Submission to Economic Development and Infrastructure Committee

Local Economic Development Initiatives in Victoria

September 2012
Introduction

This submission has been prepared in response to the Economic Development and Infrastructure Committee Inquiry into Local Economic Development Initiatives in Victoria.

This submission includes responses to the Inquiry reference areas of:

1. Existing local economic development programs in Victoria municipalities.
2. The difference in economic development roles between rural and metropolitan municipalities.
3. Barriers to local economic development.
4. Ways in which Councils and Victoria Government can jointly support local economic development.
5. Best practice local economic development initiatives.

Context – Economic Development in Yarra Ranges

Located on metropolitan Melbourne’s eastern fringe Yarra Ranges Council is a balance of urban and rural communities (see Attachment 1). The Yarra Ranges is characterised by predominantly urban business centres where intensive industrial and retail activity occurs, to fringe-rural areas which fall within Victoria’s Green Wedge planning structure and where agriculture, rural industry such as wine making, and tourism are competitive strengths.

Yarra Ranges has a $10.5 billion economy that generates approximately 35,000 jobs (see Attachment 2). Economic activity is generated in various parts of our municipality by a diverse industry base. Agribusiness and tourism and some other industrial activity frequently occurs alongside areas of substantial environmental sensitivity and value, and the municipality’s beauty attracts many work-from-home professionals. Fostering greater local jobs, a diversity of skills and new investment requires finding a balance that doesn’t compromise the overall liveability of the region and the quality of the natural environment.

In this operating environment the future context of the Yarra Ranges economy has to contend with some unique challenges. These are:

- understanding and enhancing the resilience of businesses in the Yarra Ranges economy;
- considering how low carbon business and sustainability will shape future economic growth; and
- adapting to changing patterns in employment and work.

As of February 2011, there were 34,873 jobs in the Yarra Ranges Economy. Manufacturing provided 4785 jobs and retail provided 5035 jobs, making them the two largest sectors across the municipality.
**Programs and Roles**

**Inquiry reference 1 - Existing local economic development programs being carried out in the municipality**

Attachment 3 lists approaches used by Yarra Ranges Council to assist business and industry.

Key outcomes achieved by Council over the last seven years in support of the local economy have included:

- **Enhancing of Council’s capacity to advocate for ICT investment as well as develop web-based tools to improve economic development.** Council provides a web-based Economic Profile on the region that provides an evidence base on key industry sectors in terms of employment, regional exports, imports and value added activity. This is available online at: [www.economicprofile.com.au/yarraranges](http://www.economicprofile.com.au/yarraranges).

Council has also carried out detailed advocacy work to build the business case for early-stage National Broadband Network Rollout. Likewise it operates a Tell Us Your Skills @ Yarra Ranges’ web-based skills matching program for prospective employers and employees. Economic Development also frequently uses online tools and social media to engage and interact with businesses.

- **A commitment to training that reflects our economy.** The Sustainable Business Program, which offers businesses commercial and strategic insight into how embracing sustainable business practices improves business has been offered in Yarra Ranges since 2007. Our ongoing commitment to training in other areas has resulted in 275 subsidised business training events and programs being undertaken in the municipality since 2005. Of these training events Yarra Ranges Council has offered 88 businesses Small Business Mentoring Services one-to-one advisory sessions which are provided by the DBI’s Small Business Victoria unit.

- **Specific focus on innovation in tourism and agribusiness.** Acknowledging the importance of the Yarra Ranges in a regional food, wine and tourist context, Yarra Ranges Regional Marketing (YRRM) and its associated Yarra Ranges Business and Tourism Group was established through Council initiatives. Council has also endorsed a Tourism Policy and Action Plan, which highlights priorities for future trends in tourism in the region, such as nature-based tourism.

In agribusiness, the ongoing viability of industry member organisations creates a permanent forum for promoting economic innovation in agribusiness. A support cluster has been formed comprising AgriBusiness-Yarra Valley, Yarra Valley Regional Food Group and the Yarra Valley Wine Growers Association. The support cluster has been used to advocate for the region to be recognised a harvest labour area with a harvest labour office. It has also advocated for a recycled water pipeline for agriculture.
Looking towards the future, Council continues to be a leading force in promoting the sustainable development of the local economy by:

- **Endorsing a 10-year Economic Development Strategy.** Facilitating innovation through local skills, business and employment is the aim of Council’s Economic Development Policy and Strategy. The Strategy will guide Council’s role and resources in the sustainable development of the local economy over the next decade. It also provides a guide to businesses, professionals and investors when considering key trends or assessing opportunities that exist to add value to the Yarra Ranges economy.

The Strategy is divided into three key areas: global trends and positions; strategic sectors; and target sectors. Global trends outlines what will be required to make the Yarra Ranges an innovation ready economy. The five key strategic sectors that are current and future drivers of the local economy are identified. These include manufacturing, retail, home based and small business, agribusiness and health. Finally, target sectors are industries that have significant growth potential matched the region’s natural assets and people. Target sectors include tourism, and community business and social enterprise.

The Strategy also acknowledges the role of placemaking in investment facilitation and the need for integrated place making outcomes that are of benefit to our economy, community, environment and local neighbourhoods. In achieving this, Council will foster an ‘open for business’ mindset that pursues outcomes linked to our competitive strengths and opportunities.

**Diversity in Economic Development across an Interface Municipality**

**Inquiry reference 2 - The difference between economic development tasks across Yarra Ranges and that of metropolitan based municipalities**

Yarra Ranges is the largest of the eight interface municipalities in Greater Melbourne, covering 2,500 square kilometres. It is one of the three interface Councils that does not contain a growth corridor to allow for further expansion of the Melbourne population. It has the seventh highest population in Victoria with 145,000 people. The Green Wedge, Green Wedge A and Rural Conservation Zones in Yarra Ranges occupy about 70,000 hectares or 28% of the area of the municipality. While these different planning zones create a more complex planning scheme, Council’s commitment to delivering planning approval within 60 days supports business, development and investment.

Overseeing environmental management, agriculture, recreation and tourism activities in the Green Wedge requires reaching a balance between environmental amenity, efficient use of existent zonings and managing community and business expectations. This is a unique challenge in an interface municipality as there are natural tensions between increasing tourism or agricultural expansion and also being an effective steward of the natural landscape.
For example data (as of March 2012) showed that Yarra Ranges received over 2.0 million domestic daytrip annually (see Attachment 4). While this visitation is managed effectively, given the size of the region, it results in pressures on the road network and on access during peak periods and for special events (such as concerts). Therefore, in seeking to grow the local economy and provide more local jobs, Yarra Ranges needs to work within its natural systems, existing infrastructure and competitive strengths. This requires us to adopt strategies where innovation is the key theme driving growth, in a context where it is not possible to rezone land for more industrial or commercial activity. Council also understands that a harmonious, restorative relationship to the natural environment is an essential element when undertaking local economic development in Yarra Ranges.

Yarra Ranges’ competitive strengths are in what other metropolitan municipalities do not have: substantial areas of rural and public land; diverse, intensive and interesting agricultural industries; tourism; and quality ecological systems including two world class National Parks, and State Forest. Tourism, especially nature-based tourism, has scope for growth given the vicinity to a large population catchment. Likewise, agribusiness has scope for growth. The high quality soils, reliable rainfall and reasonably reliable irrigation supplies can sustain and grow viticulture, orchard and berry fruit, floriculture and nursery plants. Agribusiness Yarra Valley, as the permanent forum for advocating for the sector, continues to promote ways to grow the land in farm rate and innovation around leasing, partnering and attracting investment are being advocated by Council in partnership with them.

Specific Issues, Barriers and Opportunities Relative to Local Economic Development in Yarra Ranges

Inquiry reference 3 - Specific barriers to local economic development in our municipality and current solutions to address these issues

There are two economic sectors in Yarra Ranges that are unique to our region: Agribusiness and Tourism.

Agribusiness in Yarra Ranges has optimal natural conditions due to favourable soils, adequate water supply, as well as knowledge and research and development knowhow and a recognised brand (the Yarra Valley) among food and wine enthusiasts. These conditions support the sector - especially across sub-sectors such as viticulture, orchard and berry fruit, floriculture and the nursery industry – to reach export markets and to grow when investment is made into the sector. The food, beverage and amenity horticulture (flowers and nursery) sector is pressured by increasing quality demands, price squeezes from large retailers and competition from imports. Further to this, the cost of land in Yarra Ranges is a barrier for new business looking to invest in agriculture.

Specific barriers that are impacting agribusiness and are present in our municipality include:
• Water security - exacerbated by the increasing community expectation that water in rivers and creeks will be more equitably shared between the environment and commercial use. The 13 below average rainfall years between 1997 and 2009 inclusive, alerted farmers to the lack of security of water for irrigation that the unregulated creeks and rivers in this region provided, particularly in the lower rainfall of the north-west quarter of the municipality. Council has commissioned a project examining the feasibility of a recycled water pipeline together with Yarra Valley and Melbourne Water that is “dig ready”. Further work is now being done to see if the pipeline could be expanded and made more cost effective.

• Seasonal labour is required for harvesting and packing crops, however, there is concern about sourcing workers. Studies have shown this workforce is approximately 2,500 to 3,500 people per day for six months of the year. There is concern about the long term sustainability of supply of this type of labour, with a significant proportion having come from first generation immigrants of Vietnamese and Cambodian background. A greater percentage may need to be overseas tourists on working holiday visas or those attracted through the Pacific Seasonal Worker Scheme auspiced by the Federal Government. More budget accommodation is needed to house these people.

To facilitate investment in budget accommodation by the private sector Council has commissioned an economic feasibility of three different approaches to providing this. Provision of temporary accommodation for six months of each year on a Council owned reserve close to highly intensive horticulture was shown to be the most profitable of the ventures analysed. Council will now be developing an expression of interest document to pursue this option. It would be important on a wider regional level to support the investment required to facilitate budget accommodation in the Yarra Valley as it will safeguard agriculture on Melbourne’s doorstep and also be a new resource for tourism.

Tourism contributes $354 million to the local economy in Yarra Ranges out of a total economy of $10.5 billion. The local tourism sector is faced with a number of challenges. Firstly, it is a mainly domestic market with a small number of international visitors. It also needs to find ways to entice visitors to increase their length of stay. Finally, the local tourism sector faces challenges in offering unique and diverse content for visitors at different price points. The tourism region (as discussed above) does not have adequate budget accommodation, nor does it have any five-star plus style resorts that can provide for large groups, conventions or events.

To position the Yarra Valley and the Dandenongs as the premier destination for food and wine and to increase other complementary forms of tourism in a competitive market, a full-time tourism marketing incorporated business has been in operation for six years. This body is known as Yarra Ranges Regional Marketing (YRRM). This body has subsequently established the Yarra Ranges Business and Tourism Group (YRBT), a municipal-wide tourism business association group which supersedes smaller sub-regional industry associations. A key objective of YRBT is to improve member value through important initiatives such as group buying/procurement and drive opportunities for intra-regional local tourism promotion.
Council is supportive and committed to nature based tourism, though it is a market yet to receive significant support from partners such as Parks Victoria and Department of Sustainability and Environment. Where nature-based tourism can diversify on-farm income (for example, farm-stay style accommodation on suitable properties) then this would be a positive outcome for our agribusiness sector. Providing assistance to support cross-agency collaboration on how to successfully market nature-based tourism content is an important area of support that will assist local economic development.

Clarity and certainty on permissible development in areas of high natural value such as green wedge areas of Yarra Ranges is also an important issue for local economic development. Both the viability of local agriculture, and local biodiversity within our green wedges, are important assets for the municipality.

The reformed rural zones currently being proposed in Victoria’s Planning Provisions do not deliver desired changes to support local agriculture in Yarra Ranges. There are no provisions exhibited which remove the need for permits for hail netting or other agricultural structures nor are there any changes to allow for the sale of value added product as part of farm gate sales. Yarra Ranges Council asked the State Government to make these changes through the Interface Council’s Group. Council has passed two separate resolutions to request the Planning Minister to make these changes. It is disappointing these changes were not included in the reforms.

The increased non-rural uses will intensify pressure for urban type development in these areas, competing with the need to preserve areas for agriculture and conservation. Agricultural and conservation systems are a leading “drawcard” for many tourists to this region.

Inquiry reference 4 & 5 - Opportunities for joint support of local economic development especially across emergent economic areas and some best practice examples

In the context of the Yarra Ranges economy there are three emerging areas of economic potential that are going to shaping local economic development. These are:

- Embracing a culture of innovation.
- Transitioning to low carbon economic activity.
- Promoting placemaking as key investment.

Embracing a culture of innovation. Adopting an innovation agenda requires a clear focus on the requirement that a regional economy must have the best possible, intelligent ICT infrastructure at its disposal if it is to be relevant as economies.
A leading example of facilitating innovation will be in healthcare where efforts to support the convergence of technology and service delivery has substantial potential to be an important future driver of economic development. In Melbourne’s outer-east, creating formal collaboration networks (or clusters) around innovative healthcare will be an important asset for all business and community. Such networks should involve agencies such as the Department of Innovation, Industry, Science and Research, RDA Melbourne East, Department of Business and Innovation, local councils, universities, Eastern Health, Epworth and industry category leaders such as Siemens located in this region. The South-East Melbourne Innovation Precinct is a good first example of such a collaboration network.

There needs to be more resources put into connecting these innovation networks to businesses at the municipal level. This advocacy should occur though the Economic Development units of councils and should be lead by regional facilitators from the Commonwealth’s Department of Innovation.

There is a need to transition to economic activity that is environmentally sustainable and low carbon emitting. With a legislated carbon emissions pricing scheme in force, businesses must prepare for a carbon price now. Similarly in the future the costs of energy from fossil fuels and natural resources will also be a substantial burden for businesses, requiring major transitioning strategies.

Facilitating collaboration to advance low carbon economic development can occur on a number of different levels. For example, Federal, State and local government could collaborate further on agribusiness, manufacturing, transport and logistics to investigate initiatives such as:

- Partnerships around regional bio-diesel production and distribution. Improved collaboration between government agencies, universities, vehicle dealer groups, transport companies and start-ups like Better Place emergent forms of mobility that generate economic development is needed to encourage viability.

- The linking of businesses to generate clean-tech partnerships that capture waste, resource streams etc, from landfill for new innovative uses (i.e. cradle-to-cradle resource use or industrial symbiosis). Such collaboration could, in turn, generate new forms of project governance and collaboration (e.g. cooperatives or non-profit business models to oversee innovation investment in resources like large-scale photovoltaic instalments).

- Supporting clean-tech economic growth in green-field and brown-field property development in collaboration with land developers. This collaboration should include State Government agencies like Sustainability Victoria; and the strategic and statutory planning, economic and civil development branches of councils. To support such clean-tech investment, the private sector need access to funding, as well as statutory planning support and certainty, as this assistance will help reduce the
infrastructure costs that are associated with this kind of commercial and industrial development.

There is increasing importance of “placemaking” as a practice in economic development. Placemaking can drive urban regeneration and township renewal. Councils across the State would benefit from enhanced understanding of the role of placemaking in achieving integrated outcomes in built-form, infrastructure and community capacity/resilience. Placemaking, when managed effectively by councils and support agencies, achieves important economic, social and environmental outcomes.

Ensuring that State Government agencies like the Department of Planning and Community Development, local councils, as well as associations like the MAV have a long-term commitment to placemaking will be an important asset for enhancing local economic development.
Conclusion

In summary, the key local economic development initiatives reviewed above that Yarra Ranges would like to see this Inquiry address are:

1. Increase current levels of commitment and funding to local economic development that support business programs such as Grow Your People and Small Business Mentoring Services. Having regionally based officers from the Department of Business and Innovation in large regions like Melbourne east are an important part of this assistance.

2. Consider specific economic development collaboration support and assistance that will assist agribusiness concerns on metropolitan Melbourne’s city fringe to remain viable. Water security, safeguarding the land in farming rate, reducing administrative impediments that hinder farmers from increasing on-farm revenue streams (for example, selling finished goods such as jams from their own produce at farmgate) and supporting the attraction of seasonal workers to our region are some examples that require dedicated support.

3. Facilitate economic development collaboration across tourism which improves knowledge and capacity around ways to establish and market nature-based tourism. Ensure that there are opportunities for sizeable tourism regions like the Yarra Valley and the Dandenongs to maintain currency and appeal by assisting in the facilitation and planning of new facilities (for example, budget accommodation and premium resort).

4. Offer consistency and certainty to prospective investors, local authorities and property owners around long-term vision around tourism in Green Wedge areas.

5. Promote better regional collaboration on the theme of innovation that brings together leading government agencies, local councils, and business to target emerging new economic potentialities. The leading example for Melbourne’s outer-east is innovation healthcare where technology, health services provision and enhanced broadband could spark numerous local economic development initiatives if properly planned.

6. Investigate regional collaboration around clean-tech that promotes collaboration across industry with public sector support and which advances low carbon economic development. Regional bio-diesel, cooperative solar and reducing administration costs for cleantech projects are but some of the examples of measures to promote this sector.

7. Support the practise of “placemaking” as an instrument of economic development, community development and municipal capital works. Placemaking offers a set of guiding principles to drive urban regeneration and township renewal across the State and should receive due economic development policy consideration.
Attachment 1: Map of Yarra Ranges
Attachment 2: Key Facts – Yarra Ranges Economy

The Yarra Ranges economy is characterised by over 10,000 businesses, employing some 35,000 people where:

- small businesses (employing generally less than 20 people) are the largest share of all businesses and are commonly home-based, small office or home-office style businesses. The resilience of these businesses is highly correlated to the industry sectors that they reside in. For example weakness in the construction market will impact the capacity of tradespersons employing apprentices or other sub-contractors
- a small number of medium businesses (more than 20 people to less than 200 people) form a significant part of the local economy and include international manufacturers, regionally significant education providers and several large hospitality and tourism operators
- large businesses (employing over 200 people) are few in number but include home grown and international manufacturers and government bodies
- many construction businesses and trades business are located (and operate a small home-office) but frequently work outside the region
- small enterprise clusters servicing local neighbourhoods in and outside the region including cabinet makers, automotive businesses, printers and building supplies are found. These businesses are strongly linked to the growth of light industry in Lilydale and Kilsyth
- high numbers of retail business-owners are dispersed throughout the region
- the Yarra Valley and Dandenongs tourism region attracts over 4 million visitors annually
- a significant number of horticultural commodities are grown.
**Attachment 3: Approaches used by Yarra Ranges Council to assist business and industry**

| Provision of Grants | • supports operation of Yarra Ranges Regional Marketing Ltd, and peak bodies supporting wine, food and agribusiness sectors  
| | • supports specific initiatives of Yarra Ranges Enterprise Centres Ltd,  
| | • Support local organisations exploring investment in new training and skill development areas  
| Business Information | • first point of contact for business enquiries  
| | • provide a business newsletter to over 10,000 businesses twice a year  
| | • maintain the Economic Profile reference tool  
| | • provide comprehensive and quality information on the municipality’s business website  
| | • analysis and publication of economic data  
| Networking | • oversee dedicated industry networks such as Agribusiness Yarra Valley and broader networks such as Eastern Women On the Go  
| | • support trader and chamber events  
| Training | • Coordinate professional development initiatives around specific topics such as sustainability, social media and managing people  
| | • Facilitate local rollout of general business training and mentoring services that meet the needs of employers and residents (eg. Getting Started in Small Business; Tax; Marketing)  
| Support Business Groups | • provide support for the operation of business and industry groups, to aid the growth and vitality of these business and industry sectors, including the diverse shopping centres throughout the municipality  
| | • administering the Special Charge Scheme for specific Shopping Centres  
| Business Development Projects | • administer a portfolio for place management that aims to achieve integrated urban regeneration in our most populous suburbs of Lilydale, Mooroolbark, Chirnside Park and Kilsyth  
| | • facilitate Council led process to improve property development certainty and value for dismissal of surplus Council land assets  
| | • identify options for budget accommodation, affordable housing and transport for seasonal workers, visitors and for residents  

13
• assessing opportunities for greater connection and collaboration between local business through sharing working spaces and co-working

Publications

• development of an Economic Development Strategy Practitioners Guide that highlights key responsibilities and target areas for successful management of the local economic development portfolio

• develop a promotional material and marketing collateral for specific initiatives that are unique to our region such as living alongside rural activity or to attract “tree-change” residents exploring living in the region
The table below shows data on domestic daytrip visitors to the Yarra Ranges LGA. The LGA receives about 55% of all tourism visitors to the wider region of the Yarra Valley and the Dandenongs (i.e. that includes visitors to neighbouring areas of Eildon, Cardinia Ranges and Nillumbik).

The following table highlights the output and jobs across the local economy. It is interesting to note that while manufacturing is both a major industry and essential source of local jobs, other significant sectors in terms of local jobs like retail are not as significant in proportion in terms of output.
## Table 1 – Yarra Ranges Economy – Value of Output & Jobs

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>$M</th>
<th>%</th>
<th>Jobs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>$3,352.557</td>
<td>31.9%</td>
<td>4,785</td>
<td>13.7%</td>
</tr>
<tr>
<td>Rental, Hiring &amp; Real Estate Services</td>
<td>$1,249.392</td>
<td>11.9%</td>
<td>520</td>
<td>1.5%</td>
</tr>
<tr>
<td>Construction</td>
<td>$1,060.362</td>
<td>10.1%</td>
<td>2,951</td>
<td>8.5%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$839.859</td>
<td>8.0%</td>
<td>2,146</td>
<td>6.2%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$484.992</td>
<td>4.6%</td>
<td>5,035</td>
<td>14.4%</td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>$443.722</td>
<td>4.2%</td>
<td>4,098</td>
<td>11.8%</td>
</tr>
<tr>
<td>Professional, Scientific &amp; Technical Services</td>
<td>$443.238</td>
<td>4.2%</td>
<td>1,741</td>
<td>5.0%</td>
</tr>
<tr>
<td>Agriculture, Forestry &amp; Fishing</td>
<td>$384.074</td>
<td>3.7%</td>
<td>1,619</td>
<td>4.6%</td>
</tr>
<tr>
<td>Accommodation &amp; Food Services</td>
<td>$351.896</td>
<td>3.3%</td>
<td>2,649</td>
<td>7.6%</td>
</tr>
<tr>
<td>Financial &amp; Insurance Services</td>
<td>$315.452</td>
<td>3.0%</td>
<td>531</td>
<td>1.5%</td>
</tr>
<tr>
<td>Transport, Postal &amp; Warehousing</td>
<td>$279.220</td>
<td>2.7%</td>
<td>1,152</td>
<td>3.3%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>$264.761</td>
<td>2.5%</td>
<td>2,721</td>
<td>7.8%</td>
</tr>
<tr>
<td>Administrative &amp; Support Services</td>
<td>$226.379</td>
<td>2.2%</td>
<td>962</td>
<td>2.8%</td>
</tr>
<tr>
<td>Other Services</td>
<td>$215.989</td>
<td>2.1%</td>
<td>1,532</td>
<td>4.4%</td>
</tr>
<tr>
<td>Public Administration &amp; Safety</td>
<td>$196.321</td>
<td>1.9%</td>
<td>1,078</td>
<td>3.1%</td>
</tr>
<tr>
<td>Information Media &amp; Telecommunications</td>
<td>$139.566</td>
<td>1.3%</td>
<td>325</td>
<td>0.9%</td>
</tr>
<tr>
<td>Electricity, Gas, Water &amp; Waste Services</td>
<td>$115.414</td>
<td>1.1%</td>
<td>228</td>
<td>0.7%</td>
</tr>
<tr>
<td>Arts &amp; Recreation Services</td>
<td>$100.371</td>
<td>1.0%</td>
<td>697</td>
<td>2.0%</td>
</tr>
<tr>
<td>Mining</td>
<td>$54.399</td>
<td>0.5%</td>
<td>103</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10,517.964</strong></td>
<td><strong>34,873</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Remplan February 2012