

Attachment 2 for Sheena Watt

Revealed: the divided state of Victoria - The Age, 12/June/2016

Revealed: the divided state of Victoria

Economy Capital soars as regions suffer

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In regional Victoria, other industries have failed to take up the slack left by manufacturing, and further plant closures are imminent, among them Ford in Geelong, the Alcoa plant at Anglesea and the Hazelwood power station in the Latrobe Valley.

Victoria has become Australia's most centralised state, with 81 per cent of its economic activity taking place in Melbourne. In NSW, 75 per cent takes place in Sydney.

GDP per person in regional Victoria has slipped to \$49,000, down from an inflation-adjusted \$53,000 nine years ago. GDP per person in Melbourne has climbed to a record high of \$65,000.

"I can't see the trend reversing, at least in the short-term," said SGS economist Terry Rawnsley, a specialist in national accounts.

"I can't see the Alcoa reopening, I can't see Ford reopening. The big centres, Geelong and Bendigo and Ballarat, need to work out what they are good at and get strong transport links to Melbourne.

Treasurer Tim Pallas said he recognised there were challenges in regional Victoria, "especially for those regions in transition, and after four years of inaction by the previous Liberal-National government".

He said he was making record investments in regional rail, roads, hospitals and education, spending \$2 billion in 2016-17, including \$1.3 billion on regional rail.

The \$200 million Regional Health Infrastructure Fund would fund works and planning in Horsham, Port Fairy and Warragul. The budget set aside \$169 million to reconfigure the Goulburn Valley Health service to meet the demands of a growing population.

Victoria has become Australia's most divided state as the economic fortunes of Melbourne soar while those in the rest of the state crumble faster than anywhere else in the nation.

New calculations of capital city and rest-of-state economic growth derived from the national accounts show Melbourne's economy grew at a blistering 4.4 per cent in 2015-16, faster than anywhere else apart from Sydney, whose economy grew 4.5 per cent.

The economy of regional Victoria shrank for the fourth consecutive year, slipping another 1 per cent in response to a sharp decline in manufacturing. Victoria is the only state whose regional economy went backwards in 2015-16.

SGS Economics and Planning, which calculates the capital city and rest-of-state figures annually, says GDP per capita in regional Victoria has collapsed 8 per cent since it peaked in 2006-07. Manufacturing in regional Victoria has collapsed 26 per cent since 2009-10.

Manufacturing has also collapsed in Melbourne. Calculations by SGS Economics show it accounted for 16 per cent of Melbourne's economy in 1996 and only 7 per cent by 2016. But financial services and professional services have filled much of the gap, accounting for 13 per cent of the economy in 2016 (up from 10 per cent) and for 9 per cent (up from 6 per cent).

Healthcare and construction have also become more important to Melbourne, accounting for 7 per cent of its economy (up from 5 per cent) and 6 per cent (up from 4.5 per cent).