IMPACT OF THE RESOURCE BOOM ON THE ECONOMIC GEOGRAPHY OF MELBOURNE

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Presentation to Conference
The Resources Boom: Understanding National and Regional Implications

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The issues to be addressed

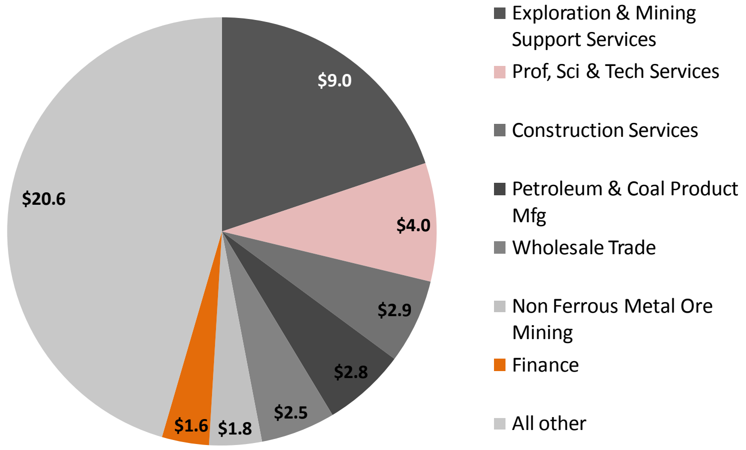
- How Melbourne, an urban economy in a non resource state, has been effected by the resource boom
- How these effects are distributed spatially
- How one particular region within the urban economy, the Western Region of Melbourne is impacted by the boom and the policy implications that arise

Outline

- Transmission mechanism of the resource boom to the Melbourne economy
  - Services not manufacturing
  - Investment earnings
- Spatial distribution of the impacts of the boom:
  - In the growth in service jobs and;
  - Investment earnings
- Western Region of Melbourne as a case study
- Policy implications

- Acknowledgements :
  Alison Welsh, Dr Andrew Van Hulten, Neelam Maharaj and Dept of Business and Innovation

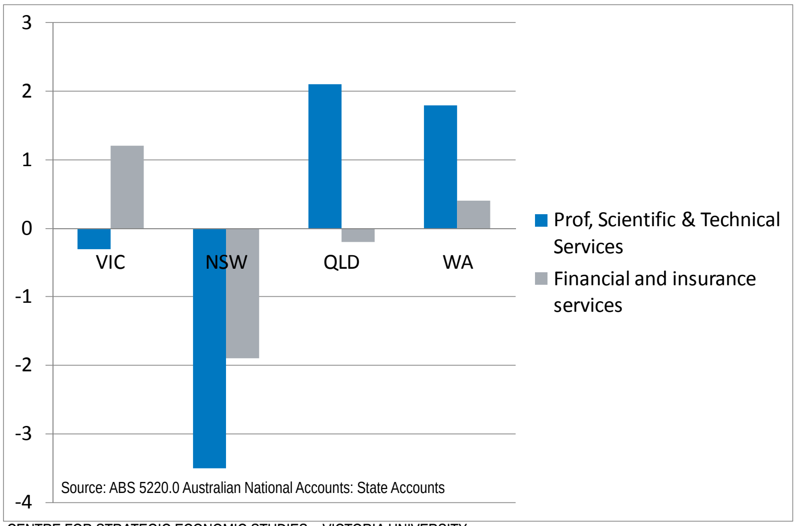
Domestic Supplies to the Mining Sector 2006-07, $billion



Total = $45.2b

Source: ABS Cat No 5209.0.55.001

Change in % share of gross value added, key states, 2004 and 2010



Possible reasons for resource-based demand for Victorian-sourced services

- Ghosts of the Collins House Group dominance of the Australian resource sector remain
- Melbourne is the Australian headquarters of the world resource giants, BHP and Rio Tinto. Planning and resource allocation decisions require locally based finance, legal, accounting and engineering services
- Melbourne has been transformed into a major service based economy over the last 2-3 decades

Employment Growth by Major* Sector, Melbourne Major Statistical Region (F/T 000)

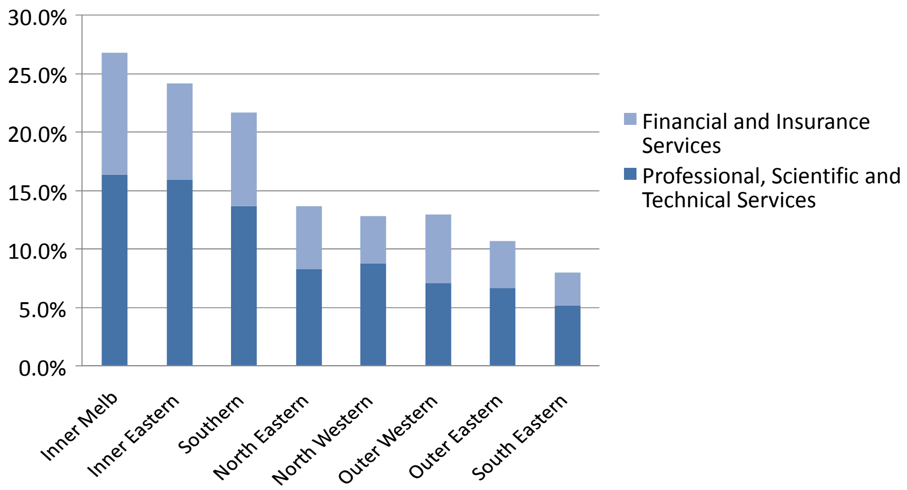
Sector (ranked by CAGR)	August Quarter 2004	2010	CAGR
Professional, Scientific and Technical Services	112.0	153.9	5.4%
Construction	116.0	158.3	5.3%
Financial and Insurance Services	65.0	85.0	4.6%
Education and Training	89.0	107.9	3.3%
Health Care and Social Assistance	102.0	121.5	3.0%
Wholesale Trade	67.0	77.6	2.5%
Public Administration and Safety	69.0	77.8	2.0%
Retail Trade	103.0	113.8	1.7%
Transport, Postal and Warehousing	76.0	83.3	1.5%
Manufacturing	239.0	197.7	-3.1%
Grand Total	1293.0	1463.4	2.1%

Source: ABS Labour Force, Australia, Cat. No. 6202.0,.

* Over 50,000. CAGR = compound annual growth rate

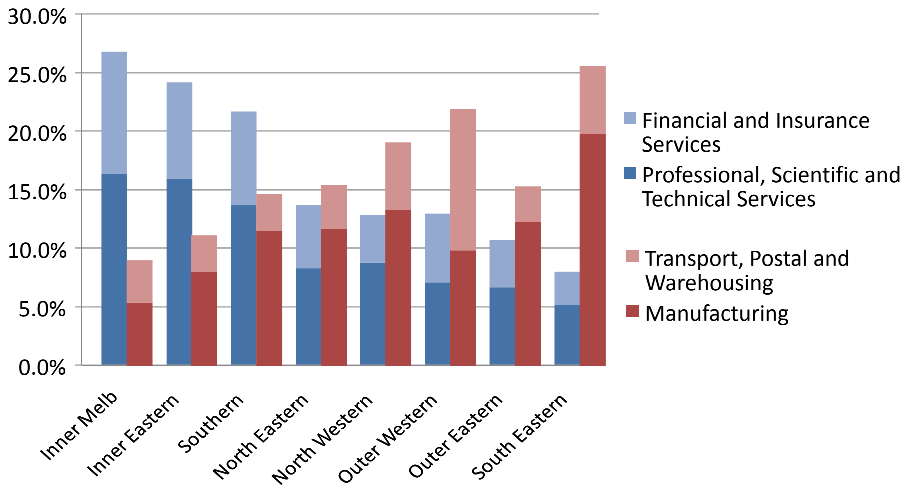
Melbourne's Labour Force Regions

Share of Employment by Melbourne Regions, November 2010



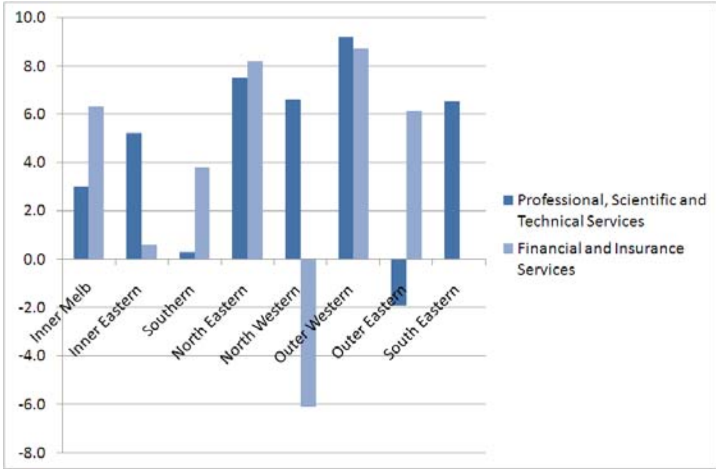
Source: ABS Labour Force, Australia, Cat. No. 6202.0,.

Share of Employment by Melbourne Regions, November 2010



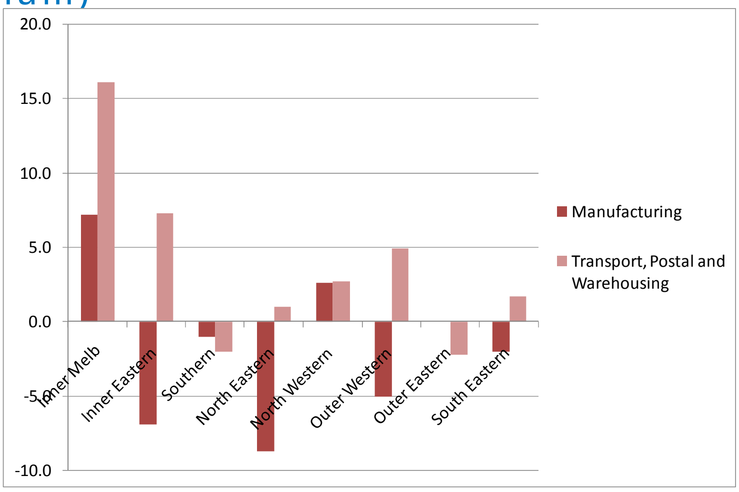
Source: ABS Labour Force, Australia, Cat. No. 6202.0,.

Trend growth rates in selected services by region 2004 to 2010 (% per annum)



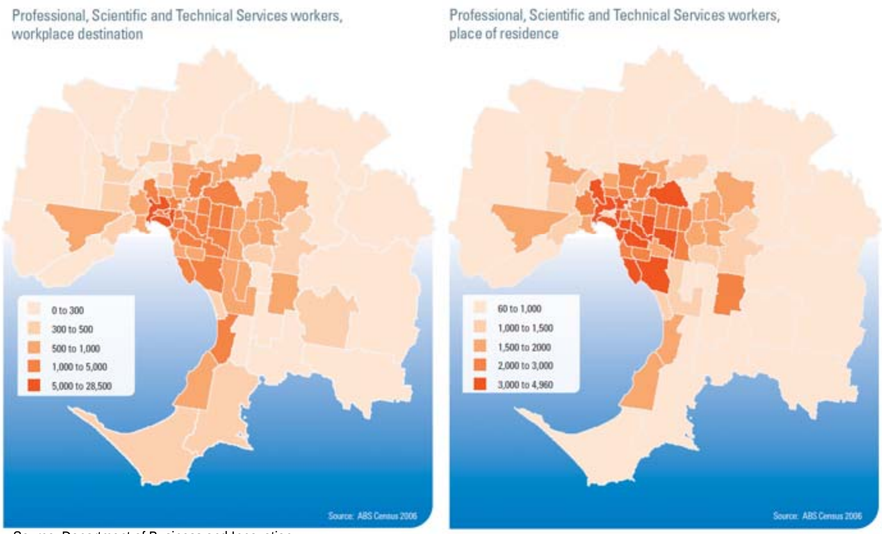
Source: ABS Labour Force, Australia, Cat. No. 6202.0,.

Trend growth rates in manufacturing and transport by region 2004 to 2010 (% per annum)



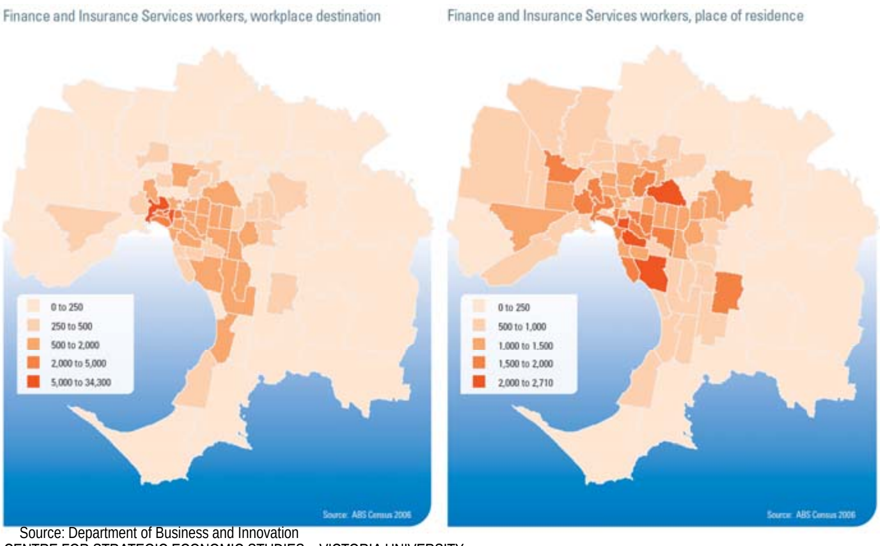
Source: ABS Labour Force, Australia, Cat. No. 6202.0,.

Place of residence vs place of work, 2006:
Professional, scientific and technical services



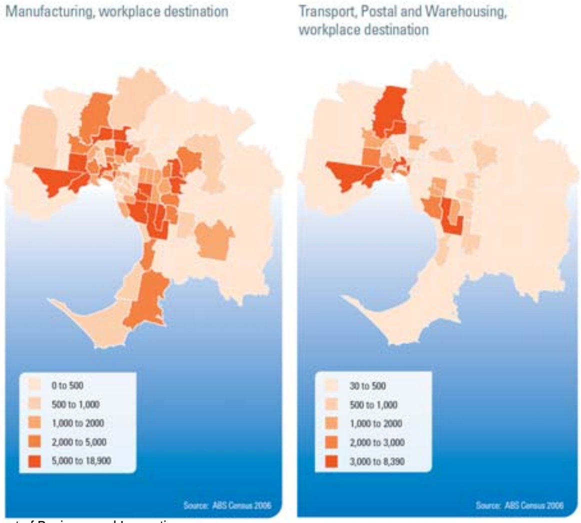
Source: Department of Business and Innovation

Place of residence vs place of work: Finance and Insurance services



Source: Department of Business and Innovation

Workplace destination, Manufacturing and Transport, postal and Warehousing, 2006

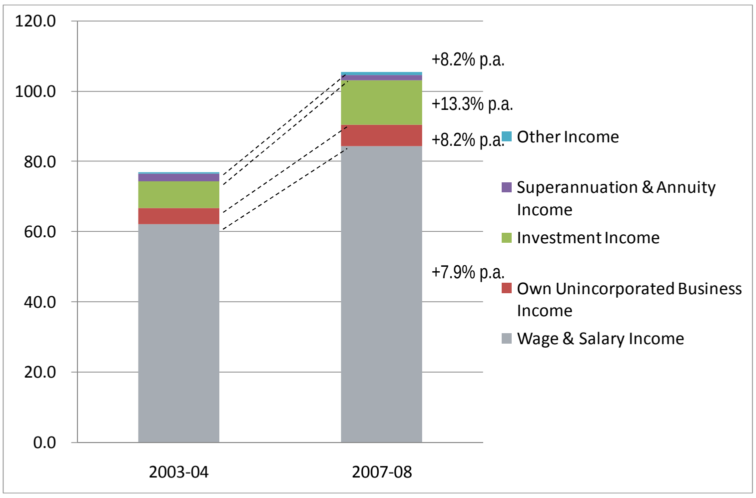


Source: Department of Business and Innovation

The story thus far

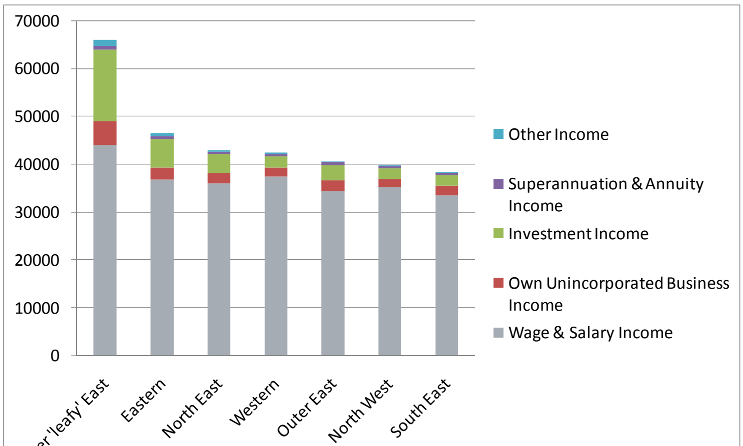
- Geographically divided city
  - Relatively heavy concentrations of professionals who live and work in the inner eastern regions of Melbourne in professional services and finance
  - Relatively heavy concentrations of people who live and work in the outer west, north west and south east in manufacturing and transport and distribution
  - Some of signs of spillage however out of these regions with increasing numbers in of professional service workers moving to the West and North East
- Implies that if one of the benefits of the resource boom to Melbourne is through professional and financial services then those effects are likely to be reasonably geographically concentrated

Total Income received by individuals for Melbourne by source ($billions)



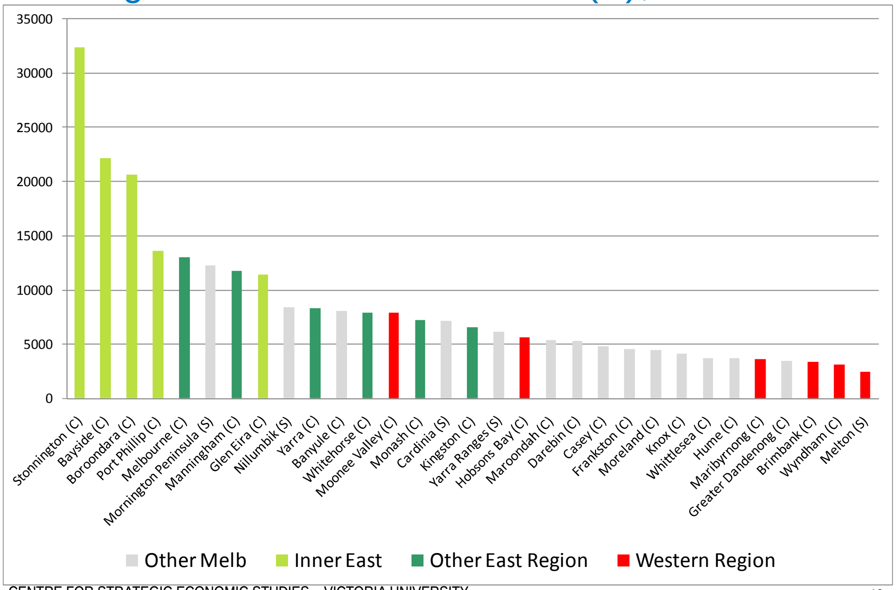
ABS 6524055002DO003_200304200708 Estimates of Personal Income for Small Areas, Time Series, 2003-04 to 2007-08

Total average income* received by individuals by region and source, 2007-08 ($)



*Per taxpayer
Inner 'leafy' east = Bayside, Boroondara, Glen Eira, Port Phillip, Stonnington
Eastern excludes leafy east

Average investment income ($), 2007-08



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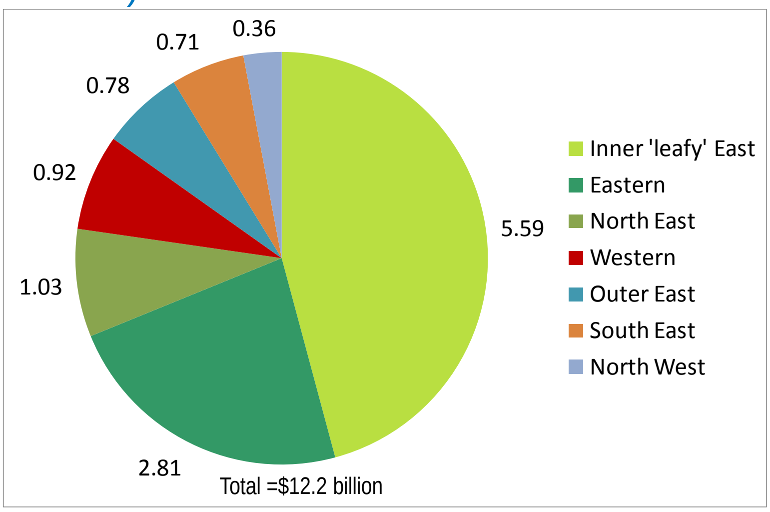
Investment income by region, 2007-08 ($ billion)



ABS 6524055002DO003_200304200708 Estimates of Personal Income for Small Areas, Time Series, 2003-04 to 2007-08

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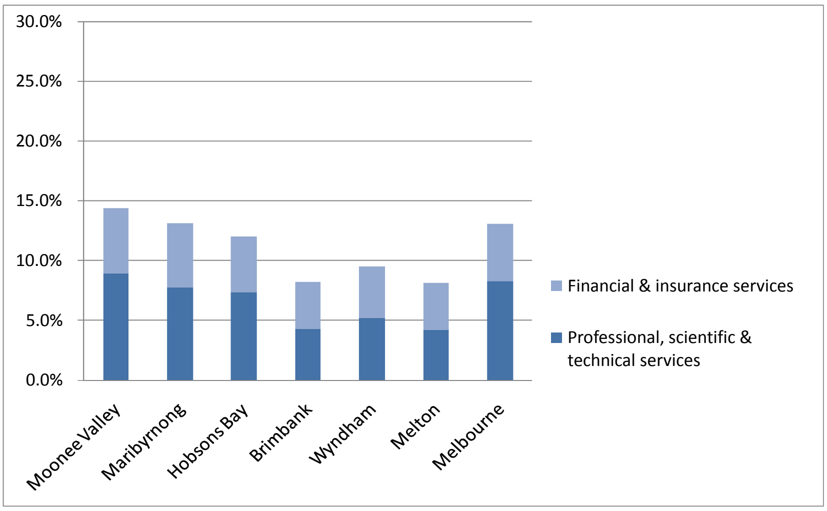
Effect of the resource boom in Victoria has been to compound existing inequalities and opportunities

- Benefits of increased demand for professional services and finance jobs is spatially concentrated in the inner east of Melbourne, although there is some sign of an ‘overflow’ the North East and West
- To the extent that the benefits of higher mining company profits are returning to Melbourne in the form of investment income, these are likely to be highly concentrated in the inner east

Case Study: Western Region

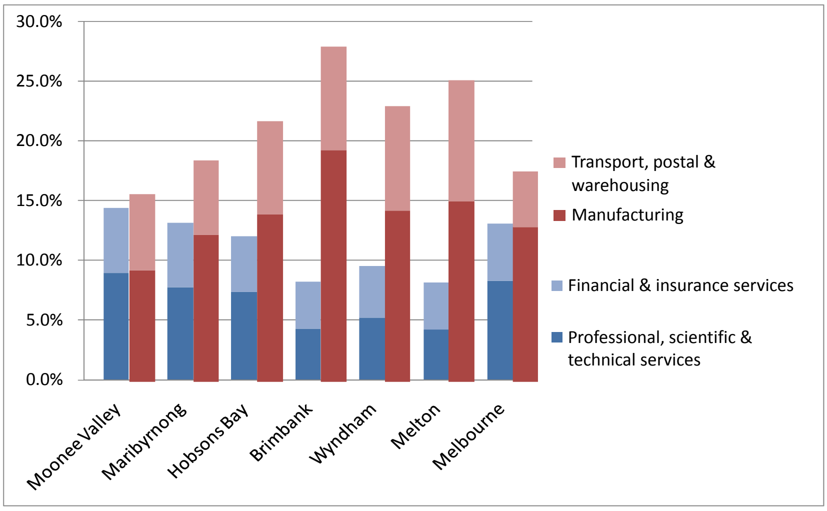
- Most of the outer regions of Melbourne, West, North West and South East are endowed with economic structures which mean that they are less likely to benefit from the boom
- On the other hand they have rapidly growing populations requiring significant infrastructure investment and expanded provision of local services
- The Western Region of Melbourne has many of these characteristics and is therefore a useful case study. It has:
  - Social and economic diversity
  - Changing economic structure due in part to:
    - Gentrification introducing increased numbers of professionals
    - Rapid population growth

Share of Total Employment, Western LGAs 2006



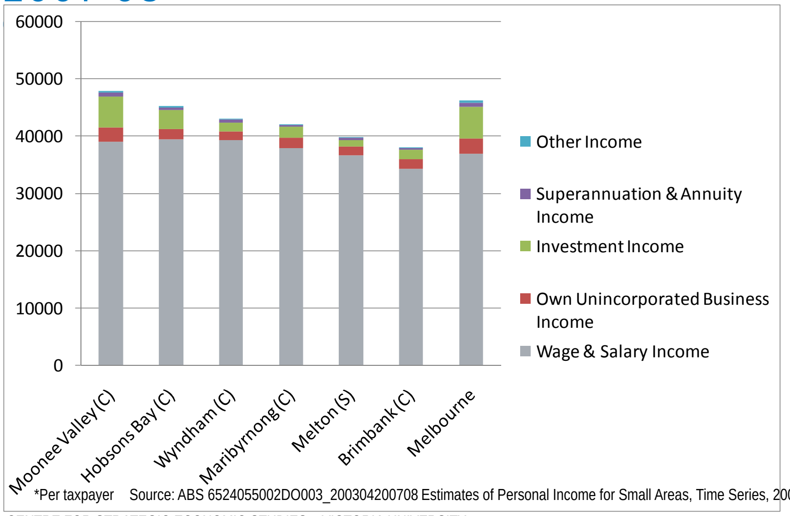
ABS: Census 2006

Share of Total Employment, Western LGAs 2006



ABS: Census 2006

Total average income* received by individuals by Western Region LGA, 2007-08



*Per taxpayer Source: ABS 6524055002DO003_200304200708 Estimates of Personal Income for Small Areas, Time Series, 2003-04 to 2007-08

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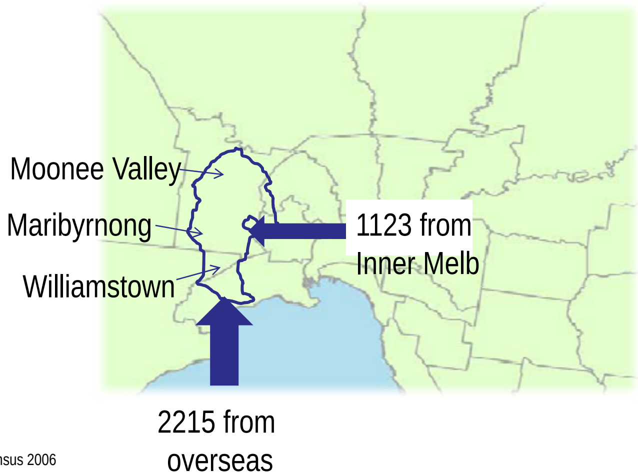
Net flows of managers and professionals to the Inner West, 2001-2006



ABS: Census 2006

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Employment growth by sector: Inner West

Industry sector (ranked by CAGR)	2001	2006	CAGR
Public administration & safety	5,481	7,303	5.9%
Construction	5,884	6,981	3.5%
Financial & insurance services	**5,066**	**5,959**	**3.3%**
Arts & recreation services	2,274	2,651	3.1%
Health care & social assistance	9,294	10,741	2.9%
Transport, postal & warehousing	6,855	7,810	2.6%
Education & training	8,542	9,513	2.2%
Professional, scientific & technical services	**8,518**	**9,385**	**2.0%**
Trade	16,084	17,064	1.2%
Other services	19,497	20,019	0.5%
Manufacturing	16,734	13,250	-4.6%
Total	**108,098**	**115,119**	**1.3%**

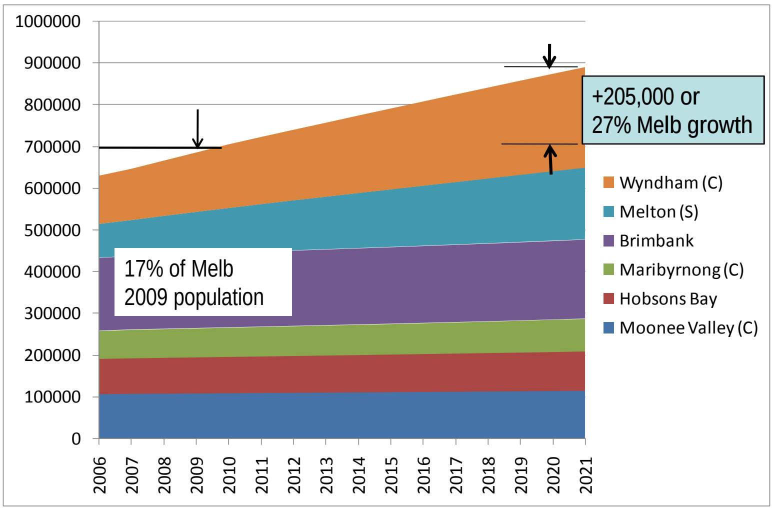
CAGR = Compound annual growth rate
Source: ABS Census 2006

Western Region Population by LGA

LGA	2001 no.	2006 no.	2008 no.	2009 no.	CAGR 2001-2009 %
Wyndham	87141	116332	133121	143879	6.5
Melton	52830	81414	92694	100000	8.3
Brimbank	168247	176003	181564	185890	1.3
Hobsons Bay	83367	84759	86334	87486	0.6
Maribyrnong	61226	66183	69998	71523	2.0
Moonee Valley	105442	106791	109635	111268	0.7
Western Region	558,253	631,482	673,346	700,046	2.9
Melbourne	3,471,625	3,744,373	3,902,059	3,995,537	1.8

Source: ABS. cat. 3218 Regional Population Growth, March 2010 , ABS 3101.0 - Australian Demographic Statistics, Dec 2009 for Melbourne data.

Population projections for Western Region, DPCD, September 2009



Source: DPCD VIF2008 Projected Population Totals - SLA LGA SSD SD 2006-2026.xls

Challenges for the West

- Compounding effect of the resource boom on existing inequalities
  - A low proportion of its residents work in high growth sectors, such as professional services
  - Conversely, a high proportion work in low growth sectors, such as manufacturing
  - Little access to the benefits of the resource boom through investment income
- High rates of current and projected rates of population growth for the region for the outer Western LGAs
- Low levels of investment in public infrastructure
  - Historically and planned infrastructure projects, eg $4-5 billion Regional Rail Link, now in doubt following the change of State government and the Qld/Vic floods
- Predicament common to large areas of outer Melbourne

What to do about it: address the fundamentals

- Need to understand the drivers of successful urban growth better, but this analysis suggests that:
- Encourage the changes, such as the increasing proportion of professionals, evident in the labour force and other data
- Need for supporting infrastructure and other public services:
  - Implement the planned infrastructure investments
  - Provide the sorts of educational, social and recreational services expected by modern residential communities
- Adopt strategies to maximise the leverage to these projects and other changes to better connect the Western and similar regions to the growth drivers of the Melbourne economy

- Otherwise we will have rapidly growing but poorly resourced communities occupying large parts of the metropolitan area

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