Capes Regional Economic Development Strategy

Vision, focus areas and growth projections

Working Paper No 2

Final Draft 31 March 2009
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1 Introduction

This Vision and Focus paper (Working Paper 2) is one of several documents that underpin the Capes Regional Economic Development Strategy (the Strategy), developed collaboratively between the Shire Councils of Augusta Margaret River and Busselton.

The purpose of the Strategy is to foster the creation of sustainable economic and jobs growth in the region.

The Shires are in the process of updating their Local Planning Strategies and Schemes, and in conjunction with these processes are preparing economic, social and infrastructure strategies.

Other working papers that inform and support the Strategy are:

• Working Paper 1: An economic profile of the Capes Region
• Working Paper 3: Industry plans – current industry profiles, and strategies and actions per industry to promote economic growth
• Working Paper 4: Government Action Plans – considering the industry plans and regional issues, proposed actions by levels of government to support and facilitate economic development
• Working Paper 5: Cluster Plans – plans where cross-industry cooperation could benefit industry development

The Strategy itself provides a concise summary of strategies and actions for economic development in the Capes Region.

In this working paper, ACIL Tasman outlines the economic development context and institutional arrangements, and reviews the vision and strategies that are in place in other relevant contexts. It proposes a broad vision for economic development in the Capes Region. From there, the paper examines the growth trends and future direction for the economy of the region.

2 Economic development context

Economic development is driven by private sector investment and activity. The role of government is to provide the infrastructure, services and regulatory environment that support economic development.

The structure and rate of economic development is dictated by a number of factors. Many of these are external to a country or state and cannot be controlled from within. Such factors include market conditions, market access and costs of inputs. Others may be internal to the nation or state but external
to a region and therefore difficult for a region or industries within it to influence. These include taxation and regulatory regimes.

Other factors go to natural endowments (e.g., resources, climate) and drive comparative advantages. Comparative advantage refers to the inherent advantages that a location offers compared with other locations.

Comparative advantage is an important factor in determining the potential for an industry to establish a competitive position in a given market. It relates to the physical and human resources that are available to an industry in the area—sometimes referred to as factor endowments.

That is not to say that comparative advantages are fixed cannot be improved. They can—generally through actions by governments and others to enhance the factor endowments of a location.

Other factors are important to the success of specific industries and sectors. These relate to the competitive strategies of firms in the industries and markets in which they operate.

Establishing a competitive advantage is critical for a firm’s success in markets. Firms can sometimes overcome comparative disadvantages through careful fostering of competitive advantage.

Competitive advantage is created through the way firms organise their activities in the markets and value chains within which they operate. Competitive advantage can be derived from market characteristics, market positioning, and value chain strategies.

The development of the Capes Region wine industry is a leading example nationally and internationally of leveraging comparative advantages into competitive advantages in the premium wine market. The refocused dairy industry shows potential for similar achievement.

3 Government economic development framework

3.1 Government of Western Australia

3.1.1 Regional development policy and planning

The Government of Western Australia has a strong regional development focus. It views the regions as the drivers of the economy of Western Australia. Facilitation of regional economic development in Western Australia is overseen by several agencies:
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- Department of Commerce – economic development policies and some sectoral policies and initiatives
- Department of Agriculture and Food, Tourism WA, and Department of Mines and Petroleum – sector-specific development policies, facilitation and information
- Department of State Development – facilitation of major projects; provision of heavy industrial land and infrastructure
- Department of Local Government and Regional Development – regional development policies; provision of advice, financial and other assistance to regional communities to enhance their economic and social development; administration of Royalties for Regions scheme
- Regional Development Council – peak advisory body to the Government of Western Australia on regional development issues
- Regional Development Commissions – foster the economic development of regions in partnership with other government agencies, local government, business and the community.

In addition, other agencies are responsible for planning, and provision of infrastructure and services (eg roads and transport, education and training) that support economic development. The Royalties for Regions program is providing additional funding for infrastructure and services.

3.1.2 Western Australian regional planning framework

The WA Planning Commission (WAPC) is a statutory authority that has operated for almost fifty years and has statewide responsibilities for urban, rural and regional land use planning and land development matters. In this context it exercises centralised statutory regional planning, subdivision control and supervision of local planning.

In its June 2008 South West Framework, the WAPC identified eight themes for consideration in planning for the future of the South West region. They are:

1. settlement strategy
2. population growth
3. climate change
4. inclusive communities
5. economy and employment (emphasis added)
6. sustainable environment
7. natural resources and agriculture
8. transport and infrastructure coordination.
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Within each of these are matters that fall within the scope or responsibility of local councils, but may be driven largely by global, national and state factors, and Government priorities and strategies.

In the next 15-20 years, the WAPC expects that the South West region will ‘generate diverse economic activities and high standards of social amenity while protecting the natural environment’.

The relevant infrastructure agencies have advised the WAPC that proposals at various levels (regional, subregional and local) are being investigated to ensure that the continued expansion in the regional population can be accommodated. Major planned projects include upgrades to the water supply network, improvements to power services, new facilities at the Port of Bunbury, works on the region’s health facilities and substantial roadworks.

3.2 Australian Government

The Australian Government also has a role in facilitating regional economic development. The principal responsible agency is the Department of Infrastructure, Transport, Regional Development and Local Government. The department provides policy advice and administers the Better Regions grants program.

Regional Development Australia (RDA) is the network of regional development committees throughout Australia. It advises the Government on regional development issues.

The Regional and Local Community Infrastructure Program is providing funding to local government for specific projects in 2008-09.

Infrastructure Australia is developing a strategic blueprint for Australia’s future infrastructure needs and – in partnership with the states, territories, local government and the private sector – facilitate its implementation.

3.3 Local Government

Local government has not traditionally had a direct role in economic development facilitation, although local government policies, infrastructure and services have a big impact on economic development. In recent years, the concept of sustainability, the close links between social, economic and environmental performance, and the recognition of the value of integrated strategies that support the simultaneous achievement of goals, have driven the increasing engagement of local government in facilitation of economic development.
The Local Government Act states that the general function of a local government is to provide for the good government of persons in a district. In undertaking these functions, local governments are to use their best endeavours to meet the needs of current and future generations through the integration of environmental protection, social advancement and economic prosperity.

It is clear then that local government has a role to play in facilitating economic development, and in part through that, social advancement in their jurisdictions.

The Shires of Augusta Margaret River and Busselton recognise the need for ongoing and robust economic growth to support the sustainable development of the Capes Region. That is the key driver of the need for a Regional Economic Development Strategy.

The two Shires are seeking through the Capes Regional Economic Development Strategy to implement the following five point plan:

1. A cooperative and coordinated approaches to promoting regional economic development, which will generate social, economic and environmental gains for the communities in the Capes Region
2. The provision of strategic information and resources to support the fostering of opportunities for economic growth in traditional, niche and emerging industries
3. The maximisation of the value of investment in regional infrastructure
4. Actionable strategies to be put in place in each of the two Shires with progress reported against measurable outcomes
5. Greater capacity by acting in concert to influence government at state and federal level on matters that affect the Capes Region.

Working Paper 4 sets out action for the Shires to facilitate economic development and implement this plan.

3.3.1 Local Planning Strategies

Both the Augusta Margaret River and Busselton Shire Councils have reviews of their Local Planning Schemes underway, in order that their planning policies and statutes continue to support the sustainable development of the region. The cores of Local Planning Schemes are Local Planning Strategies which provide the long term strategic planning frameworks for development over the next 15 - 20 years. The Local Planning Strategies and Schemes will recognise and support the Capes Regional Economic Development Strategy.
4 Vision for Capes Region economic development

4.1 Current vision statements

Following are the most relevant current vision statements of key organisations in the region.

4.1.1 South West region (South West Development Commission)

In the next three decades the South-West region will become a model for environmental and economic management offering a wide and complex array of residential lifestyles, tourist experiences and economic opportunities.

4.1.2 Leeuwin-Naturaliste Ridge Statement of Planning Policy

Creative, vital and sustainable communities living in balance with economic development and the unique landscape and environmental values of the Leeuwin-Naturaliste Ridge policy area.

4.1.3 Augusta Margaret River Shire

To be a world-class lifestyle icon through a diversity of experience and opportunities in agriculture, tourism and viticulture enhanced by areas of clean, unspoiled protected national environs and balanced future growth.

4.1.4 Busselton Shire

We will maintain diversity and lifestyle choices and values through the enhancement of our coastal and rural environments, facilitating cultural and sporting experiences and support economic and business choices.

4.2 Proposed vision for Capes Region Economic Development Strategy

Based on the above vision statements, feedback from workshops and the Steering Group, the following vision is proposed for the Capes Region Economic Development Strategy:

Building on regional and sectoral advantages, the Capes Region seeks to promote economic growth, diversity and sustainability to enable choices in employment, business and lifestyle.
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5 Strategic Goals for the Capes Region Economic Development Strategy

The following strategic goals are proposed for the Capes Region Economic Development Strategy:

1. A strong diverse economy across a unified and integrated economic region
   - This means that the industries for which the region provides comparative advantages and that have developed competitive advantages will grow and where possible diversify products and markets. These include both existing and new industries. The region will have an integrated economy and facilitation of development will be consistent across the region.

2. Increased business investment
   - Business investment is the foundation of economic growth and industry sustainability and a key indicator of the economic health of the region is growing investment. Investment includes capital to sustain existing businesses, investment to expand and diversify existing businesses, and investment in new businesses large and small.

3. Increased employment opportunities
   - To support a growing, demographically diverse population and to attract and retain people, the region needs to develop more opportunities for employment in a diverse range of fields and occupations.

4. An adequate workforce with skills to match opportunities
   - Industry development relies on access to a sufficient workforce that has the skills that meet industry needs, so education, skill formation, inward migration and workforce retention are critical to economic development.

5. Efficient infrastructure and services to support development
   - Industry and its workforce, and their families require infrastructure and services to meet their basic needs and to operate efficiently. Community infrastructure and services are just as important as infrastructure and services that directly support business.

6. Maintenance of social and environmental amenity
   - Sustainable development requires that economic development occurs in a manner that protects and supports social and environmental conditions, and where possible, enhances them. In most cases, the economic, social and environmental goals and the means to achieve them are complementary.
6 Focus areas

Opportunities for future growth in business and employment will occur in industry sectors where:

• there is already a substantial footprint and where markets, innovation and entrepreneurship leading to diversification and growth
• markets, innovation and entrepreneurship leads to growth in new industries.

Technical analysis by ACIL Tasman in Working Paper 1 provides a number of perspectives on the opportunities arising from industries that have a substantial footprint in the region and therefore where the region is likely to have a comparative advantage.

Using the location quotient method, ACIL Tasman identified 18 industry sectors where the Capes Region has a proportionately greater share of employment in that industry than Western Australia as a whole.

ACIL Tasman also mapped the flow of goods and services (represented in dollar amounts) between industries, primary inputs and final demand categories through an input-output table. The value of local production used and sold locally is an indicator of which industries may be suitable to become part of clusters.

The results of this analysis show that there are 10 industry sectors that could, because of their economic footprint in the region today, be amenable to further growth. Other opportunities include education and the creative industries where they have potential and critical mass, but do not feature in current data sets. The analysis is summarised in
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Table 1.

Discussions in workshops enabled these sectors to be refined to five priority sectors. The sectors and industries for focus under the Capes Region Economic Development Strategy are as follows.
1. Agriculture and food (including wine)
2. Tourism
3. Property and construction
4. Specialised retail and creative industries
5. Education and training.
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### Table 1  Potential industry and sector focus areas

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<tr>
<th>ABS Industry groups (Division) 2006</th>
<th>Strengths (Baseline)</th>
<th>Opportunities (location quotients)</th>
<th>12 potential focus areas (10 from input-output)</th>
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<td>Other Services</td>
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<td>Services sector</td>
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7 Economic growth projections

This section examines projections for growth in population and employment in the Capes Region.

The Capes Region Economic Development Strategy will be an important component of the forward planning undertaken by the Shire Councils to facilitate sustainable economic development, including the avoidance of potential land use conflicts, and the timely provision of infrastructure and services.

Hence there is a need to develop a long term outlook for the economy that is consistent with, and based on, the prospects for growth in the population of the Capes Region.

7.1 Growth planning scenarios

The key drivers of economic growth (Gross Domestic or Regional Product) over the medium to long term are population, employment (labour market participation) and productivity. This is represented diagrammatically in Figure 1.

Figure 1 Components of economic growth

![Diagram showing components of economic growth](source: Commonwealth Treasury Intergenerational Report 2007)

For a full discussion of this concept, see Treasury’s Intergenerational Report 2007.
Factors that increase the proportion of the population employed in the workforce at a particular time generally lead to increases in economic growth, as measured by gross domestic or gross regional product (GDP or GRP). When unemployment is lower in the Capes Region than at the national level or immigration or labour force participation is higher, then economic growth in the region will be higher than the national rate of growth.

Changes in the composition of the population such as population ageing will, all other things being equal, reduce the expected rate of growth in the economy. On the other hand immigration, in particular of skilled or unskilled migrants of working age, can offset this effect leading to GDP higher than otherwise.

For the purposes of this strategy ACIL Tasman has assumed that while the rate of population growth is higher, demographic changes in the Capes Region are not dissimilar to those at the national level. These are discussed in detail in Section 7.5.1.

Broadly speaking, employment and labour productivity in the Capes Region over the long term could be expected to be in line with national trends.

Given these assumptions about the future rates of growth in employment and productivity, and ACIL Tasman estimates of population growth, estimates of economic growth in the Capes Region can be determined.²

### 7.2 Growth of the regional economy

The current downturn in markets and availability of capital are likely to tip Australia and many of its regions into short-term recession. Business and employment in the Capes Region are already being impacted and may find conditions will get worse before they get better. Notwithstanding this, the economic performance of the region during the past five to eight years shows that it is resilient and can be expected to once again perform well when market and finance conditions improve.

ACIL Tasman’s estimates of the potential long term economic growth in the Capes Region are detailed in section 7.5. In summary:

- assuming a midrange average annual growth rate of 3.3 per cent (compared with the 4 per cent average rate of the past 15 years), population is forecast to grow from 37,580 in 2006 to 72,979 by 2026.

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² These estimates are trend estimates and cannot be interpreted as the probable growth rates for any particular year.
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- taking into account the likely impact of the global financial crisis and government stimulatory measures on the region, the average annual rate of growth to 2026 is forecast to be around 4 per cent – considerably higher that the forecast average growth for Western Australia.

Much of this growth is attributable to population growth rather than increases in industry output.

7.3 Outlook for industry sectors

The uncertainties of global economic conditions have made a difficult task of predicting industry futures even more difficult. For each of the five sectors identified as focus areas, ACIL Tasman offers the following observations.

Agriculture and food (including wine)

While exports and earnings from Australian agricultural commodities overall are expected to rise, the earning from products of the Capes Region will be dependent on a number of factors, including:

- Consumption trends for both consumer (eg milk and cheese) and high-end (eg wine and specialty foods) products in Western Australia and the nation
- The speed of economic recovery in key wine, meat and dairy markets in other countries where products of the Capes Region receive premium prices.

Assuming that world and Australian economic growth, and hence demand, recovers to levels that are more consistent with longer term potential by 2010-11 and beyond, sales of Capes Region agricultural and food products should return to their long-term growth trend.

Tourism

Tourism is a particularly volatile sector, with international visitor numbers in particular affected by a range of issues. The global economic crisis is the latest issues to dampen international travel. That said, the international visitor component of Capes Region tourism is relatively small (though higher value per person) compared with domestic visitors, which are dominated by Western Australians. One impact of the economic situation is that Western Australians are tending to travel outside the state less. Indicators show that more Western Australians ‘holidayed at home’ during the 2008/09 summer.

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3 Annual average growth of about 3 per cent is forecast for Western Australia by Access Economics to 2013, with growth likely to return to more than 4 per cent beyond that. ABARE forecasts low world economic growth for 2009, before growth strengthens to 4.3 per cent in 2011 and about 4 per cent longer term.
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Tourism forecasts are currently subject to rapid revision in response to the economic situation. The long term outlook is strong, however. Margaret River’s iconic status and the ongoing development of premium accommodation as well as the stock family accommodation – plus innovative marketing – should help to ensure the Capes Region’s tourism potential continues to develop. However, past performance and strong competition from Asian and some Australian destinations, together with low cost airfares, indicates that growth is likely to be incremental.

Property and construction

The main driver of the property and construction sector is population growth. While construction of visitor accommodation and ‘investment’ properties is likely to slow, the projections for strong population growth should underpin a return to strong residential construction in the medium term.

Specialised retail and creative industries

Specialised retail outlets have been enjoying strong growth in the Capes Region, and in particular in Margaret River. These outlets have developed in response to demand from visitors for unique products and ‘recreational shopping’. In addition, the environment and lifestyle of the Capes Region are attracting numbers of artists and artisans, who together are developing the region as a centre for creative industries.

The future strength of the specialised retail sector is dependent on visitors. The creative industries sector is both dependent on the region’s ability to continue to attract and retain such people and on markets for their products. As these tend to be ‘luxury’ goods subject to discretionary spending and to visitor numbers, the global economic conditions inevitably will have a short term dampening effect on demand.

Education and training

Education and training will be driven both by population and aspiration of people, particularly young people. It will also be driven by demand for skills. The sector is already comparatively large in the Capes Region, if under-developed in VET and tertiary offerings and facilities.

Given the projected high population growth and the well-recognised imperative for advanced education and training, the sector is likely to continue its strong growth.
7.4 Population change

The likely growth and changes in the composition of the resident population have a bearing on the future sustainability of development in the Capes Region.

This is evident from the pressures that have arisen from the substantial population growth over the last 15 years, resulting in:

- increases in demand for residential, commercial and industrial land
- increases in demand for infrastructure and associated services
- a rise in demand for investment properties
- growth in the need for cultural facilities.

These pressures have been made more acute because of temporary increases in population, over and above the more permanent resident population.

This phenomenon – of large swings in the population over the course of the year – is being experienced by a number of coastal regions around Australia, where the pressures of tourism, absentee landlords and investors are stretching infrastructure capacity and raising issues concerning the sustainability of the future rate and revenue base.

Hence, ideally the Capes Region planning strategies and the regional economic development strategy would be built around the concept of the total service population.

7.4.1 Service population

The concept of the service population is one that has been developed for the study of population and demographic changes. It is based on demand for and use of services in a particular area.

While the Australian Bureau of Statistics (ABS) has considered the need for measures of the service population, in particular in relation to planning requirements, it has not as yet proceeded to introduce them into Australia.

(A discussion of the difficulties of measuring the servicing population is contained in the ABS working paper 3107.0.55.006 - Information Paper: Population Concepts, 2008.)

Generally highly mobile people affect the size of a service population and may include:

- tourists (short-term overseas visitors to Australia, caravanners, backpackers)
- fly-in/fly-out workers (mining employees, defence personnel)
• seasonal workers who move from one area to another based on the availability of work, e.g. fruit pickers, shearsers and seasonal harvestors
• students living in boarding schools/university dormitories and other accommodation (Note that this group may be defined as part of the resident population by the ABS depending on circumstances)
• population groups that move from one area to another on a seasonal basis, e.g. because of the closure/inaccessibility of some remote Northern Australia communities during the monsoon season
• population groups that move from one area to another to meet cultural responsibilities, e.g. the temporary depopulation of locations because of the death of a traditional Indigenous person in another community
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• population groups that move from one area to another to meet cultural responsibilities, e.g. the temporary depopulation of locations because of the death of a traditional Indigenous person in another community

The Capes Region average and peak service populations are impacted by social trends underlying increases in daytime populations in regional and city centres and the rise of multiple residences.

Daytime population

Daytime population is one of the important dimensions of the service population. The highly mobile nature of the Australian population, particularly the concentration during the day in certain urban areas, means that estimates of daytime population could assist in assessing the actual or potential demand for goods and services as well as emergency services planning.

A daytime population may be affected by working commuters, shoppers, tourists, schooling, other education and training, recreation and other business. Such populations are likely to be attracted to regional centres which attract shoppers and visitors to educational, cultural and entertainment venues from surrounding areas.

Multiple residences

Where people may have multiple residences, such as a coast or holiday residence, their usual residence is regarded by the ABS as the one in which they
spend most of their time during the year. However, the issue of multiple residences is important for determining the service population - in both areas.

A number of issues contribute to an increase in the number of people who have multiple residences. For example:

- increases in divorces and separations have increased the number of children whose parents do not live together. In many such cases the children often divide their time between the two homes under shared care arrangements
- a number of people have a partner in a separate residence. These people are often living at their partner's residence as well as at their own residence
- employment patterns have given rise to alternative living arrangements such as a household member living away from the household for part of the week, or a sustained period of time, such as fly-in/ fly-out workers in mining areas
- some people maintain dual residences in different locations for summer and winter recreational pursuits such as a beach house or a country farm house
- some people have regular health treatments away from their area of usual residence.

### 7.4.2 Estimated resident populations

In this section ACIL Tasman has determined the 2006 base year levels of population and employment in the Capes Region. From there ACIL Tasman goes onto develop population projections, growth projections and estimates of the additional employment opportunities that will be required to achieve the projected level of economic growth.

In the absence of a reliable means of estimating the Capes Region total service population ACIL Tasman have developed a range of growth scenarios based around the ABS’s measure of Estimated Resident Populations (ERP)s. The estimated resident population is the key official estimate of the Australian population, which link people to a place of usual residence within Australia. (Usual residence is that place where each person has lived or intends to live for six months or more from the reference date for data collection.)

Estimates of the resident population are based on census counts by place of usual residence (excluding overseas visitors in Australia), with an allowance for

---

4 As will be discussed below, the population estimates in this paper are used to generate economic growth rates over the longer term. In this case it is more appropriate to base economic growth scenarios on estimated resident population, while the planning of capacity to deliver local government services would be based on the service population.
Vision, focus areas and growth projections

net census undercount, to which are added the number of Australian residents estimated to have been temporarily overseas at the time of the census. Note that the estimate resident population then will be usually higher than the census population.

The growth scenarios developed by ACIL Tasman in this working paper are consistent with the range of current scenarios developed by the two Shire Councils as part of their planning strategies. Specifically ACIL Tasman has developed scenarios based on the material in the following documents:

- Augusta Margaret River Shire Council, *Longterm Planning Strategy* November 2008, the purpose of which is to provide a medium to long-term planning strategy for development over the next 10 to 15

This regional economic development strategy therefore caters for possible growth scenarios within a range of low to high growth in the estimated resident populations. While no explicit estimates of the total service population have been developed, ACIL Tasman considers that the high growth scenario could be interpreted as incorporating the growth in visitor population.

### 7.4.3 Base year population and labour force

#### Base year population

In the analysis which follows ACIL Tasman has used the most recently available estimates at the local government area level from the ABS - Catalogue No. 3218.0 - Regional Population Growth, Australia, 2006-07.

<table>
<thead>
<tr>
<th></th>
<th>1991 (f)</th>
<th>1996 (f)</th>
<th>2001 (f)</th>
<th>2006 (pr)</th>
<th>2007</th>
<th>Annual average growth rates</th>
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</thead>
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<td></td>
<td></td>
<td></td>
<td>5 year (intervals)</td>
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<td>8,106</td>
<td>10,187</td>
<td>10,942</td>
<td>11,360</td>
<td>5.4 4.7 1.4 3.8</td>
</tr>
<tr>
<td>Busselton</td>
<td>14,592</td>
<td>18,158</td>
<td>23,099</td>
<td>26,638</td>
<td>27,500</td>
<td>4.5 4.9 2.9 4.1</td>
</tr>
<tr>
<td>Capes (Vasse) Region</td>
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<td>26,264</td>
<td>33,286</td>
<td>37,580</td>
<td>38,860</td>
<td>4.8 4.9 2.5 4.0</td>
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<td>South West (SLA)</td>
<td>145,730</td>
<td>167,274</td>
<td>194,129</td>
<td>217,791</td>
<td>224,137</td>
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<td>Western Australia</td>
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<td>1,765,256</td>
<td>1,901,159</td>
<td>2,059,045</td>
<td>2,105,783</td>
<td>1.5 1.5 1.6 1.5</td>
</tr>
</tbody>
</table>

Note: The ERP for 2007 is preliminary but is reported for completeness.

Data source: ABS 3218.0, 2008

To be consistent with the two Shires’ planning frameworks, ACIL Tasman has taken the 2006 (census) year as the base year.
There are two things to note in Table 2 concerning the most recent population estimates and those contained in the Shire Council planning documents:

- the estimate of the population of Augusta Margaret River of 10,942 in 2006 is slightly higher than the census population of 10,352
- the estimate of the population of Busselton is 26,638, which is below the level anticipated in the Busselton Demography and Planning 2006 report based as it is on the final 2001 census population estimates.

According to the ABS the estimated resident population of the Capes Region as at the end of June 2006 was 37,580.

Over the last 15 years population growth in the Capes Region has averaged 4 per cent annually considerably higher than the Western Australian state average of 1.5 per cent per annum.

### Base year labour force

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Labour force 2001-2007</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>Labour force</td>
<td>15,585</td>
</tr>
<tr>
<td>Employment</td>
<td>14,418</td>
</tr>
<tr>
<td>Participation rates</td>
<td>66%</td>
</tr>
</tbody>
</table>

Note: Smoothed series with series break between 2001 and 2002. Participation rates are estimated by using the census population over 15 in 2001 and 2006, interpolating trend in the other years.


In 2006, close to 20,000 were in the labour force in the Capes Region, of which 19,110 were employed. The unemployment rate was 3.4 per cent.

### 7.4.4 Population growth scenarios

ACIL Tasman has developed five scenarios for projected population growth across the Capes Region:

- an upper baseline where growth continues at the same rate out to 2031 as the long run (15 year) annual average growth rate of 4 per cent per annum
- a mid baseline where the annual average growth rate gradually falls as population continues in the following pattern
  - 4 per cent per annum to 2011, 3.5 per cent per annum to 2016 and 3 per cent per annum to 2031
Vision, focus areas and growth projections

- a no change in the annual average rate of population growth where growth continues out to 2031 at the same slower rate recorded in the period 2001-2006\(^5\) rather than the longer run growth rate
- a low growth scenario where the long run annual average rate of growth across the Capes Region is assumed to be 3 per cent per annum out to 2031
- a high growth scenario where the long run annual average rate of growth is assumed to be 5 per cent per annum out to 2031.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>High growth</td>
<td>37,580</td>
<td>48,398</td>
<td>62,190</td>
<td>78,978</td>
<td>100,253</td>
<td>125,334</td>
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<td>45,750</td>
<td>55,700</td>
<td>67,815</td>
<td>82,570</td>
<td>100,539</td>
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<td>Mid baseline</td>
<td>37,580</td>
<td>45,722</td>
<td>54,303</td>
<td>62,952</td>
<td>72,979</td>
<td>84,603</td>
<td>3.3</td>
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<tr>
<td>Low growth</td>
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<td>43,548</td>
<td>50,464</td>
<td>58,101</td>
<td>66,733</td>
<td>76,518</td>
<td>2.9</td>
</tr>
<tr>
<td>No change scenario</td>
<td>37,580</td>
<td>42,449</td>
<td>48,019</td>
<td>54,334</td>
<td>61,648</td>
<td>69,878</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Note: We assume that the annual average population growth rates for the South West and Western Australia do not change – ie 2.7% per annum and 1.5% per annum respectively.

Data source: ACIL Tasman

The estimates are consistent with those prepared by each of the Shires. However as the Busselton population in 2006 is significantly below the expected level – 26,638 compared with 28,800 – then the projected populations in future (census) years are accordingly lower.

The growth scenarios for the Capes Region are shown in Table 4 and in the accompanying charts (Figure 2, Figure 3 and Figure 4).

Note that that under the high growth scenario, the population of the Capes Region could double by 2021 while the no change scenario is considerably lower than the scenarios prepared by the Shire Councils as the basis for their planning.

\(^5\) Note that according to the ABS the 2006 estimates have been rebased but are preliminary.
Vision, focus areas and growth projections

Figure 2  Augusta Margaret River population projections 2006-2031

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>High growth</td>
<td>8,218</td>
<td>9,106</td>
<td>10,187</td>
<td>10,942</td>
<td>14,400</td>
<td>19,000</td>
<td>23,680</td>
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<td>8,106</td>
<td>10,187</td>
<td>10,942</td>
<td>13,105</td>
<td>15,888</td>
<td>19,145</td>
<td>22,070</td>
<td>27,180</td>
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<tr>
<td>Mid baseline</td>
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<td>8,106</td>
<td>10,187</td>
<td>10,942</td>
<td>13,105</td>
<td>15,888</td>
<td>19,145</td>
<td>22,070</td>
<td>27,180</td>
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<td>Low growth</td>
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<td>8,106</td>
<td>10,187</td>
<td>10,942</td>
<td>12,257</td>
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<td>8,106</td>
<td>10,187</td>
<td>10,942</td>
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<td>13,445</td>
<td>14,389</td>
<td>15,422</td>
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</table>

Source: ACIL Tasman
### Figure 3  Busselton population projections 2006-2031

<table>
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<tr>
<th>Year</th>
<th>High growth</th>
<th>Upper baseline</th>
<th>Mid baseline</th>
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<td>26,638</td>
<td>26,638</td>
<td>26,638</td>
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<td>2006</td>
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<td>32,566</td>
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<td>2011</td>
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<td>39,812</td>
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<td>2031</td>
<td></td>
<td></td>
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</table>

Source: ACIL Tasman
Vision, focus areas and growth projections

Figure 4  
Capes Region population projections 2006-2031

<table>
<thead>
<tr>
<th>Year</th>
<th>High growth</th>
<th>Upper baseline</th>
<th>Mid baseline</th>
<th>Low growth</th>
<th>No change scenario</th>
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<tbody>
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<td>2006</td>
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<td>37,580</td>
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<td>2011</td>
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<td>185,015</td>
<td>405,142</td>
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<td></td>
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</tbody>
</table>

Source: ACIL Tasman

7.5 Economic growth scenarios

Figure 5  
The Treasury ‘intergenerational report’ 3P framework

Growth in GDP =

- Growth in the Population +
- Participation Rate Growth +
- Growth in Employment Rate +
- Growth in Average Hours Worked +
- Growth in Productivity

ACIL Tasman’s estimates of the potential long term economic growth in the Capes Region are based on the framework developed by the Treasury using the population growth scenarios in the preceding section.
Population is an indication of the total amount of labour resources to produce goods and services in the economy.

In general economic output per person – usually denoted as real GDP per person – is determined by participation and productivity.

- Participation impacts on economic growth as it determines the number of hours worked by those who are active in the labour market. It takes into account such factors as the proportion of the population aged 15 and over, participation rates, the unemployment rate, and average hours worked.
- Productivity is the volume of goods and services produced per hour.

As stated above, it is reasonable to assume that the Capes Region growth in participation and productivity is in line with national trends out to 2031.

Using the Treasury estimates of potential long term growth rates in real GDP per person, ACIL Tasman has calculated the following economic growth scenarios for the Capes Region.

**Figure 6** Capes Region annual average rates of economic growth scenarios (2001-2031)

*Note: The GFC scenario is based on ACIL Tasman’s judgement of the potential impact on long run annual average economic growth rates. The immediate cyclical effect on annual growth rates in 2009 and 2010 will be of greater magnitude than the long run trend rates. ACIL Tasman has adjusted the Treasury projections of long run annual average rates of growth in real GDP per capita.

Source: ACIL Tasman*
Table 5  **Annual average economic growth rates**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
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<td>6.5</td>
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<td>4.3</td>
<td>5.8</td>
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<td>5.6</td>
<td>5.4</td>
<td>5.4</td>
<td>5.6</td>
</tr>
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<td>5.8</td>
<td>5.1</td>
<td>4.6</td>
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<td>4.4</td>
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<tr>
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<td>1.8</td>
<td>1.6</td>
<td>1.6</td>
<td>1.4</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>GFC adjusted (real GDP per person)</td>
<td>2.1</td>
<td>2.1</td>
<td>1.8</td>
<td>1.6</td>
<td>1.5</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
<td>1.5</td>
</tr>
</tbody>
</table>

**Note:** GFC: Global Financial Crisis  
**Source:** ACIL Tasman

Population growth is the major contributor to long run economic growth in all of the above scenarios. At its highest the annual average growth rate in the region would be 6.5 per cent per annum over the long term, and at a minimum 4.1 per cent per annum. The no change scenario assumes that the rate of population growth increases at a rate of 2.5 per cent per annum, while the participation rates and average working hours will change in line with national trends.

ACIL Tasman has assumed that the global financial crisis could lower Australia’s long run growth rate, below those anticipated in the Treasury’s Intergenerational Report. Broadly speaking while short term annual growth rates can be impacted substantially the global economic events of 2008, over the medium to longer term there is little cyclical change in annual average growth rates as illustrated in Table 5.

The global financial crisis could impact negatively on the outlook for economic growth in the Capes Region in two specific ways.

- Economic growth will be slower in the immediate to near term if population growth slows below its current rate (the no change scenario)
  - However as the annual average population growth rate halved from 1996-2001 to 2001-06 (from 4.9 per cent per annum to 2.9 per cent) it appears unlikely that population growth in the Capes Region will slow further. The no change scenario assumes that annual average population growth out to 2031 is at the same rate as in 2001-06 i.e. 2.5 per cent per annum.
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In this case the annual average rate of economic growth in the Capes Region could be of the order of 4 per cent per annum. This would mean that the value of the Capes Region (in $2006) in 2031 would be $3.7 billion (see Table 6).

Table 6  Projections of the value of the Capes Region economy ($m 2006)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2011</th>
<th>2016</th>
<th>2021</th>
<th>2026</th>
<th>2031</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>1395</td>
<td>1911</td>
<td>2619</td>
<td>3588</td>
<td>4915</td>
<td>6735</td>
</tr>
<tr>
<td>Minimum</td>
<td>1697</td>
<td>2065</td>
<td>2512</td>
<td>3057</td>
<td>3719</td>
<td></td>
</tr>
</tbody>
</table>

Source: ACIL Tasman

- Economic growth will be slower than expected in the above scenarios if unemployment rises and the participation rate falls.
  - It is difficult to predict how the global financial crisis will impact on employment nationally, and in net terms in the Capes Region, particularly in the light of the Rudd Government’s substantial increase in government spending on infrastructure.

... Multipliers are used to measure the net impact of changes in national or regional economy, such as changes in consumer spending, government spending and private sector investment. They can vary widely depending on the type of spending or projects and by industry sector.

... Employment multipliers by industry sector broadly range from a value of 15 to 25 which means that for every $1m of initial expenditure there are between 15 and 25 full time jobs created (of 12 months duration).⁶

7.5.1 Labour force scenarios

According to the ABS there were over 19,000 people in the Capes Region in work or looking for work in 2007. Over the period 2001-06 the labour force has grown at an annual average rate of 4.9 per cent per annum. During this period the Western Australian economy and population has experienced significant growth.

⁶ The ABS has produced a useful and easy to read paper on input-output tables and the derivation and application of multipliers. *Multipliers for culture-related industries.* report has been prepared by the National Centre for Culture and Recreation Statistics of the Australian Bureau of Statistics (ABS) and is available from http://www.culturaldata.gov.au/publications/statistics_working_group/other/multipliers_for_culture-related_industries
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Table 7  Capes Region labour force 2001-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Estimated population 15 and over</th>
<th>Labour force</th>
<th>Employment</th>
<th>Participation rates</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>33,286</td>
<td>23,500</td>
<td>15,585</td>
<td>14,418</td>
<td>66%</td>
<td>7.5%</td>
</tr>
<tr>
<td>2002</td>
<td>34,278</td>
<td>24,400</td>
<td>14,719</td>
<td>13,767</td>
<td>60%</td>
<td>6.5%</td>
</tr>
<tr>
<td>2003</td>
<td>34,870</td>
<td>25,299</td>
<td>17,048</td>
<td>15,998</td>
<td>67%</td>
<td>6.2%</td>
</tr>
<tr>
<td>2004</td>
<td>35,537</td>
<td>26,199</td>
<td>17,359</td>
<td>16,416</td>
<td>66%</td>
<td>5.4%</td>
</tr>
<tr>
<td>2005</td>
<td>36,965</td>
<td>27,098</td>
<td>18,075</td>
<td>17,343</td>
<td>67%</td>
<td>4.0%</td>
</tr>
<tr>
<td>2006</td>
<td>37,580</td>
<td>27,998</td>
<td>19,780</td>
<td>19,110</td>
<td>71%</td>
<td>3.4%</td>
</tr>
<tr>
<td>2007</td>
<td>38,860</td>
<td>28,898</td>
<td>19,443</td>
<td>18,838</td>
<td>67%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Data source: ABS series Regional Growth and DEEWR small area labour markets- population by age uses census proportions (2006)

Given the data on the size of the labour force and the population projections out to 2031 it is possible to estimate the potential demand for jobs in the Capes Region after making assumptions about participation rates.

Nationally demographic changes are expected to lead to a reduction in the proportion of the population of traditional working age, 15-64 years (expressed as a proportion of the total population).

Figure 7  Capes Region historic and projected working age population

Data source: DEEWR

According to the Treasury

The population of traditional working age, 15-64 years, is projected to grow by over 20 per cent by 2047, but to fall as a proportion of the total population by around 8 percentage points to 60 per cent. The fastest growing group of traditional working age people is that aged 55-64, rising by nearly 50 per cent over the next 40 years.
ACIL Tasman has assumed that the proportion of the population of working age falls by 5 percentage points both nationally and in the Capes Region out to 2031 (see Figure 7).

In respect of participation rates according to the Treasury

Total labour force participation rates (aged 15+) are projected to fall, reflecting the rapid increase in the proportion of the population aged 65 and over. However, the recent lift in labour force participation for older workers is likely to remain significant and has softened the projected decline in labour force participation. Labour productivity is assumed to grow at its average rate of the past 30 years.

Treasury notes that in particular labour force participation rates are likely to be much lower in the 2020’s as the baby boom generation retires.

Based on historic participation rates in the Capes Region ACIL Tasman has projected participation rates for the region in line with national trends. Note however that participation rates in the Capes Region are generally higher than at the national level. ACIL Tasman has assumed that this remains the case.

Given these assumptions about trends in the working age population and in participation rates, ACIL Tasman’s labour force projections are shown in Table 8.

Figure 8  Capes Region historic and projected participation rates

Data source: DEEWR
The ACIL Tasman scenarios all expect labour force growth to slow over the coming decades, while annual average growth rates range from a low of 2.6 per cent per annum to a high of 5 per cent per annum.

The scenarios all project labour force growth assuming that the unemployment rate is to be maintained at its current low rate (2007) of 3.4 per cent.
By way of comparison with the ACIL Tasman scenarios, a recent study by the University of Western Australia\(^7\) identified the workforce future issues for the Capes Region (using a different time series produced by the ABS).

Under their high growth scenario the labour force is expected to increase by 3.7 per cent per annum between 2007 and 2015 while the low growth scenario would see demand grow modestly by 2015 at an annual growth of 1.2 per cent.

In terms of the composition of demand the authors find that the most significant growth in demand is projected for the construction and health care and social assistance sectors, reflecting the rapid development of the area, as well as the changing demographic structure, particularly the ageing of the population.

The tourism and recreation industries are expected to underpin strong growth in demand for employment in retail trade, and accommodation and food services.

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\(^7\) Regional Workforce Futures: An Analysis of the Great Southern, South West and Wheatbelt Regions, Tonts and Haslem-McKenzie, Institute of regional Development, 2008
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Most other sectors are expected to experience more modest increases over both the short and medium terms.

Occupational demand in the Capes Region in the period to 2015 is expected to be strongest in the areas of sales workers, cleaners, construction trades, retail managers, accountants and book keepers, nursing professionals, personal carers, school teachers and hospitality workers.

7.6 Composition of population

While ACIL Tasman presents potential scenarios for changes in the size of the population, we have not been able to specifically take into account the potential change in the composition of the population. For example the share of permanent residents is on the rise, while households are smaller. Changes in demography and in particular an aging population significantly influence the level, timing and type of demand for land, housing, associated services, community and physical infrastructure.

7.7 Demand for housing

Employment trends are an important indicator of demand for labour, land, housing and associated services and infrastructure. It is critical that long term sustainable employment matches growth in housing.

Further, a declining household size and a high proportion of seasonal workers would indicate that to simply provide conventional type of low density suburban family-type housing is inappropriate. This suggests that new housing should be smaller sized and higher density type housing to cater for these user groups.

As with other growth centres there is an issue of the ability of key workers – i.e. workers essential for the regular functioning of the economy, ranging from police officers, hospitality workers, to seasonal migrant workers – to either purchase or rent adequate housing.

This issue is often acute in a “sea-change” shire where second holiday homes and tourist demand can exert substantial demand pressures and thus significantly push up prices for land and housing.

New developments that will assist in securing affordable housing are smaller lot sizes, and attraction of a higher level of permanent residents. However affordable housing is very complex issue and land use planning is just one of several aspects in finding a solution.
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