

# SGS ECONOMICS & PLANNING 2019



Regional investment should be targeted to address regional opportunities and challenges.

Increasing density will help accommodate growth and improve access to infrastructure.

Infrastructure should be planned and delivered in a way that integrates with where people want to live and work.

(Scroll down to final paragraphs)

## 8 Growing Victoria's Potential

We recognise that there are important trade-offs to be considered before we make recommendations in these areas. As we develop the 2020 strategy, we want to have an open conversation about how and where Victoria grows, and the benefits, impacts and costs of different options. As you read this paper, we encourage you to consider the following questions:

What is the role of the regions in a growing Victoria?

How much growth can and should the regions accommodate?

How do we make sure we have the right infrastructure in place in the regions?

What kind of city do we want Melbourne to be?

What do people like about low density living and what concerns do they have about high density living?

What is the right balance between density and infrastructure?

To what extent are people willing to pay more for better infrastructure?

How do we strike the right balance between major new infrastructure and initiatives that reduce demand and maximise existing infrastructure?

How do we balance the benefits and costs of major projects against more moderate service level improvements across the board?

These are complex questions with no simple answers. They are the questions we will respond to because we think the role of a long-term infrastructure strategy is to respond to difficult challenges. We encourage you to stay with us on the journey and join the conversation so that we capture as many perspectives as possible. We cannot answer these questions alone.





Figure 1: Victorian historical population growth

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Spanish World influenza War II

'The recession we had to have. Additional persons

160,000 140,000 120,000 100,000

80,000 60,000 40,000 20,000

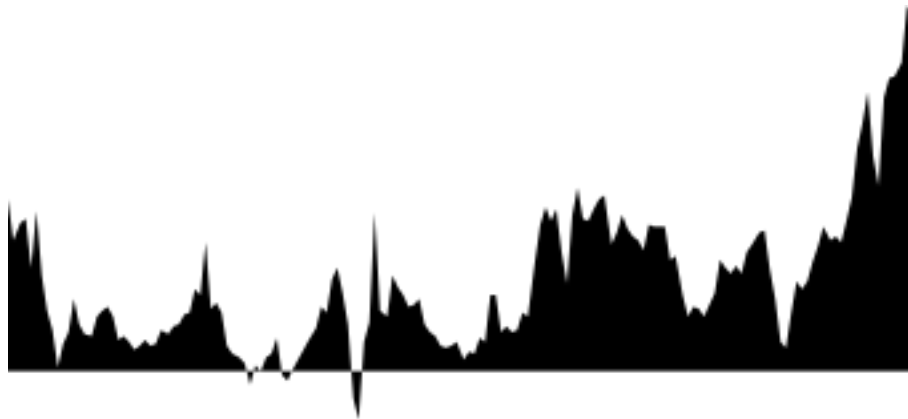
Victorian Goldrush

Land World boom War I WA Goldrush

Great depression

Peak of Impact of Resource boom & overseas students & Vic land fertility

'The pill' boom



01852 -20,000 +70,832

Source: ABS cat no 3105 Source: ABS cat no 3105

1888 1916 1919

1940 +53,601 -19,782 +65,790 +31,785

1956 +76,239

1994

2014 +10,223 +122,248

78% 76% 74% 72% 70% 68% 66% 64% 62%

Figure 2: Victorian population growth - metro / regional split

Figure 2: Victorian population growth - metro / regional split

Population growth in metro/regional areas

Source: ABS cat no 3218 Source: ABS cat no 3218

140,000 120,000 100,000

80,000 60,000 40,000 20,000

Proportion of population in Melbourne

Melbourne

-20,000

1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017

Metropolitan Regional





## Growing Victoria's - Potential SGS Economics (2019)

### Different places, different stories

Over the past year, we have developed profiles for each of Victoria's regions aimed at understanding their specific needs. These nine profiles highlight the diversity of the state and show that each of Victoria's regions has its own unique opportunities and challenges. The 2020 strategy will take account of this uniqueness and diversity to identify the top infrastructure priorities for each region to build on economic strengths and reduce disadvantage.

Geelong, Ballarat, Bendigo and Albury- Wodonga are Victoria's biggest 'regional hubs', and the outlook for their future is broadly positive. In terms of population, the regional hubs are growing fast and influencing growth in surrounding areas. By contrast, population is declining in other parts of regional Victoria, particularly rural areas.

Regional hubs have a relatively diverse industry structure and a high proportion of service sector employment compared to surrounding rural areas.<sup>4</sup> As a result, they are more attractive to high-skilled workers and tend to be less susceptible to economic or environmental shocks than smaller towns and rural areas, which are more dependent on single industries. Regional hubs are likely to continue to draw working-age Victorians away from surrounding areas as they offer better prospects for more highly-skilled, better-paid, jobs and better access to services.<sup>5</sup>

The peri-urban areas of these regional hubs and Melbourne tend to benefit from growth in the centres to which they are linked. Peri-urban areas exhibit high relative socio-economic advantage, with some small pockets of relative disadvantage.<sup>6</sup> While the major defining quality of peri-urban areas is that they are well-connected to an urban centre, often leading to high levels of commuting for work, some peri-urban areas are also growing as more people seek lifestyle changes and retirees look for rural lifestyles or environmental amenity.

4. 4 Aither (2019) *Inter-regional assessment – an analysis of regional Victoria's strengths and challenges*, Report for Infrastructure Victoria
5. 5 Ibid.
6. 6 Ibid.
7. 13

The population in rural areas of Victoria is both ageing and declining (Figure 3). This is a long-term trend that is likely to continue. An ageing population is an increasingly dependent population, with fewer working age adults to support those who have retired from the workforce.

In terms of economic output, agriculture is the single most dominant industry in rural areas, and is growing.<sup>7</sup> While this has supported prosperity in some parts of regional Victoria, it has not always been evenly spread, particularly as farms consolidate, grow larger and become more disconnected from rural towns. Reliance on agriculture for both employment and economic output can expose rural areas to major shocks. This could include shocks to farming practice (such as continued industry consolidation or automation) or wider ranging impacts such as drought or a changing climate.<sup>8</sup>

Outside of the agriculture sector, regional Victoria is rich in diverse natural resources that present significant opportunities for further economic development, in particular solar, geothermal and wind energy, gold and mineral sands.<sup>9</sup>

Important Aboriginal cultural and heritage assets are present across all of regional Victoria. These have deep historical and educational values, and also ongoing economic, social, environmental and spiritual value for Victoria.

In addition, parts of regional Victoria have high-value environmental assets such as the Great Ocean Road, the Grampians National Park and the alpine region. These areas tend to attract tourists and locals seeking lifestyle benefits, supporting accommodation and other service industries.<sup>10</sup>

### Figure 3: Projected population change in Victoria 2016-2031

