

POPULATION GROWTH IN RURAL VICTORIA: OPPORTUNITIES AND ACTIONS

EXECUTIVE SUMMARY DOCUMENT

RURAL COUNCILS VICTORIA

JULY 2018



EXECUTIVE SUMMARY

INTRODUCTION

Victoria's population is growing strongly, yet many parts of rural Victoria are experiencing population stagnation or loss. Rural Councils Victoria (RCV) proudly presents the following *Population Growth In Rural Victoria: Opportunities and Actions* which sets out the population challenges and opportunities for rural Victoria, an area that is critically important to the ongoing prosperity of the State.

This report draws on research, analysis and consultation, all of which lead to the clear conclusion that Victoria needs a population strategy and associated population targets for rural areas which are supported by a range of actions to ensure the ongoing sustainability of rural Victoria and the State as a whole.

RCV member councils have identified that population policy is a very important issue and one that many Councils have taken action to address. The limited availability of resources of individual rural councils is likely to have contributed to a lack of impact and success of these initiatives across the State, however, highlighting the need for State Government co-ordination and funding.

THE CHALLENGE

Rural Victoria had a population of approximately 724,000 residents in 2016, comprising 11.7% of the State's population.

Although the State population is projected to increase by 1.68m residents over the next 15 years, only 6% of this growth is projected to occur in rural Victoria and 84% (more than 80,000 residents) of this growth is projected to occur in peri-urban areas. A number of municipalities in rural Victoria are projected to decline in population, particularly in Western Victoria.

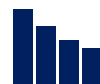
The projections reflect a continuation of recent trends, with metropolitan Melbourne attracting the vast majority of growth, regional centres generally increasing in population at a steady rate, and remaining rural areas experiencing low or negative rates of growth. As a result, rural Victoria's population is declining as a proportion of the State population.

The population of most rural areas is ageing, often meaning that less people are in the workforce. In some parts of rural Victoria, the overall population of working age is shrinking. Across rural Victoria, the proportion of the population of working age is projected to continue to decline, from 43% in 2016 to 40% by 2031. This presents a significant challenge for rural businesses and economies. A number of councils identified existing skills and labour force shortages which are restricting economic activity in certain areas.

Importantly, there is no one 'regional Victoria' or 'rural Victoria'. In terms of growth rates there is a considerable diversity of experiences across the State. It is therefore critical that population policy is tailored to areas experiencing different challenges and opportunities.



RURAL VICTORIA IS NOT HOMOGENEOUS.



RURAL VICTORIA IS RECEIVING A DECLINING SHARE OF THE STATE'S POPULATION.



SOME RURAL AREAS ARE DECLINING IN POPULATION.



80% OF RURAL COUNCILS CONSIDER THAT POPULATION ATTRACTION IS A VERY IMPORTANT ISSUE.



EXISTING SKILLS AND LABOUR FORCE SHORTAGES ARE RESTRICTING ECONOMIC ACTIVITY.



RURAL VICTORIA IS AGEING AND THE % OF WORKING AGE POPULATION IS DECLINING, POSING A THREAT TO MANY RURAL ECONOMIES.





CURRENT STATE POLICY AND INITIATIVES

The State Government, primarily through Regional Development Victoria (RDV), manages a range of initiatives to support regional and rural Victoria. The current suite of initiatives include:

- The 'Ready When You Are' marketing campaign;
- Payroll tax discounts for businesses moving to or establishing in regional Victoria;
- Regional First Home Buyers Grant;
- Regional Jobs and Infrastructure Fund grants, including a stream dedicated to population attraction; and
- Planning to accommodate more State Government employment in regional centres.

Although there is clear planning policy direction in Plan Melbourne for greater population distribution to regional and rural areas, few of the current initiatives have a focus on attracting population to rural and regional Victoria. Many initiatives are broad-based and do not target particular market segments. There is also a lack of differentiation between rural and regional Victoria, including at a Ministerial level.

Critically, there is no population vision or target for regional and rural Victoria and no stated strategy relating to decentralisation. In the absence of a vision, targets and evaluation, Government policies and initiatives are less likely to be effective. This is a clear gap that should be addressed as part of a new rural population policy.



INITIATIVES EXIST TO SUPPORT POPULATION GROWTH IN REGIONAL AND RURAL AREAS.



INITIATIVES ARE BEING EXPANDED AND STRENGTHENED (E.G. PAYROLL TAX).



MANY INITIATIVES ARE TOO BROAD AND DON'T DIFFERENTIATE BETWEEN REGIONAL AND RURAL AREAS.



NO POPULATION VISION, TARGET OR STRATEGY FOR RURAL OR REGIONAL VICTORIA.

BEST PRACTICE

Rural population challenges are not unique to Victoria – governments and researchers across the world have sought to address rural population a variety of ways.

Importantly, population attraction is often intrinsically linked with employment prospects. With the exception of retirees or commuters seeking lifestyle benefits, the availability of employment is key to the movement of population, as opposed to population growth driving job growth in isolation. A review of a wide range of literature on rural and regional population attraction and retention found that:

- Regions should not attempt to simply 'attract population', but rather implement targeted programs that reflect different circumstances and challenges, considering specific market segments that are most likely to move and industries that are in greatest need of labour;
- Both international and intrastate migration present strong opportunities to grow population within regional and rural Victoria;
- For intrastate migration, lifestyle is a key motivating factor to relocation, those who grew up in a regional or rural area are more likely to return, and policies should not seek to stem the outflow of young people to cities;
- For international migration, the higher rate of international migration to cities is a major cause of lower growth rates in regional and rural areas and attraction of migrants to towns with skills shortages could underpin economic growth, however migrant communities require a range of support services to relocate.

A range of population levers have been applied in Australia and overseas. A review of these resulted in the following success factors being identified:

- Initiatives should be targeted to a specific market, for example students or skilled migrants;
- Initiatives must encourage long term residency (e.g. drip feed incentives);
- Financial incentives can succeed, but need to be targeted to a specific market (e.g. students), not general incentives alone;
- Partnerships across a region are required, including government levels, institutions, private sector and the local community;
- Integration of intrastate and international migrants into the local community is key to retention; and
- Lifestyle is a key motivating factor for population movement.



EMPLOYMENT AND LIFESTYLE ARE KEY TO ATTRACTING POPULATION.



MIGRATION IS A MAJOR OPPORTUNITY FOR RURAL VICTORIA.



INITIATIVES SHOULD BE TARGETED AND ONGOING.



PARTNERSHIPS ARE REQUIRED.





THE OPPORTUNITY

Rural Victoria has towns, settlements and regions which have many of the characteristics which meet the key factors identified in research to attract and retain population: lifestyle, employment and housing. Victoria's population is growing strongly, underpinned by strong overseas migration. Many existing businesses in rural Victoria are constrained by a lack of available labour.

These factors combine to present the opportunity for a greater share of Victoria's population growth to be directed to rural Victoria, and for this growth to support economic gains across the State. Importantly, Victoria's high overseas migration presents an opportunity to encourage a second move' away from Melbourne and to rural areas with the need for greater population and labour before strong economic and social connections are made. This could assist in mitigating the challenges associated with an ageing population.

Further, the rapid rate of growth and the major changes to the overall density of population living, working and being transported within Melbourne is resulting in serious congestion issues. Congestion is estimated to cost \$4.6bn in Melbourne (2015) – this is expected to increase by up to \$10.2bn by 2030 due primarily to population growth.

The State Government is undertaking a major infrastructure program at present, much of which relates to transport infrastructure in metropolitan Melbourne. \$37bn in capital projects were underway in Melbourne in 2016/17, however only 7% of State capital expenditure was on projects in rural Victoria.

Overall, the redistribution of population to rural Victoria would benefit governments and residents across Victoria, particularly through the reduction of the avoidable cost of congestion in Melbourne, by supporting economic growth in rural areas in need of more labour and by better utilising the range of existing infrastructure in rural and regional areas.

The Liberal and National Parties and the Victorian Greens both have policies of encouraging greater decentralisation of Victoria's population, aligning with the planning policy direction in Plan Melbourne. This results in a significant and timely opportunity to establish a pro-active policy and supporting strategic initiatives at the State level.



RURAL VICTORIA HAS CAPACITY.



MELBOURNE'S CONGESTION COSTS \$5 BILLION +



RURAL BUSINESSES NEED MORE LABOR TO REMAIN COMPETITIVE.



REDISTRIBUTION WOULD BENEFIT ALL VICTORIANS.



POLICY SUPPORT FROM MAJOR PARTIES.



POLICY STATEMENT

Victorian Rural Population Policy statement:

A sustainable and productive rural Victoria is integral to the State's prosperity. Victoria's population is growing strongly but unevenly, mostly due to migration. Although some peri-urban areas are experiencing strong growth and associated pressures, others are experiencing population loss and councils see population retention and attraction as a key to their ongoing sustainability and viability.

As rural Victoria's population continues to age and some areas experience a shrinking labour force, intervention will be required to ensure that existing businesses have access to labour and rural residents maintain and improve their quality of life. There are significant benefits of encouraging a greater proportion of the State's population growth to occur in rural Victoria, including reduced congestion costs in metropolitan areas, better utilisation of existing infrastructure and facilitation of economic growth in areas currently constrained by a lack of labour.

A more co-ordinated, committed and targeted approach to population attraction and retention is needed at the State Government level. Central to this is the development of a Rural and Regional Population Strategy which seeks to achieve published population targets and is overseen by a Minister for Rural Victoria.

POPULATION TARGET

Under current policy settings, the State Government projects that rural Victoria will accommodate less than 5% of the State's population growth over the next 15 years. Over the next 5 years, the population of rural Victoria is projected to increase by approximately 32,000 residents, or just under 5% of its current population.

It is important that short term actions are taken to change the rate and scale of population growth across rural Victoria. The recommended population target for rural Victoria is to increase population by 8% of the current population over the next 5 years equating to an average growth rate of 1.55% per annum. This would result in population growth of approximately 55,000 residents compared to current projections of 32,000 new residents.

It is important that population growth is achieved across rural Victoria, not just in peri-urban areas which are currently accommodating the majority of growth.



INCREASE THE RURAL VICTORIA POPULATION BY 8% OF CURRENT POPULATION (55,000) RESIDENTS OVER 5 YEARS.

ACHIEVE GROWTH ACROSS RURAL VICTORIA, NOT JUST PERI-URBAN AREAS.





OBJECTIVES AND ACTIONS

OBJECTIVE 1 Rural Victoria is strongly represented in the State Government

PRIORITY

- **Action 1.1** Advocate for the establishment of a Government portfolio and Minister for rural Victoria.

OBJECTIVE 2 Prepare a Rural and Regional Population Strategy

PRIORITY

- **Action 2.1** Prepare rural population targets, building on the scenarios and impacts set out in this report.

PRIORITY

- **Action 2.2** Advocate for the preparation of an overarching Victorian Rural and Regional Population Strategy, including population targets for rural Victoria, a package of new incentives inclusive of actions in this policy, and regional sub-plans which identify points of difference and region-specific opportunities for population growth.
- **Action 2.3** Advocate for a clear state taxation incentive program to encourage population movement to rural Victoria (excluding or scaled back in peri-urban areas), utilising levers such as Land Transfer Duty and Vehicle Registration as a central pillar of the Strategy. Discounts to these state tax levers could be applied to new residents and businesses in rural areas on an ongoing basis and potentially targeted to groups most likely to move such as regional returners.

OBJECTIVE 3 Clearly differentiate between rural and regional Victoria in programs and incentives for population and employment attraction

- **Action 3.1** Engage with RCV to identify all opportunities to further incentive rural Victorian population growth.
- **Action 3.2** Ensure all existing and proposed incentives differentiate between rural and regional Victoria where possible.

OBJECTIVE 4 Address population risk in western Victoria

- **Action 4.1** Prepare a Western Region Population Strategy and action plan which aligns economic issues and opportunities, specific labour force needs, priority projects for rural centres and population attraction and retention incentives identified in this policy.
- **Action 4.2** Introduce a sliding scale of all population attraction and retention mechanisms, with incentives greater in Western Victoria.

OBJECTIVE 5 Leverage strengths of rural areas to attract population

- **Action 5.1** Undertake targeted metropolitan marketing campaigns of rural Victoria's lifestyle benefits to families and regional returners, taking into account the specific lifestyle strengths, employment opportunities and available incentives in each region separately.
- **Action 5.2** Establish a dedicated funding stream to support rural centre place making programs and infrastructure improvements.

OBJECTIVE 6 Address weaknesses of rural areas to attract, retain and accommodate population

- **Action 6.1** Transport: Engage with the State Government to support the ongoing improvement of transport infrastructure in rural Victoria, with a focus on the quality and frequency of train services.
- **Action 6.2** Lack of higher education: Work with RDV and DEDJTR to identify best practice in direct training offered by businesses in conjunction with existing operations (e.g. hospitality training run by a major rural restaurant) and offer specific support packages in areas of low population growth and decline.



- **Action 6.3** Land supply and infrastructure: Work with DELWP to ensure that the next update of each Regional Growth Plan includes specific consideration of removing any planning, land supply, dwelling mix or infrastructure barriers to population and employment growth, such as locations where demand for residential or employment uses cannot be met due to inadequate or inappropriate land supply, a lack of rental housing or a particular infrastructure challenge to unlock urban land (including funding allocation for key catalyst infrastructure items).
- **Action 6.4** Investigate and advocate for the re-introduction of a scheme to facilitate extension of reticulated sewer infrastructure to small towns with demonstrated residential growth potential, particularly those in proximity to existing sewer networks and employment opportunities in regional and rural centres.

OBJECTIVE 7 Facilitate second move migration to address labour force and skills shortages

- **Action 7.1** For each rural Victorian region, engage with existing businesses through a targeted survey to identify labour force shortages and skills gaps using a consistent process across the State which leverages knowledge of council Economic Development units and the Australian Business Register.
- **Action 7.2** Engage with migration support agencies in Melbourne regarding opportunities to facilitate a second move for recent migrant communities to areas with identified labour force and skills gaps.

OBJECTIVE 8 Support existing and new businesses in rural Victoria

- **Action 8.1** Expand current incentives for businesses in rural and regional Victoria (i.e. payroll tax incentive) to include a multi-government package for new businesses comprising a relocation grant, payroll tax discount and rate freeze for a set period.
- **Action 8.2** Advocate for continuation of the GovHub approach to Government employment decentralisation and establish monitoring tools to identify and quantify flow-on economic and social impacts in both regional centres and surrounding rural areas.
- **Action 8.3** Based on findings of the GovHub monitoring, identify opportunities, advantages and disadvantages of extending government agency relocation to rural centres.
- **Action 8.4** Develop a rural Victoria employment service to connect job seekers (especially partners of relocated government staff) with employment opportunities.



OBJECTIVE 9 Gather empirical and ongoing evidence on population and business movement

- **Action 9.1** Establish a State-wide monitoring program for rural and regional population movement which combines primary data (collected through a common method across rural and regional areas) and secondary data into Key Performance Indicators (KPIs) which can be updated and analysed annually.

OBJECTIVE 10 Align population attraction and retention initiatives to RCV Workforce Development Plan recommendations

- **Action 10.1:** Identify alignment between objectives, actions and initiatives identified in this report and the RCV Rural Workforce Development Plan and opportunities to share, align and leverage resources, data, targets and outcomes.





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