Rural and regional Victoria

This feature article is a joint effort by the Department of the Premier and Cabinet and the Department of Infrastructure.

Introduction

Rural and regional Victoria faces many opportunities and challenges.

Rural and regional Victoria has been undergoing a transformation. It is a transformation that attempts to prepare rural and regional Victoria to meet the challenges posed by internationalisation of the economy.

In 1997 Victoria's annual average rate of population growth was rising again. The five to eight years prior had contradicted the historically strong trends of population growth in regional Victoria and the State generally. Over the next 15 years it is expected that population growth in rural and regional Victoria will be slightly higher than it has been for the 1991–96 census period. Moreover, the Victorian populace is becoming increasingly more qualified and skilled, and more likely to be able to meet future employment opportunities. Total employment in rural and regional Victoria has been increasing over the past six years, with full-time and youth employment increasing within the overall employment numbers.

The impact of global economic trends will vary in different areas of Victoria depending on the economic base and potential to respond to change. Whilst different towns and regions may have apparent strengths in the production of particular types of goods and services, they will face increasing competition from other Australian regions and overseas.

Rural and regional Victoria is in a strong position to take advantage of international trends. Victoria's agricultural industries will play a critical role in both the Victorian and national economies in the next century. Victoria produces 23% of Australia's agricultural commodities and 30% of its food products while occupying only 3% of the country's land area. Production is growing rapidly and the value of exports of agricultural commodities and processed food products from Victoria is now around $4 billion per year.

Agriculture (and the associated processing of agricultural products) is still an important industry for rural and regional Victoria; with sectors such as fruit and vegetables, wine production, dairy products and beef performing particularly well. The manufacturing and services sectors are also growing in importance in rural and regional Victoria, reflecting a maturing rural economy. The growth in services has especially been in retail trade and industries associated with tourism.

Attraction of private sector investment has been important to rural and regional Victoria with a number of large projects recently completed and several new projects committed for the future. These investment projects are important for population growth and significantly increase the opportunities for young people living in rural and regional Victoria.

This articles's definition for region and population are highlighted in the table 1 (unless otherwise stated).

1 ESTIMATED RESIDENT POPULATION OF VICTORIA AND ITS REGIONS

					Annual average growth rate percentage change		
	1986	1991	1996	1997	1986–91	1991–96	1996–97
Victoria	4 160 856	4 420 373	4 560 155	4 605 148	1.2	0.6	1.0
Melbourne	2 966 833	3 155 576	3 283 278	3 321 666	1.2	0.8	1.2
Balance Victoria	1 194 023	1 264 797	1 276 877	1 283 482	1.2	0.2	0.5
Barwon	217 160	234 224	239 519	240 906	1.5	0.4	0.6
Western District	102 483	102 570	100 168	100 125	0.0	–0.5	0.0
Central Highlands	125 272	133 133	134 660	135 443	1.2	0.2	0.6
Wimmera	54 806	54 112	52 204	52 027	–0.3	–0.7	–0.3
Mallee	85 415	87 955	87 181	87 590	0.6	–0.2	0.5
Loddon	137 298	151 708	157 315	158 656	2.0	0.7	0.9
Goulburn	166 217	178 481	182 679	184 141	1.4	0.5	0.8
Ovens-Murray	81 347	86 776	89 091	89 698	1.3	0.5	0.7
East Gippsland	75 116	80 164	80 639	81 002	1.3	0.1	0.1
Gippsland	148 909	155 674	153 421	153 894	0.9	–0.3	0.4

Source: Population, Victoria (Cat. no. 3234.2).

Environment and natural resources

Suitable environmental conditions underpin the State's agricultural output and related manufacturing production, such as food processing and textiles. Victoria's agricultural industries are founded upon the State's physical endowments; topography, temperate climate and fertile soils. Victoria's climate and rainfall can support a wide range of agricultural activities. Compared with most other States, Victoria has a greater share of land with fertile, arable soils. Areas such as the Goulburn Valley and the Sunraysia have access to irrigation and reliable water supplies. The Barwon-Western District and parts of Gippsland also benefit from high levels of reliable rainfall.

Freehold agricultural land constitutes 57% of the State, and 95% of this is under dry-land farming. Irrigation has lead to high levels of productivity, but some areas under irrigation face the challenge of salinity. However, many communities have developed salinity management programs in the last 10 years and are successfully managing agricultural activities in highly saline environments.

In regional locations the environment is very important. Access to clean, quality natural resources and waste management processes which serve to enhance sustainability, are basic requirements. Further, a sustainable, high quality environment is viewed as a competitive advantage, particularly in overseas markets.

Population

In 1997 Victoria's population was 4.6 million with an average annual growth rate of 1%. These most recent estimates indicate that Victorian population growth is on the rise again after a slowdown in the previous five to eight years (table 1). The population in rural and regional Victoria stood at nearly 1.3 million in 1997, and experienced an annual growth rate of 0.5%. Areas such as Barwon, Loddon, Goulburn and Ovens-Murray have consistently displayed quite strong rates of population growth, above that of the regional average.

The late 1970s and 1980s ushered in high levels of population growth in regional Victoria, especially on the fringe of metropolitan Melbourne. For much of this period, the Melbourne urban area grew at lower rates than the rest of Victoria. Population growth was strongest along the Bass and Surf coasts, around the East Gippsland Lakes, and in a band of towns around Melbourne, particularly 50–100 kilometres from Melbourne to the west, north-west and north. There were also strong rates of population growth in many regional centres such as Bendigo, Shepparton, Wodonga, Mildura and Warrnambool (table 2).

2 REGIONAL POPULATION LESS VISITORS

					% growth		
Regional Centre	1981	1986	1991	1996	1981–86	1986–91	1991–96
Bendigo	52 487	53 943	56 487	57 694	2.8	4.7	2.1
Shepparton	22 797	23 711	24 113	24 134	4.0	1.7	0.1
Wodonga	17 260	19 784	23 201	25 061	14.6	17.3	8.0
Mildura	15 553	18 799	21 089	22 252	20.9	12.2	5.5
Warrnambool	21 837	23 119	24 271	25 273	5.9	5.0	4.1

Source: Unpublished data, Census of Population and Housing, 1981, 1986, 1991, 1996; Department of Infrastructure.

Regional centres such as Wodonga and Mildura have maintained fairly strong growth rates between 1991 and 1996, however some of the larger towns (Maryborough, Stawell and Seymour) and regions such as the La Trobe Valley, which exhibited fairly steady growth patterns in the earlier years, have recently seen population decreases.

Skills, qualifications and occupations

The rural and regional population of Victoria is becoming increasingly more qualified, with a large proportion of the workforce employed in managerial and professional occupations. This has led to rural and regional Victoria having a more attractive skills base to meet future employment opportunities (either in the regions, or in Melbourne from areas where there is an acceptable commuting distance).

The number of people with skilled vocational and university qualifications has been rising in rural and regional Victoria. The major change is the increase in people achieving bachelor degrees or higher qualifications in all regions, with the South Western region having the largest number of people in this category. Following on from this, the number of unqualified persons declined in all regions; however, this share (62%) remains higher than in Melbourne (57%). Nevertheless, these results suggest that the gap is narrowing between rural and regional Victorians and Melburnians.

The distribution of occupations among all sectors is another indicator of skills base. Some 40% of employment in rural and regional Victoria is concentrated in management and professional jobs. This is 1% higher than in Melbourne, due to the large numbers of small business operators in country Victoria, such as farm owners.

The other major occupational categories in rural and regional Victoria are clerical, sales and service workers; which continue to represent one-quarter of the work force, and in part reflect the growth in retail and service industries (see below).

Employment

There has been significant change in the structure of the regional economy over the 1981–96 period. Greater proportions of people are being employed in the service sector, in an array of industries such as tourism and hospitality, as well as in the education and health sectors.

There has been a general increase in the number of people employed in high-end, specialised services such as property and business. With the boost in recreational and leisure spending, more people are employed in servicing this form of consumption in areas such as retail trade, recreation and culture, and personal services.

However, the majority of people employed in rural and regional Victoria are still in the traditional sectors such as agriculture, retail and manufacturing. Generally, the industries have either grown strongly or remained fairly stable (agriculture) in terms of employment growth between 1991 and 1996.

Between 1991 and 1996, the majority of employment loss was in public administration, defence and utilities sectors. There has been a general restructuring of employment in government, as well as 'one-off' changes to defence establishments that have had a critical impact in reducing employment in these sectors. Yet this pattern of employment change is, at least in part, consistent with a changing industry sector in Victoria. Many tasks that were carried out by government, public enterprises and large businesses have been 'outsourced' or contracted out to flexible, specialist service firms which may provide competitive financial, technical or household services.

Employment among regions was stable between 1991 and 1996, however it has increased in 1997 and 1998. In 1996, rural and regional Victoria had 28% of the population but 26% of employment (unemployment is higher in the regions than in Melbourne). More recent data from the Australian Bureau of Statistics Labour Force Survey shows that between 1993 and 1997 employment in rural and regional Victoria grew by 4% compared with 11% growth for Melbourne.

In recent times, all regions have had increases in the number of people employed. Employment growth was greatest in the South Western region (particularly Geelong), Goulburn Valley and Northern region (particularly Bendigo); accounting for more than two-thirds of the growth in rural and regional Victoria.

Between September quarter 1997 and September quarter 1998, total employment in rural and regional Victoria increased by 8,300 persons (1.1%) (table 3). Full-time employment is also making a positive contribution to total employment in regional Victoria. There were 394,000 full-time jobs in rural Victoria in September quarter 1998, 7,700 (0.1%) more than the same quarter 1997.

Youth (aged 15–24) employment is growing strongly in Victoria, and nearly half of the extra youth jobs were in rural and regional Victoria. Youth employment in rural and regional Victoria increased by 7.2% (7,400 persons), while youth employment in Melbourne rose by 3.0% (8,400 persons) over the same period. Growth in investment continues to be the most important factor in generating job growth in rural and regional Victoria.

Population movement appears to have been largely driven by employment opportunities. Whilst employment has been growing in all regions, it is concentrated in the larger or strategically located centres. These centres are attracting new or expanding industries and services relocating from smaller settlements. Major and strategic urban centres increasingly demonstrate economic advantage; such as infrastructure, labour pool and their function as a rural and regional market.

3 LABOUR FORCE COMPARISON OF MELBOURNE AND RURAL VICTORIA

Region	Unemployment rate Sep qtr 1993 %	Unemployment rate Sep qtr 1997 %	Unemployment rate Sep qtr 1998 %	Employment growth over year to Sep qtr 1998 %
Melbourne	**12.1**	**8.2**	**7.5**	**3.8**
Melbourne youth	20.4	14.9	14.4	3.0
Rural Victoria	12.0	10.5	9.6	1.1
Rural youth	21.9	21.6	17.1	7.2
Barwon-Western	11.4	12.8	9.2	n.a.
Central Highlands-Wimmera	13.7	10.0	9.1	n.a.
Loddon Campaspe-Mallee	12.3	9.5	10.2	n.a.
Goulburn Ovens-Murray	9.5	7.4	7.1	n.a.
Gippsland	14.0	12.4	13.7	n.a.
Gippsland youth	22.2	19.9	14.7	n.a.

Source: Labour Force, Victoria (Cat. no. 6202.2).

Population movement to these centres can be expected to continue, further strengthening their attraction; yet requiring suitable land for development, and enhanced social and economic infrastructure. Clustering of the population in rural and regional Victoria means transport infrastructure provision will become more important for social, community and economic reasons (e.g. to move freight more efficiently). Settlement is custering in the seven urban centres with populations above 20,000 (Geelong, Albury-Wodonga, Ballarat, Bendigo, Shepparton-Mooroopna, Warrnambool, and Mildura) and their immediate hinterlands, in the La Trobe Valley and near Melbourne.

The most significant employing sectors in rural and regional Victoria are Manufacturing (Food and beverages; Textiles, clothing and footwear; Machinery; and Other manufacturing); Retail; Agriculture, forestry and fishing; Communication services; and Health and community services (table 4). Together these sectors comprised 51% of the 503,732 persons recorded as employed in rural and regional Victoria at the 1996 Census of Population and Housing. The tourism sector is also important; however, it is not defined as a single industry in the Census.

4 URBAN CENTRES, By Major Employing Industries

Urban centre	Major employing industries
Geelong	Automotive manufacturing, aluminium production, oil refining, chemical production, textiles, glass and food processing
Warrnambool	Food processing, retail trade, tourism and health services
Portland	Aluminium, chemical production, engineering and retail trade
Bendigo	Food processing, education, telecommunications, gold mining and tourism
Ballarat	Information technology, metals manufacturing, food processing, tourism and gold mining
Wangaratta/ Shepparton/Wodonga	Wine production, textiles, food processing, motor vehicle components and education
Bairnsdale/La Trobe Valley	Electricity generation, gas, paper production, building materials and food processing

Agriculture

Victoria produces 23% of Australia's agricultural production and 30% of its processed food products while occupying only 3% of the country's land area. This position reflects the State's comparative natural advantages and technological competitiveness for this industry sector.

Rural and regional Victoria produces 91% of the State's agricultural products (the other 9% of agricultural production occurs in the Mornington peninsula and Werribee), with employment in this sector remaining stable across the State. The value of agricultural production in Victoria has increased by one-third between 1991–92 and 1996–97, with each region's proportion of the State's total production remaining consistent between these years, suggesting relatively uniform improvement.

The Department of Natural Resources and Environment has estimated the gross value of irrigated agriculture in the north of the State at $1 billion per year. The combined value of exports of agricultural commodities and processed food products from Victoria is more than $4 billion per year; with the share from dairy products increasing during the 1990s to more than one-third. Agricultural and food products together represent 35% of the State's export earnings; food products have shown 73% growth in the five years to 1996–97.

Victoria's five main agricultural industries are dairy, meat, horticulture, grains and wool. Milk has the highest gross value of production of agricultural commodities, and dairy products currently have the greatest production turnover in the food industry; the North Eastern and Gippsland regions would benefit most from these comparative strengths. Other major food sectors include meat and cereal products, beverages (particularly wine), confectionary, and processed fruit and vegetables. Nearly 80% of

Australia's canned fruit is grown in Victoria, with growers generally situated within 60 kilometres of canneries to facilitate processing within 24 hours of harvest (North Eastern region).

Across Australia from 1980–81 to 1996–97 there has been an overall decline in farm cash income from broadacre farming, whereas farm cash income on dairy farms has increased. There is also evidence to suggest that a greater proportion of income from farming households is now being derived from different sources such as off-farm employment and in some cases tourism. These trends have had an impact on all regions.

Further, over the last 30 years there has been a decrease in the number of people engaging in primary production in Victoria. This is indicative of the improvements in farm productivity, particularly the greater use of machinery. This has resulted in the need for less farm labour. Yet it is also a function of larger farms having greater economies of scale.

Changes to employment in the primary sector have had a disproportionate impact on rural areas and small towns, because of the importance of agriculture as the major part of their economic base. This change is particularly noticeable in the dry-land farming areas and towns of Western Victoria, where fewer employment opportunities exist in other industries due to a limited scope for value-adding.

In more labour-intensive primary industries, such as dairying, an incredible transformation has occurred. In 1950, there were almost 28,000 Victorian dairy farms, with an average herd size of just 18. By 1996, there were 8,275 farms, with an average herd size of 142, producing two and a half times more milk than in 1950. Changes to the dairy industry highlight greater application of technology (e.g. the introduction of milking machines) and structural change (e.g. changes to licensing arrangements). Improved pastures and feed management have also contributed to greater productivity.

Most of the agricultural belt of Australia has become more efficient through comparable applications of technology. With fewer numbers of people needed to farm the land and limited scope to find work in other rural industries, there has been migration away from agricultural communities to metropolitan and regional centres, where there are greater employment opportunities. This has impacted on a vast area of Australia, from the wheat belt of Western Australia through the mid-northern plains of South Australia to the major agricultural area west of the Great Dividing Range in New South Wales and Queensland. Even in the United States, the dry-land farming areas have been subjected to similar structural adjustment. Larger, more capital-intensive farms requiring less labour have meant population decreases in much of the agricultural belt of the mid-west. In many instances this has meant more people have concentrated into the larger centres.

Today the food sector, from paddock to plate, contributes over 11% of Victoria's economic activity. The efforts and investment of hardworking and forward-thinking Victorians, both individuals and corporations, have engineered the food industry's successful growth and diversification. Food industry investment in excess of $1.7 billion has been attracted to the State since 1992.

Industry

Rural and regional Victoria is a major player in the State and national economies, in terms of its aggregate level of production and its productivity within industries. In agriculture and manufacturing, rural and regional Victoria's productivity has increased significantly in the 1990s. Further, in line with trends in Melbourne and interstate, rural and regional Victoria has demonstrated growth in employment across all major service industries.

Additionally, a number of well-established, nationally significant manufacturing activities are located in rural and regional Victoria, and these provide an important anchor for other industries and services. These include the vehicle industry, food processing, clothing production, paper manufacturing, smelters and refineries.

Further diversification of rural and regional Victoria's manufacturing and services base will be important to sustain growth in economic output. For example, there are significant opportunities for food production and processing industries which can take advantage of proximity to their source of materials and good access to a range of markets within Victoria, interstate and overseas. Adequate energy, transport and communication infrastructures are required to meet the needs of both established, high-volume industries and new, increasingly footloose businesses (which may not need to locate close to any natural resources or a local customer base). Overall, as the State's businesses are further exposed to international competition in exports and imports, economic infrastructure will increase in importance for businesses in country Victoria, if they are to compete without disadvantage due to location.

Manufacturing

The Australian Bureau of Statistics Manufacturing Censuses over the period 1986–94 show that rural and regional Victoria has increased its contribution to the State's manufacturing turnover, from 20% to 25%; growth coming mainly from Food processing; Machinery and equipment; Petroleum and chemical products; Textiles, clothing and footwear; and Metal product manufactures.

According to the 1993–94 Manufacturing Census, Food processing, Petroleum and chemical products, and Metal products (mainly of iron, steel and aluminium) are the three principal manufacturing sectors; with rural and regional Food processing accounting for almost half (48%) of total Victorian manufacturing turnover.

Rural and regional Victoria had a 12% growth in manufacturing employment from 1991 to 1996, whereas there has been a decline of 6% in Melbourne's manufacturing employment. There is also some evidence of recent benefits of industry clustering in some regions, particularly in the North Eastern (Food processing and related activity) and Northern regions (Communications).

Manufacturing has also changed its use of labour, with much greater use of technology in recent decades. With the introduction of robotics and computer-controlled production many previously labour-intensive industries, such as the automobile industry, have restructured their production. Other labour-intensive manufacturing processes such as clothing and textiles have seen some of their production go off-shore where it can be produced at a much lower unit cost. However, with both these examples, greater specialisation in manufacturing has allowed more than ever the division of different value-adding processes. Product design may occur in one location whilst production of raw materials or components may occur in another, with assembly in a final location. Due to improvements in productivity, output is higher than ever before.

The manufacturing sector is widespread across the State and therefore changes to the industry have had a wide impact. For many decades it was the largest employer of Victorians. During the 1970s and 1980s, however, manufacturing started to restructure its production with the introduction of new machinery and, in some cases, the transfer of production to off-shore locations. The specialisation of production in component manufacturing and the nature of changing global markets has also had a big impact on changing the shape of this sector. Many manufacturing processes have the potential to provide employment in niche markets through certain rural industries such as specialised viticulture, horticulture and dairying. Indeed recent information suggests that the output of manufacturing in regional Victoria is increasing at faster rates than their metropolitan counterparts, which could be indicative of the substantial investments in recent years in food industries. Additionally, there have also been many manufacturers in Victoria benefiting from the decentralisation of sectors and finding regional success, such as those in the automotive, and textile, clothing and footwear industries. For example, in Wodonga (automotive gearboxes), Geelong (car glass and engines) and Torquay (surf wear and accessories), to mention just a few.

Services

The slowdown in employment growth in agricultural and manufacturing industries in rural and regional Victoria has been offset by growth in the services sector. More people are working in the service industries in areas such as health, community services and education. Other services such as those relating to finance, property, business and information technology in many cases exist as a result of production in the primary and secondary sectors of the economy.

Over 1991–96, rural and regional Victoria had strong growth in services employment. Employment in property and business services increased by 48% and employment in cultural and recreational services increased by 31% (reflecting tourism). Rural and regional Victoria also had high increases in personal and other services, health and community services, and retail trade.

With the growth of international travel, tourism is another industry that has grown in importance as part of the economic base and provider of employment. The Bureau of Tourism Research has estimated that direct and indirect impacts from tourism contributed a total of 10% ($11 billion) to Victoria's Gross State Product in 1995–96.

Employment in tourism-related industries (e.g. accommodation, cafes and restaurants) was highest in the North Eastern region in both 1991 and 1996. This region contains the alpine ski resorts and Rutherglen wine area, which generate considerable tourism.

South Western, one of the coastal regions, had the second highest level of employment in the accommodation, cafes and restaurants category, with the growth rate remaining fairly stable between 1991 and 1996.

Tourism activity has the potential to support centres with declining traditional economies (such as agriculture and mining), as well as providing the focus for the growth of other centres (such as coastal resorts). When combined with emerging industries (such as viticulture) tourism can support the growth of other industry sectors, and have a significant impact at the local level. This is evident in many towns across the State, where tourism activity has been a significant link to driving population and economic growth; for example, towns such as Barwon Heads, Cowes, Lakes Entrance, Mansfield, Ocean Grove, Port Fairy, Torquay and Wodonga (table 5). The population growth in several of these towns has also been driven by retirees.

5 VICTORIAN TOURISM TOWNS AND POPULATION GROWTH

Local area	Aug 1996 Census population	1986–91 Average annual population growth	1991–96 Average annual population growth	Aug 1996 Visitors as % of population
	no.	%	%	%
Anglesea	1 995	3.7	0.2	8.4
Barwon Heads	2 128	2.8	2.2	5.3
Bendigo	60 276	1.1	0.4	4.3
Bright	1 898	2.4	0.2	24.6
Cowes	3 060	3.4	2.9	12.0
Echuca	10 014	2.3	1.2	6.4
Lakes Entrance	5 248	2.4	2.6	10.3
Lorne	1 082	4.1	–1.1	16.5
Mansfield	2 526	1.3	3.0	15.8
Mildura	14 142	2.5	0.8	13.4
Ocean Grove	9 144	3.1	2.3	2.8
Port Fairy	2 625	–0.3	1.2	7.9
Shepparton	25 363	0.4	0.1	4.8
Torquay	5 984	6.8	4.1	4.5
Warrnambool	26 776	1.2	1.0	5.6
Wodonga	26 239	3.1	1.6	4.5

Source: Census of Population and Housing: Community Profiles—Basic Community Profile, Australia, 1996 (Cat. no. 2020.0).

Exports

Rural and regional Victoria's industrial base should position it well for increasing its exports in food products and some categories of key Elaborately Transformed Manufactures (ETMs) (finished goods, differentiated products in the marketplace), like Textiles, clothing and footwear; and Equipment.

Between 1991–92 and 1996–97, Victorian exports grew faster than any other State in Australia, transforming itself into one of the main exporters of ETMs (growing by 120%) and food products (growing by 73%). These categories of Victorian exports had a value of $6,317 million and $3,525 million respectively in 1996–97, accounting for 60% of the State‘s total exports.

While statistics are not available below State level, it may be inferred that rural and regional Victoria has contributed a much greater share of food exports to the State’s export total than Melbourne; with the reverse position being likely for ETMs.

The fastest growth category of Victoria’s ETM exports is information technology; 208% growth in the five years to 1996–97, though the contribution from rural and regional Victoria cannot be identified precisely. The fastest growth category of food exports was beverages, which increased by 172%.

With the world’s population predicted to double by 2030, demand for safe, nutritious and interesting food will present huge market opportunities. The Victorian Government’s vision for the future includes a food sector that continues to grow and flourish as a source of wealth and jobs. The Government will therefore work to support the food industry in achieving an export target of $12 billion by 2010, with exports making up more than 50% of food production.

Investment

An indication of private sector investment activity may be derived from the investments announced by the Victorian Government. Total rural and regional investments announced between November 1992 and the end of 1997–98 were $2.2 billion. Investment value for the first quarter of 1998–99 was $54.5 million in rural Victoria.

Access Economics’ *Investment Monitor* shows that in the June Quarter of 1998, $776 million of major private sector investment projects were under construction in rural Victoria. Most of this investment is located in Gippsland, with $330 million in paper manufacturing in Maryvale and $220 million in oil production in Bass Strait. Ballarat is also sharing in rural investment with $30 million invested in food manufacturing and $80 million invested in information technology. Geelong has $48 million invested in glass manufacturing and Buronga Hills in the Loddon region is enjoying $20 million invested in wine production. Investment in regional Victoria is set to continue to grow, with a further $305 million in the manufacturing and mining sectors committed over the next year.

Productivity gains are expected to be a focus for investment in manufacturing and agriculture, which will put pressure on employment in these traditional industry sectors. Losses in employment due to productivity gains can be offset to some degree by employment gains in service industries, and potentially also in specialised manufacturing and agricultural activities (such as horticulture and viticulture).

The subtle rate of growth in population, characteristic of many regions, limits the potential for a local market-led expansion of economic production. This economic growth is more likely to occur with the capture of new and expanded interstate and international markets.

Summary

The distribution of population in regional Victoria has been affected by both macro-economic change at the global and national levels, as well as micro-economic change at the regional and local level. Any significant economic changes in the future will impact on the rates of growth that are experienced throughout regional Victoria and will affect the settlement patterns of Victoria's cities, towns and rural areas. The way in which these economic changes have impacted on patterns of population growth in Victorian towns and rural areas has resulted in a greater clustering of population around Melbourne, in regional centres, as well as along the coast. Whilst there has been an apparent slowdown in population growth rates of small towns and rural areas in the eastern and northern parts of Victoria since 1991, the ageing of the population and growth in tourism to country Victoria should boost the economies of many regional centres in the future.

There were significantly lower rates of population growth in the larger centres such as Geelong and Ballarat between 1981 and 1996 compared to previous decades. Yet their roles as centres of employment and activity have been effectively enhanced due to the increasing preference of private and public organisations, such as government, retailers and banks to deliver services at the regional centre or large town level. While more of the services may be delivered from larger centres, the nature of improved mobility and telecommunications technology means that the relative or comparative proximity to employment and services in larger settlements should be better than it was in previous decades. This is, of course, reinforced by the large population growth in the catchments of regional centres.

The changes over the last 15 to 20 years highlight some of the challenges to future economic success and population growth in regional Victoria's towns and rural areas, particularly in relation to the performance of agriculture and manufacturing. There has been substantial restructuring in agricultural production over the last 15 to 30 years due to increased capitalisation of farms. Yet the recent slowdown of employment movements in the agricultural sector is an indication that this long period of adjustment may be stabilising. This is, in part, a realisation that farm sizes are reaching a more sustainable size, and also that people are experiencing the benefits of investing in new and varied forms of agriculture, horticulture and viticulture. Similarly, employment in manufacturing has increased in the last 10 years in regional Victoria, which may be an acknowledgment of the importance of value-adding to products to be more competitive against primary producers in other parts of Australia and the world.

There have also been much greater numbers of people employed in the service sector between 1981 and 1996 in areas such as education, health, retail, accommodation, cafes and restaurants. This is indicative of the shift away from dependence on agricultural production and manufacturing as the majority of the economic base and only employment source. A large part of the expansion of the service sector has been in the personal and recreational services area, which is inextricably linked to the growth in tourism. This has had a positive effect on employment throughout most of rural Victoria and especially in the regional centres, alpine areas, Grampians, Murray Valley, East Gippsland Lakes and coastal areas from Warrnambool to Mallacoota.

The ageing of the population is another issue that has become critical in regional Victoria over the 15 years between 1981 and 1996. Many small service and coastal towns have great numbers of aged persons who need easy access to retail outlets, government and medical services. The strategies that these towns use to provide services to an increasingly dependent population offers a window of insight into a future where more of the population may not be participating in the work force, but may have a significant asset base to invest or spend.

There is unquestionably a need to manage the ramifications of economic and population change by assisting adjustment and putting regional Victoria into a position where it is competitive enough to cope with international pressures. The nature of ever-volatile financial and commodity markets, greater mobility and enhanced communication technology presents both opportunities and challenges to most of the cities and towns in regional Victoria. As there is further change in the global and national economies, there will be a continued transformation of the settlement patterns in Victoria's cities, towns and rural areas, and a continued need for the preparedness of further change.

Policy directions

In 1994, the Victorian Government released Rural Victoria 2001 as a strategy for the future development of rural and regional Victoria. Rural Victoria 2001 was developed in recognition of the need for strong regional economies as an essential component of a healthy State economy. Rural Victoria 2001 aimed to promote a more dynamic economy able to cushion the impacts of global economic fluctuation on rural communities, and focused on three key areas; industry, jobs and growth; a commitment to rural towns and cities; and serving the rural community.

In order to promote a more robust and vibrant regional and State economy, Rural Victoria 2001 has emphasised the importance of generating a balanced increase in investment and competitive performance between Melbourne and country areas. In this effort to create a climate for growth, a number of key initiatives have been implemented. These include; local government restructuring; creation of regional development networks; industry attraction; skills training; water and energy reform; and a range of significant transport infrastructure initiatives. To complement the creation of an appropriate environment for growth, Rural Victoria 2001 also put in place a range of targeted initiatives aimed at attracting new investment, encouraging expansion and capitalising on Victoria's competitive advantages. These include regional marketing strategies; a focus on regional and sustainable development; and promoting growth in tourism, agriculture and other resource-based industries.

Underpinning the Rural Victoria 2001 strategy has been a concern with service provision and quality of life in rural and regional communities. The strategy promoted responsible, efficient and effective service provision in such sectors as education, health care, community services, public safety, transport, and provision of energy and water. Strategies directly targeted at rural towns and cities have included business advisory services; improved technology in schools; enhanced water quality; and funds for art and cultural facilities.

In December 1997, the Premier of Victoria stated that 'If country Victorians are going to contribute fully and benefit from a globally competitive and prosperous State in the year 2011—our next timeframe—and beyond, we must start planning now.'

The Premier has stated that he sees prosperity in rural and regional Victoria as integral to the health and vitality of the Victorian State. The Government's aim is to further develop the strength of rural and regional industries. This will strengthen these economies and result in prosperous and sustainable communities. Prosperity in rural and regional Victoria will also be achieved by ensuring cohesive working partnerships between the public and private sectors, government, and rural and regional communities.

As a result, a Rural and Regional Strategy is being developed by the Government which identifies a vision of where rural and regional communities will be by the year 2011. The process of developing the Rural and Regional Strategy through regional forums started in February 1998. The Strategy is a combination of Statewide and regional strategic approaches that address State and regional issues and needs. It builds on the work already undertaken in rural and regional communities (including Rural Victoria 2001), reinforcing the success of current programs, and identifying and creating new opportunities.

Development of the Rural and Regional Strategy is being driven by five regional forums (which are sponsored by the Government), located throughout Victoria. These regional forums have been working with their local communities to:

- identify key issues within each region;
- set out a vision for their region to 2011; and
- prepare regional action plans (a key input into the Government's future policy direction for rural and regional Victoria) which address key issues necessary to achieve this vision.

Each forum's regional action plan addresses regional issues identified by local communities and businesses. These include:

- identifying an agreed goal for the development of each region towards the year 2011 and beyond;
- identifying the two or three most important issues that need to be addressed, and the key actions needed for each region to achieve their goal; and
- agreeing on priority tasks and negotiating a partnership approach to their implementation.

Building on the work of the forums, the Government will then develop an overall Statewide policy framework. This framework will plan and direct its activity in rural and regional Victoria to 2011 and beyond. A Statewide reference group has assisted in identifying key Statewide issues and priorities common to all regions across Victoria.

The Rural and Regional Strategy is different from previous attempts to develop regional and Statewide policies for Victoria in that this strategy is driven by community-based Regional Forums. Partnerships between communities, organisations, businesses and governments will enhance the capacity of regional Victorians to shape their own futures.

The Rural and Regional Strategy involves top-down and bottom-up development of initiatives and policies. Whilst Regional Forums oversee the regional work and ensure that local issues are identified and appropriate responses developed, the Statewide policy identifies Statewide issues which are important to the future of all country Victoria.

As well as being driven by community-based forums, the development of the strategy is supported by representatives from all government departments and local governments, ensuring a holistic government approach to addressing key issues; thereby delivering better outcomes for the Victorian regional community.

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