

W2040



OUR ECONOMY

One of the key objectives of the W2040 community plan will be to understand trends, challenges and opportunities that will shape our local economy over the next 20 years. These will be used to inform the decisions we make today and determine the impact these changes could have on our local employment and economic security over the longer term.

The world is undertaking economic transformation on par with the industrial revolution and technologies like 3D printing, micro-manufacturing, robotics and cloud computing are transforming the nature of the workplace, replacing occupations but also creating new jobs and connection into globalised markets providing opportunity for overall economic growth.

Warrnambool is not solely reliant on one industry but has an economy where many different sectors make significant contributions to our economy in different ways whether it be through measures such as employment, exports, wages and salaries, output or the number of businesses. Our economic prospects will be guided by how we perform and compete on the supply side of our product, services and experiences to local, national and international markets to support labour force participation, population growth, and productivity growth to drive our long term economic growth and sustainability in a more global, competitive and connected market place.

Warrnambool is a highly liveable coastal regional city with a strong track record of steady, sustained population and economic growth. Warrnambool's ongoing economic challenge is to create employment, skills and industry growth while attracting, retaining and expanding businesses in our city in an environment that is more connected, competitive and disruptive to create a resilient, sustainable economy for our city's future.



OUR ECONOMY

How are we faring?

Strengths – what is going well in Warrnambool now?

- The annual rate of Gross Regional Product growth over the decade 2003-2013 was 1.9 per cent, the fourth highest of Victoria's 10 regional cities
- Vast majority of population growth in the region has been concentrated in Warrnambool, with an annual growth rate of about 1.1 per cent
- Major service centre for the region offering employment opportunities for residents of neighbouring municipalities
- 25-plus years supply of residential land and a second industry park now open for business
- Diverse industry base with employment strengths in the service sectors of:
 - Health and community
 - Education
 - Food processing
 - Government
 - Retail trade
 - Tourism
- Supports the broader agricultural industry and some industrial activity

Feedback from the recent business trends survey and W2040 survey captured:

- Increased belief by respondents in the business trends survey that they are faring good or excellent (up 8% to 56% in 2017) compared to other regional businesses.
- Increased confidence in the Warrnambool business environment at the medium to very high level in 2017 (71%) compared to 2015 (60%). More respondents from the CBD and Gateway Plaza had greater confidence.
- Local companies/individuals selling outside the local market have increased exports in the last 12 months

(up 8% to 43% in 2017) and/or expect to increase exports in the next 12 months (up 13% to 44% in 2017)

According to the economic profile of Warrnambool by Regional Development Victoria our strengths include:

- Specialisation in dairy and meat product manufacturing with assets and skills available to capitalise on significant growth potential from global demand increases
- Strong service sectors of education, finance and health sectors help position Warrnambool as the service hub of the region
- Location near natural tourism assets (Great Ocean Road) and resources to support industry, such as gas and water
- Sister city relationship with Changchun provides potential trade opportunities and entry into Chinese markets for Warrnambool exporters

Challenges

- Need to create an additional 4,000-plus jobs to cater for projected population growth over the next 20 years.
- Economy is largely influenced by the Great South Coast region, which provides a market catchment of up to 120,000 around our city.
- Wider region's youth unemployment rate is high relative to metro regions and the rest of the state.
- While the population is growing, it is ageing – requiring new jobs, residential options and infrastructure demands.
- Technological change and the modern economy (in particular the changing nature of retail).
- Infrastructure and transport improvements are required for increased connectivity (roads, rail).
- Population growth is highest in older adults (65-plus years) – poses challenges for the local economy.
- National Disability Insurance Scheme impacts are not well prepared for.
- Need to support Small to Medium Enterprise (SME) growth through the promotion of buying local.

According to the economic profile of Warrnambool

by Regional Development Victoria our growth constraints include:

- Potential capacity constraints of existing road and rail networks may not meet increased demand from export growth
- High level of export-focused industries means that the local economy is heavily affected by exchange rate changes
- 89% of Victoria's population lives within 150km of Melbourne's CBD impacting population growth of Warrnambool (270km)
- Lack of clear positioning of the city as an investment and tourism destination, including a lack of high-end tourism infrastructure

State context

Excerpts from 'Current and Future State of Victoria: a macro perspective (Deloitte report 2017)

In the long-run an economy's performance in terms of the size of the economy (measured by gross state product) hinges on three factors:

1. **Population:** the size of the population helps determine the size of domestic markets and how scale of production can be achieved at lower cost;
 2. **Participation:** the size of the working age population and the share of this group that is actively employed or looking for employment (labour force participation) is an indicator of the capacity of the economy; and
 3. **Productivity:** how efficiently we turn inputs into outputs determines the capacity of an economy to produce, compete internationally and sustainably use resources; The factors are interrelated; population influences the size of the labour force and participation rate, while productivity is influenced by the labour force participation of an additional entrant to the labour force. Bringing the three P's together we can distinguish their historical and projected relative contribution to growth in GSP for Victoria:
- Around 63 per cent of the total growth in Victoria's economy from 1989-90 to 2014-15 is attributable to labour productivity growth, with a series of microeconomic reforms during the 1980s and 1990s supporting productivity growth over that period. The contribution of labour productivity is projected to be moderately lower over the next 30 years;
 - Population growth contributed around 52 per cent to total GSP growth historically and is projected to make a stronger contribution to GSP growth to 2045-46, with additional overseas migration contributing notably to that growth;
 - A lack of strong growth in labour force participation historically has meant it has not contributed much to overall GSP growth and future trends suggest this will worsen as ageing of the population reduces labour force participation; and
 - Average hours worked detracted around 13 per cent to Victoria's economy over the historical period and this negative influence will be stronger in the future,

as more of the workforce shifts to part-time roles. It implies that growth in Victoria's economy in the future will be predominantly driven by strong population growth, more so than how efficiently the economy will be transforming inputs to outputs (in the absence of further competition and regulation reform).

Long term trends influence Victoria's economy

Victoria's economy is impacted by global and local trends, including geopolitical developments, environmental pressures, the emergence of Asia as the centre of the global economy, demographics such as population ageing and migration, information and capital flows, and technological developments. These trends bring opportunities and challenges for Victoria.

To leverage the opportunities to maximise economic prosperity, Victoria will need to be internationally competitive, which means being more productive. Often this means being smarter in the way goods and services are produced and provided to consumers. Being more productive is a function of many things, including the amount and quality of infrastructure people have at their disposal.

The need for sustainable economic development (particularly in relation to climate change) is also a global trend that will have implications for Victoria's economy and existing and future infrastructure needs, as well as for Victoria's competitiveness.

The labour market is expected to grow unevenly

Analysis of the current and future state of the Victorian economy is underpinned by both Victoria in Future population growth (actual and forecast by SA4 region), as well as employment by sector (actual and forecast by SA4 region). Chart i shows that Melbourne West, Melbourne North East and Melbourne Inner are forecast to have the highest rate of employment growth, while the Warrnambool and South West SA4 is forecast to have the lowest. The regional distribution of employment will also have implications for infrastructure planning going forward.

http://www.infrastructurevictoria.com.au/sites/default/files/files/Current%20and%20Future%20State%20of%20Victoria_%20a%20macro%20perspective.pdf

Regional Development Victoria (RDV) and Regional Partnerships

RDV works closely with various Victorian Government agencies to facilitate economic, infrastructure and community development to improve the quality of life for regional Victorians.

With a focus on building stronger economies and commu-

nities through employment, investment and infrastructure, RDV supports regional Victoria to:

- Create vibrant and dynamic regional communities through economic development
- Facilitate new investment by funding infrastructure for strategic projects
- Deliver integrated programs and strategies to grow a sustainable business economy and industries
- Support the implementation of integrated regional plans
- Deliver jobs and investment across Victoria through resilient, competitive and productive regional economies.

The Great South Coast Regional Partnership is one of nine Regional Partnerships established in 2016 to give regional communities a greater say about what matters to them. The economy is one of six priorities for the partnership.

To see these key issues identified under economy go to <https://engage.vic.gov.au/great-south-coast/our-regional-economy>

Local context: Council's goals

The Warrnambool Economic Development and Investment strategy 2015-2020 provides a vision that by 2020 the City of Warrnambool will be acknowledged across our nation as a progressive and vibrant regional city. The strategy includes actions and initiatives across 5 key areas and 63 objectives including:

Economic Leadership and Collaboration

- Promote leadership
- Promote economic development services
- Support active and open collaboration between government, industry and the community

Infrastructure and transport

- Warrnambool hospital development
- High speed broadband
- City centre renewal
- Rail and infrastructure services
- Warrnambool regional airport infrastructure and services
- Princes highway west road upgrades
- Waste and water, renewable energy
- New library and learning centre

Investment attraction and business support

- Facilitate investment in key economic precincts
- Plan for an economy of the future
- Support for food and agriculture
- Stronger support for small business
- Residential aged care plan
- Funding models for strategic projects

Skills and employment

- Deakin University Warrnambool
- South West Institute of TAFE
- International education
- Secondary education
- Workforce development
- Increasing public sector employment
- Visitor economy and regional city
- Enhance strategic visitor economy assets
- Recreation, arts and culture
- Major events

http://www.warrnambool.vic.gov.au/sites/warrnambool.vic.gov.au/files/documents/council/Council%20plans/WARRNAMBOOL%20ECONOMIC%20DEVELOPMENT%20%26%20INVESTMENT%20STRATEGY%202020_final.pdf

Partner's goals

Wannon Water's vision is "Beyond water for strong communities".

Wannon Water has a commitment to regional prosperity and education, training and volunteering. Their "Partnering for Stronger Communities" Strategy 2016/17 identifies the Regional Prosperity and Education as two of the five key themes for which are important to the organisation and the community, and commits to supporting partnership efforts, education and measuring its impacts in relation to these outcomes.

http://www.wannonwater.com.au/media/20469/ww_partneringstrongercommunities_web.pdf

Deakin University has a commitment in its Strategic Plan to "Strengthen our communities, enable our partners and enhance our enterprise". Deakin's role in Warrnambool's economy and regional role cannot be underestimated.

http://www.deakin.edu.au/__data/assets/pdf_file/0005/623498/Plan-on-a-Page.pdf

South West TAFE has strategic goals to continue to grow and improve its offering in Warrnambool to support the local economy with education and workforce development. Its objective to deliver an education and culture precinct, offering a state of the art learning facility that meets the contemporary needs of students and employers, aims to addressing the need to improve education and workforce outcomes locally. <https://www.swtafe.vic.edu.au/about-us/our-institute>

Commerce Warrnambool was formed to support and foster the economic wellbeing of the City of Warrnambool and surrounds <http://commercewarrnambool.com.au/>

Successful partnerships and projects

Warrnambool – Changchun: Economic Demonstration Project

As the Chinese economy moves from a focus on investment in physical infrastructure to developing social infrastructure, and as it moves from export driven growth to consumption driven growth, they are undertaking major change in what it imports from other countries.

The City of Warrnambool undertook a nationally recognised and awarded leadership role in the development of the Warrnambool-Changchun Economic Development Demonstration Project which was the first of its kind sister-city relationship in Australia. With support from the Victorian Government and Warrnambool City Council, the **investment in collaboration, shared goals, strong partnerships and inspired leadership** created a gateway for Warrnambool City and the Great South Coast towards engagement and mutual gains both culturally and economically with China through its Sister-City relationship with Changchun.

The inspired leadership approach Warrnambool City undertook in pursuing, coordinating and building mutual gains with the City of Changchun has spearheaded and differentiated the region to being connected with Australia's largest trading partner.

Building an understanding of China and Chinese culture and business practice underpins the capability and capacity to engage with China as it currently presents unparalleled opportunity for economic growth for Warrnambool and the surrounding region.

The size and scale of the Chinese market opportunity has many other countries and cities pursuing attention and interaction with China. Through the strength and diversity of Warrnambool and the Great South Coast product and services, the region is well placed to leverage China's economic growth.

Warrnambool's relationship with Changchun was conceived on the mutual understanding of an overt focus on commercial outcomes on a region to region basis. The Project is nearing the end of its initial project cycle with lessons learned and strong outcomes such as:

- A different way of doing business – a truly 'region to region' approach;
- Commercial outcomes achieved through trade and equity investment;
- A legacy in the form of a body of knowledge, expertise and relationships that can be utilised and applied to other partnerships over time

Changchun and Warrnambool

Links between the two cities were established in 2011.

The relationship was founded largely on opportunities for trade, focussing on food, tourism and education along with cultural understanding.

Several visits by business delegations have been made by both cities. The formal agreement relates to "mutual benefit, exchanges and co-operation", in a variety of fields and to "promote common prosperity and development".

June 2013

The State Government provides funding of \$225,000 to implement an economic development demonstration project. A 14-strong delegation from the Great South Coast region representing food, agriculture, logistics and education sectors visits Changchun.

Changchun agricultural officer Li XiChun (Sailor) is seconded to Warrnambool to work across government and industry in the Great South Coast.

September 2015

Another delegation from Warrnambool visits Changchun. This leads to Woodford Primary School signing a sister school MoU with the Changchun First Experimental School.

February 2017

The Warrnambool China Bureau program is launched and in its first six months supports in excess of 30 businesses through mentoring, research, translation and commercial insight.

September 2017

Delegation representing aged care, tourism, food and agriculture, education, Asialink Business, and the wine industry leaves for China accompanied by Councillors, the Mayor and CEO. During the visit Deakin University awards the first of 12 scholarships to a Changchun student as part of the Sister City program.

CASE STUDY: Successful partnerships and projects

Beyond the Bell (www.beyondthebell.com.au) is an example of a successful local partnership. It is an ambitious initiative seeking to lead a cultural shift in the way communities and service providers work to support our young people.

VISION: Our community is a leader in working together to enable our young people to succeed. Beyond the Bell will know they have succeeded when 90 percent or more of our young people are achieving Year 12 or equivalent* by 2030.

BTB is a concerted, community-based collaboration created to tackle the region's low Year 12 or equivalent attainment rates and encourage support for young people from conception to adulthood.

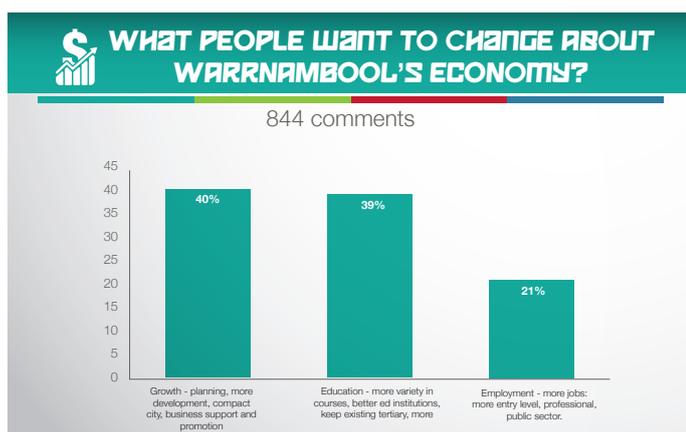
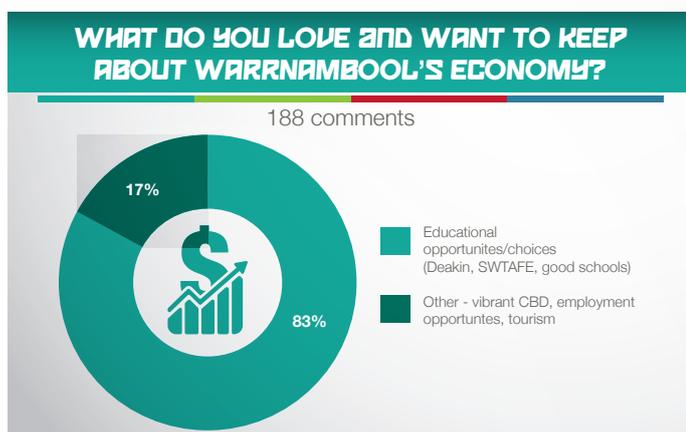
It is a long-term, place-based initiative striving to improve education outcomes by seeking a cultural shift in the way communities support our young people. BTB ultimately aims to improve young people's chances of attaining Year 12 or equivalent and better prepare them for a successful transition to the next phase of their lives.

What we heard in Phase 1

For more detailed analysis of what people said please refer to W2040 Engagement Findings Summary.

The following are the key priorities identified from the Phase One community engagement learnings:

- Meet the needs of the expanding population with education and employment opportunities.
- Encourage innovation and development of new industries.
- Be a leader in food production and food tourism.
- Encourage the growth of Warrnambool to thrive and embrace the future.



DRAFT Goal and Priorities to start the conversation

Goal: A thriving, modern and healthy city

Priority 1: a safe and adaptive city
A city that is at the forefront of digital innovation and technological change.

Priority 2: a diverse economy
A strong and diverse economy will see our city competing in a global economy across agricultural, renewable energy, health and aged care.

Priority 3: a creative and collaborative city
Our university will drive research and deliver world-ready skills and capability.

Priority 4: established international capability
Our city will be a global player. A significant proportion of our wealth will derive from the city's flexibility across world markets and in-bound tourism capacity.

Developing the W2040 Community Plan

Building upon the community engagement findings from the Phase 1 we will bring together community, partners and Council to draft the Community Plan. In preparing for this session, we would like you to think about the following questions:

- Are these the right priorities for the economy?
- Are there missing priorities?
- What projects or partner organisations could support the priorities identified?
- What would achieving these economic priorities look like in 2040 for you?



ECONOMY



ENVIRONMENT



PEOPLE



PLACE