (Academic) and Vice-President says there are competitive advantages of operating in Geelong.

“Communities identify more strongly with the university and there is a shared sense of purpose in the university being successful.

“It is easier to build relationships with regional organisations such as G21 (Geelong Region Alliance) and the Committee for Geelong; other educational institutions; and industry. G21 and the Committee for Geelong are effective advocates for the university.

“Deakin systematically connects into regional communities - including TAFEs, high schools and industries - and could be seen as being more advanced in its approaches to developing these relationships compared to other educational institutions.

“On the other hand, being located in a smaller population catchment compared to a metropolitan university means that the university has to work harder at finding ways to grow its market share and wealth generation opportunities.

“It does this by building its online or cloud learning services and having multiple campuses at Waurin Ponds, Waterfront Geelong, Warrnambool and Burwood.

“Having a metro campus means that Deakin's business model has an economy of scale that other regional universities cannot achieve.”

Geelong's industrial heritage has allowed Deakin to tap into its institutions and industries to offer courses that will help create new industries, products and jobs.

Recent initiatives include:

- School of Medicine - Deakin has established Victoria's first regional medical school which aims to educate students who are skilled and motivated to pursue careers in medicine in regional areas.
- Centre for Advanced Design in Engineering Training (in partnership with the Gordon Institute of TAFE and local high schools) – Building on Geelong's history of engineering and manufacturing and the legacy of companies such as Ford, Alcoa and Shell, the university is creating the Centre for Advanced Design in Engineering Training (CADET) to address the critical science and engineering skills shortages in Australia.
- Australian Future Fibres Research and Innovation Centre (in partnership with CSIRO and the Victorian Centre for Advanced Materials Manufacturing) includes the Australian Carbon Fibre Research Facility – Building on Geelong's wool production history, the centre will develop new manufacturing industries using advanced materials including carbon manufacturing.

Deakin builds industry-based learning into its teaching programs wherever it can.

It also provides an outreach program to provide a pathway into the workforce of a full-degree course for students in regional and rural areas (through advanced standing).

Deakin at Your Doorstep (delivered in partnership with TAFE colleges across the state), currently has twelve remote centres in regional Victoria at TAFE colleges, local libraries and other community facilities that enable face-to-face teaching or broadcasting of lectures.

The Latrobe Valley Creating a new competitive advantage Wednesday 5 September 2012



The following is an overview of *Reinventing the Regions - Part 5 The Latrobe Valley: Creating a new competitive advantage*. The event took place on Wednesday, 5 September 2012 in Traralgon and featured the following speakers and presenters:

- Professor Terri Joiner, Head, Gippsland School of Business and Economics, Monash University
- Paul Buckley, Chief Executive Officer, Latrobe City Council
- The Hon David Campbell, Director - Innovation Campus, University of Wollongong
- Simon Corden, Director - Government Advisory, KPMG
- Tim McAuliffe, Senior Business Development Manager, Department of Business and Innovation
- Owen Trumper, General Manager - Gippsland, HVP Plantations
- Jon McNaught, Manager Gippsland Region, GHD
- Glenn Fairley, Project General Manager, One Harvest
- Julianne Hince, Deputy Director - Victorian State Office, Department of Foreign Affairs and Trade

The Latrobe Valley is a region on the cusp of transformative change, which brings with it both challenges and opportunities. The region's gross regional product is worth about \$4 billion with major industries including health and community services, power generation and water treatment facilities. The Latrobe Valley's reliance on traditional energy generation is a crucial challenge that it is currently addressing. The region is facing challenges associated with transitioning industries, an ageing population and high competition for labour, a theme that is common across Australia.

The Latrobe Valley is tackling its challenges by identifying its opportunities and maximising its natural attributes to attract investment. This strategy worked for the Illawara region. University of Wollongong's innovation campus Director David Campbell spoke about the campus's success, which was achieved by "*leveraging off the university's research capabilities...its partnership with corporations*". For every 10 jobs created by the innovation campus, about 9.4 jobs are created elsewhere in the economy. Leveraging off existing advantages helped the university build opportunities for investment.

KPMG Director Government Advisory Simon Corden identified the following regional attributes that could translate into competitive advantages for the Latrobe Valley: energy, resources and infrastructure, land and water resources, access to Melbourne, a skilled workforce, and housing affordability. He also identified that the Latrobe Valley is one of the most cost competitive regions in Australia in terms of labour, transportation, utilities (particularly in the manufacturing sector), telecommunication costs, and taxes. These advantages reveal business opportunities that could help the Latrobe Valley move away from its reliance on traditional industries.

Electricity generation, which accounts for 21 per cent of the region's gross regional production and 11 per cent of employment, is on the verge of change. The industry's

importance to the labour market was clearly set out by Latrobe City Council CEO Paul Buckley who said: *“2000 megawatts from Latrobe equals 2000 jobs.”* Even though negotiations with the government to close down the Latrobe Valley’s brown coal-fired power stations fell through in early September 2012, the region is committed to transitioning to a low carbon future. Mr Buckley said: *“Whilst negotiations (about the contract for closure) have not resulted in any closures, all that really does is to set the timeframe more clearly for the transition to a low carbon future.”*

There is extensive interest and opportunities for the energy sector in the Latrobe Valley. GHD Manager Gippsland Region Jon McNaught said the fact that there is existing infrastructure such as electricity, oil and gas transmission networks in the region is a comparative advantage as it would be challenging to obtain approvals for new infrastructure elsewhere.

Mr McNaught identified gas and wind as opportunities in the short-to-medium term, although there is community reticence when it comes to the expansion of wind energy. In the longer term, geothermal could be a potential option, with the Latrobe Valley having been identified as a hotspot. Generating electricity from brown coal (lignite) leads to high levels of greenhouse gas emissions. In the future, lignite can be used to produce high-value commodities such as diesel and fertilisers without carbon dioxide emissions. Further, carbon capture and storage (CCS) could be used in conjunction with emissions-intensive energy generation to mitigate the region’s carbon footprint.

KPMG identified significant opportunities in the administration and support services, backed by competitive advantages in infrastructure and labour availability. The region could be positioned as a centre for business process outsourcing (BPO) servicing large businesses employing between 1000 and 5000 staff. It could fill a gap in the BPO market, which currently services large multinational companies.

KPMG also identified advantages in the agriculture and food manufacturing sectors through the region’s competitive advantages in inputs, infrastructure and access to established markets. The Latrobe Valley has the opportunity to capitalise on the developments in horticulture and fresh food production with value-add coming from the food processing stage. This strategy was echoed by Mr Buckley who identified opportunities in the agribusiness sector. With Melbourne’s fringes expanding and expected superior rainfall in the Gippsland region, it could become the new food bowl of Australia according to Mr Buckley.

OneHarvest Project General Manager Glenn Fairley, a food processor with facilities in the Latrobe Valley, noted that attracting and retaining skilled staff is a challenge for the company, particularly in the coming years due to an ageing workforce. The region is losing about 5000 young people each year as they leave for tertiary education; keeping young people in the region, both for tertiary education and once they graduate, is a major challenge for the community. One Harvest is rising to the challenge by working with the local TAFE to provide training and employment pathways for young students. The company launched a graduate program to encourage young people to stay in the region.

Immigration is also an option to meet the labour market challenges. The Latrobe Valley is home to one of the most diverse populations in regional Australia. While there is a need to improve regional services and amenities for the community as a whole,

migrant groups require targeted services to support and enable their participation in the workforce and community. Despite these challenges, having a diverse workforce can provide a net gain to the region and partially address the difficulties businesses face in finding and retaining labour.

Case Study: Latrobe Valley

OneHarvest, Bairnsdale

The theme of 'creating a new competitive advantage' is strongly on display in the products, technology and vision at OneHarvest's fresh food plant in Bairnsdale.

For three generations, the OneHarvest group has supplied Australian consumers with fresh fruit and vegetables from a range of sources across the country. OneHarvest has been instrumental in driving change and innovation in the Australian horticultural industry through the installation of vacuum coolers in Australia's primary growing areas, development of tailor-made produce industry computer programs, and implementation of personal development and industry based training for all team members. By the late 1980s and early 1990s, OneHarvest had seen pre-cut fresh salads and vegetables on sale in retail outlets overseas, providing the opportunity to revolutionise the fresh produce aisles of supermarkets throughout Australia by introducing value-added freshcut salads and vegetables. Today, the organisation is an Australian owned, third generation family business with operations in Queensland, Northern Territory, Western Australia, South Australia and Victoria.

The company heads keep a close eye on the more mature overseas markets of the USA and the UK, spending a significant sum each year updating its equipment to increase production and reduce costs. Representatives from OneHarvest also attend international trade shows each year.

OneHarvest produces 130,000 to 140,000 fresh packs a day in peak production times from its 9000 square metre Bairnsdale factory and is a high growth business. This growth means more workers and more growers will be needed in the future. Already the plant employs about 250 workers, which swells to more than 300 over summer. This equates to \$16 million in wages for the region with fresh produce sourced from 40 regional suppliers – injecting another \$28 million into the regional economy through the supply chain.

Attracting new employees will be a key challenge for OneHarvest moving forward. Project General Manager Glenn Fairley says the average age of the workforce in Bairnsdale is 57 years and it is difficult to hold on to professional staff. The company has been able to attract young graduates from Victorian universities but has difficulty retaining them long term. In attracting new employees OneHarvest has the advantage of being able to promote the beautiful region it is located in.

The Gippsland region is ideal for OneHarvest due to its location as a growing region, good transport and freight links, and the abundance of lifestyle choices such as beaches, rainforests, snowfields, hiking and riding trails.



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