The Latrobe Valley Industry and Employment Roadmap
Minister’s Foreword

The Victorian Government recognises the importance of the Latrobe Valley to the State’s economy and the enormous contribution the region’s businesses and communities make to Victoria’s prosperity. This is why we are actively responding to mitigate against the effects of the national carbon tax, and establishing a long-term plan for investment and jobs growth in the Latrobe Valley.

More than 14 months of intensive research and engagement with the region’s leaders has given us a clear understanding of the challenges facing the Latrobe Valley economy. It has enabled the Victorian Government and our regional partners to identify a framework for action to help minimise the impact of changes in the region’s energy industry whilst positioning the area for a prosperous and sustainable future.

The introduction of a carbon tax is designed to encourage the premature closure of the Latrobe Valley’s brown coal-fired power stations. It will directly affect many workers, and have consequences for casual workers and local businesses reliant on the power industry. It will also affect other resource industries important to the region. Change on this scale will take years to unfold and will be felt by families, individuals, businesses and communities throughout the Latrobe Valley.

Thankfully, the region is rich in natural resources and has many infrastructure, workforce, cost-competitive and lifestyle advantages. These assets provide a solid foundation for the Latrobe Valley to successfully restructure its industry base and increase exports of its resources and goods to Australia and the world.

This restructure will require the region’s coal resources to be expanded and diversified. It will require the ongoing development of the region’s successful dairy, horticulture and forestry sectors, and support for growth sectors like aviation, advanced manufacturing and food processing. Action must also be taken to increase competitiveness and entrepreneurial capacity in the small business sector – the Latrobe Valley’s main employer.

These essential actions are set out in the Victorian Government’s Latrobe Valley Industry and Employment Roadmap. This community-informed plan will guide cooperative effort between the State Government and its agencies, and the region’s local government, business and community leaders to boost investment and jobs in the Latrobe Valley.

The Roadmap will provide a framework to coordinate State support for the Latrobe Valley and build on existing initiatives under the Victorian Government’s initial investment of $30 million, as well as other early actions taken to strengthen the region’s economy.

I congratulate the region’s community, business and union leaders who have worked with the Latrobe Valley Transition Committee to develop the analysis and advice that underpins the Roadmap’s design. I also acknowledge the Commonwealth Government’s willingness to work together with us to help the Latrobe Valley plan a successful transition to a low carbon economy.
The Commonwealth’s role is important to support effective transition in the region’s power industry and ensure the community is not adversely affected by forthcoming changes. The Victorian Government will continue to advocate that the Commonwealth delivers on its responsibilities.

The Roadmap represents the start of the long-term process of planning and managing the region’s economy. This process requires all levels of government to coordinate and deliver the support that the Latrobe Valley community needs to strengthen the region’s economy.

The Victorian Government believes the initial actions outlined in the Roadmap are the right way to manage the region’s challenges. I look forward to implementing these actions in partnership with the region’s leaders to ensure every opportunity is available to current and future residents and businesses in the Latrobe Valley.

The Hon Peter Ryan MLA  
Deputy Premier of Victoria  
Victorian Minister for Regional and Rural Development
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Introduction

The Latrobe Valley Industry and Employment Roadmap (the Roadmap) is the Victorian Government’s long-term plan to assist the Latrobe Valley grow and diversify its industry base, as it transitions its economy in response to a national price on carbon.

What is the Roadmap?

The Roadmap sets the Victorian Government’s long-term strategic framework for guiding future investment and collaboration with the region’s local governments, businesses and communities. It is the Victorian Government’s response to locally developed advice for addressing the challenges facing the region’s economy. The Roadmap includes early actions and intervention to create employment and stimulate new investment, ahead of restructuring the power generation sector and the full impacts of a national price on carbon.

The Latrobe Valley includes the Latrobe City, Baw Baw and Wellington Shire councils1 which are home to Victoria’s power generation industry and workforce. Under the Commonwealth’s Clean Energy Future plan, this important sector of the regional and State economy will be forced to restructure towards lower emissions energy sources if it is to remain the centre of Victoria’s electricity generation market. The carbon price will also affect other major resource-based industries within the Latrobe Valley. This will deliver significant flow-on effects in the region’s broader economy.

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1 This definition acknowledges that these three councils share similarities in labour market, industry structure and natural resources, and that all three are part of the solution to effectively transition and diversify the region’s economy.
Despite the challenges posed by a carbon price, with the support of governments, the Latrobe Valley has a range of significant competitive advantages that can form the basis of long-term economic growth.

Much of this potential is located in the region’s resource-based industries, including new employment that will be associated with the diversification of the region’s energy sector, the expansion of agriculture and forestry, growth in advanced manufacturing and growth in population driven segments of the region’s service industries and public sector.

To realise this potential, coordination will be required across a range of industry sectors and all levels of government. Efforts must be tightly focused and follow the plan for the region’s long-term vision. A set of actions and milestones must be established on how to get there.

The Roadmap provides a strategic focus for longer-term government investment in the region to maintain a focus on priority actions that maximise future investment and employment opportunities.

The Roadmap will operate in the context of important regional plans and strategies that address economic and regional development issues in the Latrobe Valley and the broader Gippsland region. Most notable of these is the Gippsland Regional Plan which outlines a long-term vision and priorities for the region. Also important are local government economic plans that outline each council’s strategic priorities.

**How the Roadmap was developed**

The Roadmap was developed through a regional leadership group, which was formalised under the Agreement for Cooperative Arrangements for the Gippsland Region to support the transition of the Latrobe Valley economy (December 2011) between the Victorian and Commonwealth Governments. The agreement established a:

- **Joint Ministerial Forum** led by the Hon Peter Ryan MLA, Victorian Minister for Regional and Rural Development and the Hon Simon Crean MP, Federal Minister for Regional Australia, Regional Development and Local Government.

- **Mayoral Reference Group** to provide first hand knowledge of local issues and concerns of the Latrobe Valley community to the Joint Ministerial Forum.

- **Latrobe Valley Transition Committee** which includes representatives from the Victorian and Commonwealth Governments, the region’s three local councils (Baw Baw, Latrobe City and Wellington), the Regional Development Australia Gippsland Committee, Victorian Employers’ Chamber of Commerce and Industry, Gippsland Trades and Labour Council, Construction Forestry Mining and Energy Union, Monash University and Latrobe Community Health Service.

Under these arrangements, the Latrobe Valley Transition Committee oversaw a range of commissioned research projects examining the region’s economy, workforce and the challenges associated with the adjustment task faced by the Latrobe Valley. It also led community and industry specific consultations on its research findings and proposals for driving long-term growth. This included the development of a **Latrobe Valley Transition Committee Discussion Paper (April 2012)** which outlined the committee’s analysis of the region’s economy and series of draft strategic directions for comment and community input.
In June 2012, the committee provided a final report to the Victorian and Commonwealth Governments, which outlined a consolidated view on the key strategic directions and actions needed to support the Latrobe Valley manage the challenge of structural adjustment and reposition its economy for sustainable long-term growth:

1. **Transitioning business and workers**
   Ensuring workers and businesses affected by the economic transition have employment and business opportunities.

2. **Strengthening the workforce**
   Ensuring education provision and local industry needs are better aligned, and participation in training and higher education increases are in line with future industry skills demands.

3. **Infrastructure for growth**
   Ensuring governments and industry plan and coordinate infrastructure to support industry growth and diversification.

4. **Strengthening innovation and competitiveness**
   Ensuring businesses are supported to increase their competitiveness and drive innovation.

5. **Attracting and facilitating investment**
   Ensuring existing businesses are helped to expand, and new businesses are encouraged to locate in the Latrobe Valley.

6. **Enhancing liveability**
   Ensuring the Latrobe Valley maintains and enhances its reputation as a liveable community.

7. **Working together – next steps**
   Ensuring governments, business, unions and other regional stakeholders work cooperatively to diversify and grow the region’s economy.

The Roadmap is based on this framework and advice.
The Latrobe Valley economy

Overview

The Latrobe Valley is a major economic region within Victoria and has played a critical role in the State’s development by providing a low cost and reliable electricity supply.

In the last decade the region contributed 2.7% to Victoria’s economic output and 2.5% to employment. This is proportional to the region’s percentage of the State’s population.

In 2010 the Latrobe Valley’s contribution to gross regional product (GRP) was estimated at $10.3 billion, or more than 3% of Victoria’s gross state product (GSP).

The Latrobe Valley has natural strengths in energy, agriculture, forestry and manufacturing. It is also the main service and population centre for the Gippsland region.

Figure 1. Latrobe Valley Key Indicators

- **Latrobe Valley**
  - Population 2011\(^2\): 164,602
  - Unemployment Rate 2012\(^3\): 5.1%
  - Output 2010 (est. GRP\(^4\)): $10.3b

- **Gippsland**
  - Population 2011\(^2\): 269,790
  - Unemployment Rate 2012\(^3\): 4.9%
  - Output 2010 (est. GRP\(^4\)): $13.3b

- **Victoria**
  - Population 2011\(^2\): 5,621,210
  - Unemployment Rate 2012\(^3\): 5.2%
  - Output 2010 (est. GSP\(^5\)): $298b

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\(^3\) DEEWR, Small Labour Markets Australia March Quarter 2012.

\(^4\) Compelling Economics, Baw Baw, Latrobe City, and Wellington Shires REMPLAN, 2011.

The Latrobe Valley economy has seen marked improvement since the early to mid 1990s when it underwent major changes associated with the privatisation of the State Electricity Commission of Victoria (SECV). This is reflected through unemployment declining from 12.8% in 1996 to the level shown in Figure 1. Since 1996 the region’s economy absorbed the loss of the SECV as a dominant employer, transitioned to a more efficient private sector electricity generation industry structure, and grew and diversified its economy. Recent population increases supported jobs growth in sectors such as health care and social assistance, retail trade and construction.

Major industries in terms of economic output include health care and social assistance (8.8%), retail trade (6.8%), electricity (6.6% plus coal mining 2.6%), construction (6.5%) and agriculture (6.4%).

Industries which contribute most to employment include health care and social assistance (14.4%), retail trade (14.4%), agriculture (8.6%), construction (8.2%) and education and training (7.1%).

Despite this economic diversification, electricity generation remains a dominant industry. The electricity and coal mining sectors are relatively small employers (2.6% and 0.3% respectively) but contribute significantly to the economy, through regional economic output (6.6% and 2.6% respectively)6 and accounts for almost one in three higher paid jobs in the Latrobe Valley Statistical subdivision.7

The importance of supply chain relationships and economic links are crucial to understanding the overall structure of the region’s economy and the intensity of potential flow-on impacts to other sectors of the region’s economy created by the introduction of the carbon price.

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Challenges facing the economy

The regional economy faces a number of challenges that risk constraining the region’s growth. Among these are broader economic conditions which impact on the region’s economy to maintain competitiveness, such as increasing labour and capital/borrowing costs (due to parts of Australia experiencing the mining resource boom and ongoing financial instability and uncertainty) and the high Australian dollar affecting the competitiveness of exported commodities and manufactured goods.

These economic issues undermine general business and consumer confidence, and are compounded by the introduction of the national carbon price and the potential closure of power stations. Considering the region will be one of the most impacted regions in Australia, the carbon price issue is discussed in detail below.

While the Latrobe Valley has quality infrastructure, transport constraints reduce the efficiency of logistics and freight handling, and passenger movement within the region. Upgrades to Gippsland’s rail and road connectivity, both intra-regionally and to Melbourne’s ports and airports, will better position the region to capitalise on diversification opportunities.

Given the natural advantage of resource industries and their reliance on a secure water supply, the Latrobe Valley will require further upgrades to increase output in burgeoning sectors such as dairy, agriculture and forestry industries. These improvements will help grow jobs, and unlock the potential of further diversification and investment.
The Latrobe Valley is expected to experience workforce challenges in the medium to longer term due to:

- an ageing population
- weak growth in the working age population
- a high proportion of certificate-level and workers with non-school qualifications
- a relatively narrowly skilled workforce (i.e. a workforce highly skilled in the energy generation sector)
- skills shortages in key occupations.

For the region’s industries to increase productivity and remain competitive, its workforce and tertiary education system must attain greater participation and higher qualifications, and address issues of distance, low participation and an ageing population. Improved health and wellbeing of the region’s workforce will also be important to optimise participation and productivity.

The impacts of a national carbon price

The Clean Energy Future Plan will have a major impact on the Latrobe Valley economy.

The carbon price is expected to affect coal-fired power generators’ profitability and result in a major transformation in the electricity industry as renewable generation and other transitional energy sources, such as gas, become more competitive with coal.

The carbon price is also expected to generate adverse flow-on impacts on the economy through increased business costs (predominantly energy costs), which will decrease the competitiveness in industries across the region, such as agriculture and food manufacturing.

The Contract for Closure program seeks closure of up to 2,000 megawatts of highly emissions intensive coal generation capacity by 2020, which may result in the full or partial closure of one or more Latrobe Valley generators and loss of high value jobs in the region. This has the capacity to generate flow-on impacts on the economy through lost business and investment and workforce contributions to local consumption.

While there is uncertainty on the timing and final outcome of these processes, the region is already experiencing the effects of these policies in terms of their impact on investment decisions and business confidence.
The power generation industry

The Latrobe Valley power generation industry is based around five main generators and about 40 major contractors covering areas such as technical services, maintenance, supply and construction. This layering of the power generation industry structure and workforce makes it difficult to estimate (beyond the generators) total employment.

Taking account of the large casual workforce associated with major plant outages for maintenance and upgrades, the sector employs over 3,000 people in the Latrobe Valley.

The potential closures of the region’s older, higher emitting power stations, will be significant events impacting on the region’s economy and resulting in hundreds of workers losing employment and entering the local labour market at the same time.

Table 1. Direct Employment in Electricity Production in the Latrobe Valley8

<table>
<thead>
<tr>
<th></th>
<th>Direct Employees</th>
<th>Permanent Contract Employees</th>
<th>Total Employees</th>
<th>Casuasls (Outage Crews)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Brix</td>
<td>80</td>
<td>40</td>
<td>120</td>
<td>50</td>
</tr>
<tr>
<td>Hazelwood</td>
<td>500</td>
<td>300</td>
<td>800</td>
<td>250-350</td>
</tr>
<tr>
<td>Yallourn</td>
<td>327</td>
<td>300</td>
<td>627</td>
<td>250-300</td>
</tr>
<tr>
<td>Loy Yang A</td>
<td>520</td>
<td>340</td>
<td>860</td>
<td>300-350</td>
</tr>
<tr>
<td>Loy Yang B</td>
<td>140</td>
<td>16</td>
<td>156</td>
<td>200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1567</strong></td>
<td><strong>996</strong></td>
<td><strong>2563</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Used at multiple stations

The power generation sector workers who will face these challenges live across the Latrobe Valley (Latrobe City 63%, Wellington 26% and Baw Baw 11%). They are a predominantly mature age and male, many are parents and their family’s main income earner.

Most workers in the power generation sector are classified as plant operators, in trade and technical jobs or professionals and managers. While many have certificate level engineering qualifications (77%) and significant experience and capabilities attained through on-site training in power stations, few have graduate degrees or post-graduate qualifications.

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8 Ibid.
The impacts on affected workers and communities

The Victorian Government is concerned about the potential impacts of structural change on individuals, families and communities. This includes the impacts of losing friends and family who are forced to move to find new employment, potential increases in unemployment, social isolation, financial stress and family breakdown, and at a community level the additional pressure on community organisations and the health system. These issues may be further compounded by a corresponding fall in council rates paid by the generators translating into reduced local government funding available to cope with increasing demands for support and assistance.

Flow-on effects on local industry and employment

The power generation sector contributes directly to employment in other parts of the Latrobe Valley economy through its transactions with other sectors and through its workforce’s contribution to local consumption. The Victorian Government is concerned by regional modelling which suggests that each job in the Latrobe Valley’s energy sector generates an additional four to five local jobs in the broader regional economy. This is in addition to the adverse flow-on impacts of the carbon price on businesses.

Business impacts – The most affected businesses will be those with a strong relationship with the power generators, including contractors, suppliers, professional services and transport firms. The loss of the generators spending power in the region’s economy will force some businesses to establish new customers, redesign their businesses or face potential downsizing, relocation or closure. As these impacts accrue alongside the job losses in the power generation workforce, the resulting lack of employment, lowered real incomes and a lack of demand for services will create flow-on impacts for downstream jobs and businesses in the retail and service sectors.

Asset impacts – Power generator closures, growing unemployment and large numbers of retrenched workers seeking to relocate will negatively affect house prices, decreasing the ability for people to move to localities with much stronger housing markets. Similar effects will occur in commercial real estate as large industrial sites become vacant.

Employment impacts – The Latrobe Valley has significant pockets of social disadvantage, with high rates of long-term unemployment, low education levels and incomes. Restructuring in the power generation sector will increase the supply of skilled labour in the region. Many lower skilled workers or unemployed in the community may be unable to compete with higher skilled displaced workers, and face even greater difficulty in securing employment.
Opportunities for growth and diversification

Despite the challenges posed by the introduction of a price on carbon, the Latrobe Valley has a wide range of competitive strengths which will help the region transition, diversify and grow its economy. These include coal, oil and gas reserves and industrial production facilities, extensive productive land for agriculture and forestry, water security, good transport infrastructure, a skilled workforce, nationally competitive business costs and lifestyle advantages.

The region’s many opportunities to grow and diversify its economy can off-set the impacts of structural adjustment in the power generation sector and generate sustainable economic growth.

Coal to energy

The State Government supports the Latrobe Valley’s ongoing development as Victoria’s energy hub.

The region has substantial energy resources supported by significant infrastructure, from extraction to generation and distribution. The Latrobe Valley has one of the world’s largest deposits of brown coal – 33 billion tonnes of potential economic resource, 13 billion of which is unallocated. The Gippsland Basin is the largest oil field in Australia. To date it has produced nearly four billion barrels of oil and seven trillion cubic feet of gas. The remaining developed liquid reserves are estimated at 400 million barrels of oil and seven trillion cubic feet of gas.

Additionally, the region’s workforce has significant specialised skills and knowledge in the energy sector and a traditional experience in heavy industry and large scale industrial projects which would be required for new developments.

These resources will still play an important role in the region’s future prosperity, particularly the ongoing conventional and alternative uses of the region’s brown coal resource.

Brown coal will continue to provide the core of Victoria’s base load electricity generation for the foreseeable future and is also a potential source of value-added products such as gas, diesel and fertilizer. If the technological challenges, primarily around removal of water, and managing the coal’s high reactivity can be met, it is the Victorian Government’s view that brown coal can continue to play a very significant role in the Latrobe Valley economy. The balance between these uses will largely depend on the future viability and cost-competitiveness of brown coal power generation following the introduction of a carbon price, which will remain cost competitive under a scenario where the carbon price drops.

Ignite Energy and Lakes Oil exploration activities in the Gippsland Basin have also revealed prospects for coal seam gas, shale oil and tight gas. If unconventional gas prospects are further developed, the Latrobe Valley and the broader Gippsland region could have a different type of mining and energy generation composition in the future. This could include new power generation assets supported by the gas supplied from Gippsland.
Other opportunities within the energy sector lie in:

- **Geothermal** – current research and development is assessing the Latrobe Valley’s viability to offer geothermal resources for future energy generation supply to the national grid.

- **Clean energy** – the Latrobe Valley’s energy technology skills equip the region with the capacity to become a hub for clean energy research. Monash University is currently examining the feasibility of establishing a ‘Centre for Sustainable Industries’ to support the development of new sustainable industries in the Latrobe Valley.

- **Bioenergy and biofuels** – the conversion of organic material into forms of electricity, heat and liquid fuels is likely to grow as an industry over the coming decades. These investments can deliver industrial scale facilities designed to produce commercial quantities of biofuels and bioenergy for wholesale distribution. They may also provide smaller industries and farms the opportunity to produce their own power or heating to offset energy costs.

In the next two decades, the International Energy Agency anticipates that **Carbon Capture and Storage** will be a key component of worldwide efforts to limit global warming, accounting for approximately a fifth of required emissions reductions by 2050.

Gippsland is recognised as a world-class location with significant potential for Carbon Capture and Storage technology. The Gippsland Basin is close to Victoria’s power generation hub in the Latrobe Valley, and contains the best quality and largest volume of CO₂ reservoirs from 25 major basins across Australia.¹¹

By offering a mechanism to significantly cut greenhouse gas emissions, in the longer term Carbon Capture and Storage technology may allow the Latrobe Valley to realise the potential of its vast brown coal resources within a low carbon future. This may present the region with an innovative new industry that will secure jobs, boost skills and attract investment while strengthening Victoria’s energy security in a low carbon future. Carbon Capture and Storage technology also has the potential to position the region as a world-leading hub for low-emissions technology, innovation and investment.

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Agriculture to Food

The Latrobe Valley is a major centre for agricultural production and food manufacturing with particular strengths in dairy, meat, horticulture and vegetable production. The Latrobe Valley is located on a relatively large land mass, (16,264 square kilometres) with a great deal of productive land for primary industries. The agricultural land use is a mixture of dryland pasture, irrigated pasture, horticulture and managed forestry. The region’s high annual rainfall, temperate climate and highly productive soils make it particularly conducive to agricultural activities and is increasingly likely to create a competitive advantage for temperate intensive agricultural and forestry industries as other parts of the country deal with the challenges of drought and reduced water.

Surface and groundwater extracted from the Latrobe Catchment is used in the Latrobe Valley for domestic supply, agricultural production and by industry. Rainfall is relatively high compared to many parts of Victoria. Blue Rock Reservoir provides a relatively secure supply of water, and the Victorian Government is establishing a drought reserve in the reservoir to further improve supply reliability. A share of Blue Rock Reservoir has also been set aside for new industries in the Latrobe Valley.

Dairying is the biggest agricultural contributor to the West Gippsland economy, and the region is one of the three largest dairying areas in Australia. West Gippsland produced 2.14 billion litres or 36% of the state’s milk production in 2011 (24% of Australia’s milk production) with most of the region’s dairy produce exported. Gippsland also has a significant grazing and meat processing industry based predominantly on beef, but also on wool and prime lamb production.

The potential for the development of the Latrobe Valley as a food hub can be seen in the agriculture sector’s distribution across the region – horticulture is concentrated in Baw Baw, irrigated farmland in Wellington and food and dairy processing plants are concentrated in or near the main townships, particularly in Longwarry, Drouin, Warragul, Morwell, Traralgon and Maffra.

Achieving this potential is dependent on addressing a number of challenges, including:

- Effectively managing the impacts of carbon pricing mechanisms which may have a significant impact on the dairy sector through increases in input costs (including electricity) and pass-through from processors of the higher costs they face
- Reducing greenhouse gas emissions from agriculture
- Ensuring that the skills development system in the Latrobe Valley keeps pace with the changing needs of agriculture, which is increasingly demanding higher skills including post-secondary qualifications.
**Timber and forestry**

Gippsland’s forestry processing industry supports a diverse range of processors which includes Australia’s largest pulp and paper mill and a wide range of small, predominantly hardwood mills. The 4.2 million hectare area of Gippsland has 1.1 million hectares of harvestable forest, with most wood production sourced from over one million hectares of harvestable public native forest and over 100,000 hectares of plantations. The plantation resources in the region are managed as large scale industrial plantations. Wellington Shire contains most of Gippsland’s plantations (52%), followed by Latrobe City (30%) and Baw Baw (7%).

The industry currently contributes significantly to regional and State economies. With greater access to low grade timber and harvest and processing residues, it can support a significant increase in its relative economic contribution to the region. The introduction of innovative processing technologies to supply new local and export markets, such as biofuels and manufactured timbers, will mitigate the region’s exposure to commodity markets and currency movements while expanding the demand profile for product.

An expansion of available timber supply would secure current industry activities and generate a substantial increase in jobs across the entire Gippsland region, particularly those related to harvest and haulage. The potential introduction of large scale or innovative processing within the region would secure more direct jobs, many more indirect jobs and underpin local communities.

**Health and aged care**

The Central and West Gippsland areas have a growing and ageing population with higher than average levels of disadvantage and indicators of health need and risk. It also has a lower than average health service provision, suggesting a growing demand for health services planning.

There is significant demand for allied health services driven by the ageing population and increased rates of chronic disease across all local government areas in the Gippsland region.

Central and West Gippsland have a growing and ageing population profile, with most of the projected growth occurring in Baw Baw. Wellington has a smaller population and lower projected growth. However, its population is significantly older than State average and with higher health needs. servicing an ageing population cohort spread over a large geographic area will present significant health challenges.

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According to current demand, the Victorian Department of Health forecasts that the region will need about 114 new hospital beds in the next 10 years. Latrobe Regional Hospital and West Gippsland Healthcare Group (Warragul Hospital) have undertaken master planning and seek investment for further expansion.

Significant future investment will be required to enable the region to provide the services and facilities to meet these projected demands. The workforce is a critical factor in this, and by establishing the Gippsland Clinical Placement Network there are opportunities to expand the settings for clinical placement across all disciplines into non-traditional areas such as public and private aged care, community and primary health settings. While there are well established undergraduate and graduate nursing and medical programs in the region, there is a lack of local undergraduate programs and research in allied health through Monash University Gippsland. Addressing this issue will enable the region to build the capacity of its university-trained allied health workforce.

Advanced manufacturing

The Latrobe Valley’s traditional strengths in heavy industry associated with the power generation sector provide the region with considerable opportunities to develop its manufacturing and related industry sectors.

These opportunities rest not only in the linkages between these industries and the resource-based sectors (energy, agriculture, forestry, oil and gas), but also in their potential to grow and diversify the economic base of the region through the production of specialised and differentiated products, adoption of new technologies and innovative processes, export market development and in developing supply chains across the economy. Ways that such industry sector opportunities can be achieved include:

• developing regionally-based industry clusters to assist in maximising business resources, creating synergies for product and technological development, research and development, training provision and workforce development

• industry planning to support workforce development, identifying facilities and infrastructure priorities and defining a pathway for future industry development and expansion

• identifying industry capability and matching it with major project requirement and other business opportunities.

Opportunities in this sector are further strengthened by the region’s workforce profile, with its above-average representation of certificate level qualifications and high proportion of technicians and trade workers, machinery operators and labourers. However, developing these sectors will also require raising the region’s workforce skill profile and participation rates in higher education further, to levels where it can take advantage of opportunities in these emerging industries.
Aviation and defence

Aviation and aerospace are well established capabilities within the region, building on the location of the regional airport at Morwell and the East Sale Royal Australian Air Force (RAAF) base.

The purchase of Gippsland Aeronautics, Australia’s only aircraft manufacturer, by the major Indian company Mahindra in 2009, has provided a boost in confidence and significant growth potential with possible flow-on benefits to the rest of the sector and beyond. The Victorian Government has funded an upgrading of the Latrobe Regional Airport to provide the infrastructure improvements necessary to support this.

There are related opportunities to increase flying training and related activities, especially as the capacity for training at Moorabbin Airport becomes increasingly constrained. There are many potentially suitable airports and aerodromes in the Gippsland region that are now working together to support growth in this area.

The East Sale RAAF base has been an important part of the local economy for many years and is about to undergo a substantial upgrade that will create significant opportunities for the local construction industry over the next three years. The $185 million upgrade will commence in late 2012 and completion is planned for late 2015.

This upgrade will strengthen East Sale’s position to become a centre for defence training in Australia, particularly if supported by further investments in infrastructure, skills, housing and public amenity.
**Business services and public administration**

The Latrobe Valley’s business environment is highly competitive and provides a strong value proposition to pursue investment opportunities for the location of businesses in the region. The region is competitive across a range of cost factors, including: labour, facilities, utilities, transportation, and State and local taxes. The region also offers a good supply of affordable industrial and residential land (compared to Melbourne and other major Victorian regional centres) which contributes to reduced business and household costs.

Given the cost competitiveness of doing business, there is capacity to expand public administration. The public administration and community services sector currently makes up about 30 per cent of the Latrobe Valley workforce. Opportunities include relocating government administrative services to the region, as well as expansion of existing services to address population and demographic change.

Another potential opportunity is to position the Latrobe Valley as a centre for business process outsourcing (BPO) services, for contracting operations and responsibilities of specific business functions or processes. The BPO market for onshore outsourcing for mid-tier firms (i.e., 1,000 to 5,000 employees) is more advanced in the US, UK and Europe, however this trend is also expected to be experienced in Australia.

The Latrobe Valley has available facilities, experience in operating in this market on a large scale and is supported by its national competitiveness in terms of labour and capital costs. These advantages could be capitalised on by attracting a major BPO service provider to establish a facility that is dedicated to servicing large Australian businesses and government agencies.

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**Tourism**

Tourism is a relatively undeveloped industry sector in the Latrobe Valley. Opportunities for growth include developing the region as a centre for nature-based tourism, adventure tourism and day trips which make use of Melbourne’s popularity as a major Australian destination. Opportunities also exist to expand the region’s conference market to service major industry sectors.

Achievement of these opportunities will depend on strengthening the region’s transport infrastructure, especially from Melbourne, as well as improvements in accommodation and hospitality facilities. Skills across the sector, and increasingly including foreign language skills, are likely to become an issue as the sector grows.

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14 KPMG, Latrobe Valley Competitive Advantages, Barriers to Investment and Investment Opportunities, report to Regional Development Victoria, May 2012.
Higher education

Monash University’s Gippsland Campus is the main higher education destination in the region and it will play an important role in supporting industry as it develops in the future. The university is advancing a differentiation strategy of the Churchill campus to develop education and training courses in areas of expertise linked to local industry need. This will provide opportunities to establish new regional specific degrees that are accessible to a broader range of students in a local setting.

As the regional economy restructures, undertaking research in collaboration with industry will become critical in addressing the associated challenges. Monash University is well placed to continue to be a major site of research in the Gippsland region.

The need for action

Collectively, the likely impacts from the introduction of a carbon price, described above, leads to conditions that erode and undermine business and consumer confidence. Without intervention this creates a self-reinforcing series of factors that extend the impacts of decline and inhibit the pace of transition in the labour market and length of time it takes to attract new investment and transition the economy.

The Victorian Government is committed to supporting the region diversify its economy to enable it to manage this substantial adjustment task. By adopting the locally developed strategic directions as a framework to guide the State’s future investments, and through the actions identified in this Roadmap, the Victorian Government will assist the region take advantage of and capitalise on the identified opportunities for growth and diversification.
The Roadmap’s actions

The Victorian Government is committed to helping the Latrobe Valley become one of Australia’s leading economic regions. The Latrobe Valley has the resources and qualities to make it a highly competitive and modern economic region in the early part of the 21st century.

This future depends on addressing barriers to the region’s growth, the success of new and advancing technologies, and developing an increasingly-skilled workforce to strengthen existing industries and attract new investment. It also depends on the region’s ability to absorb the impacts of a carbon price and maintain its population and skills base.

The Roadmap provides the long-term strategic framework to guide future investment and achieve the necessary outcomes and transition to a more diversified economy. The Roadmap is outlined through seven locally-developed strategic directions. These form a framework for cooperative action by government and the region’s businesses and workforce. The strategic directions are priority areas of action that will strengthen the region’s competitiveness and economic sustainability.

These actions will initially help grow existing and new businesses and industries and ensure completion of key strategic plans. In the medium term, the Latrobe Valley’s economy is expected to diversify through an increase in value-added export products.

Achieving these outcomes will ensure that in the long term, the Latrobe Valley’s economy will be more diverse with a highly skilled and flexible workforce, and recognised as a premier business and lifestyle destination.

The Roadmap also outlines a range of Victorian Government actions designed as preliminary investments to support the achievement of the Roadmap’s goals. The Victorian Government’s investment in new initiatives provided in the Roadmap will assist the region address barriers to growth and take advantage of opportunities to enable it to transition to a more diversified economy. These initiatives build on existing Victorian Government commitments to the region’s development and have been funded through the 2012–13 State Budget and Regional Growth Fund.

The Commonwealth Government is responsible for the structural adjustment task facing the region given the introduction of a carbon price. For this reason, the Roadmap identifies particular investments and commitments from the Commonwealth Government to help the region manage its challenges. The Victorian Government will continue to hold the Commonwealth Government accountable on these matters until it is satisfied the Commonwealth meets its responsibilities to the region.

This approach underscores the importance of working collaboratively with the Latrobe Valley and all levels of government to help the region successfully generate the long-term, large scale productivity – enhancing investments that are necessary to unlock its resources and enhance its contributions to the Victorian and national economies.
Latrobe Valley Investment Framework

**STRATEGIC DIRECTIONS**

1. **TRANSITIONING BUSINESS AND WORKERS**
   - Growth of existing and new business and industry in Latrobe Valley and long term strategic planning developed

2. **STRENGTHENING THE WORKFORCE**
   - Programs established in anticipation of businesses and worker transition requirements
   - Collaborative institutional arrangements and plans are established to drive tertiary education and workforce development in the region

3. **INFRASTRUCTURE FOR GROWTH**
   - Regional land use and strategic infrastructure plans are completed
   - Innovative businesses increase competitiveness and access new markets

4. **STRENGTHENING INNOVATION AND COMPETITIVENESS**
   - Increased investment in key sectors facilitated by a new prospectus and campaign, and key industry plans
   - Community and social infrastructure investments progressed

5. **ATTRACTING AND FACILITATING INVESTMENT**
   - A monitoring and implementation framework for economic development supports proposals for further action by government for medium and long-term outcomes.

6. **ENHANCING LIVEABILITY**
   - The skills profile shows higher qualifications, mobility and is responsive to meeting local workforce needs.

7. **WORKING TOGETHER**
   - Improved participation and attainment rates in higher education and advanced technical training

**OUTCOMES**

**SHORT TERM**

- Programs established in anticipation of businesses and worker transition requirements
- Collaborative institutional arrangements and plans are established to drive tertiary education and workforce development in the region
- Regional land use and strategic infrastructure plans are completed
- Innovative businesses increase competitiveness and access new markets
- Increased investment in key sectors facilitated by a new prospectus and campaign, and key industry plans
- Community and social infrastructure investments progressed

**MEDIUM TERM**

- Workers and businesses adapt to changing market conditions and retain a skilled workforce in the region
- Increased accessibility and diversity of education and training provision aligned to business and industry needs
- Major infrastructure upgrades commenced to support population growth, productivity and export capacity
- Innovative businesses adopting new processes and technologies to expand access to markets
- Latrobe Valley investment reputation and brand builds momentum based on successful new industry investments
- Improved participation and attainment rates in higher education and advanced technical training
- Enabling infrastructure built to significantly increase industry growth and export capacity
- Robust economy with competitive businesses that access diversified markets and emerging innovative industries
- Latrobe Valley as a destination of choice for regional living

**LONG TERM**

- A more diversified economy with growth in export of value added agriculture and energy related products, and advanced manufacturing / services
- Workers and businesses adapt to changing market conditions and retain a skilled workforce in the region
- Increased accessibility and diversity of education and training provision aligned to business and industry needs
- Major infrastructure upgrades commenced to support population growth, productivity and export capacity
- Innovative businesses adopting new processes and technologies to expand access to markets
- Latrobe Valley investment reputation and brand builds momentum based on successful new industry investments
- Infrastructure upgrades completed, increasing quality of life and decreasing disadvantage
- Stronger regional business networks links between government, business, unions and other relevant regional institutions through cross-sectoral industry planning.
- Managing of the region’s economy is based on seamless, cooperative and integrated planning.

**KEY STAGES**

1. **TRANSITIONING BUSINESS AND WORKERS**
2. **STRENGTHENING THE WORKFORCE**
3. **INFRASTRUCTURE FOR GROWTH**
4. **STRENGTHENING INNOVATION AND COMPETITIVENESS**
5. **ATTRACTING AND FACILITATING INVESTMENT**
6. **ENHANCING LIVEABILITY**
7. **WORKING TOGETHER**
Ensuring workers and businesses affected by economic transition have employment and business opportunities.

The Victorian Government is determined that the region is supported to make the most of local employment and business opportunities in a transitioning energy sector. Labour market and business development programs must be implemented to help businesses and workers cope with flow-on impacts in the local economy.

Programs must be implemented to prepare the region’s employment, training, and business support and social services. Long term, these actions will help adjust the Latrobe Valley’s labour market and establish sustainable new markets for affected local businesses.

Key stages

**Short term** – Programs established in anticipation of businesses and worker transition requirements.

**Medium term** – Workers and businesses adapt to changing market conditions and retain a skilled workforce in the region.

**Long term** – The skills profile shows higher qualifications, mobility and is responsive to meeting local workforce needs.
An effective transition must be underpinned by helping workers and businesses in the electricity generation supply chain find employment and business opportunities in local growth sectors like new energy generation, oil and gas, agricultural production, construction and advanced manufacturing.\textsuperscript{15}

In the short term, a coordinated plan must be developed to help transition. The Victorian Government is committed to achieving this goal, which is why the government established the Latrobe Valley Transition Committee – so that all levels of government and local leaders can take collaborative action to respond to impending challenges.

The Commonwealth Government’s policy is responsible for transition and structural adjustment in the Latrobe Valley’s economy. The Commonwealth Government must act decisively to support the Latrobe Valley transition through:

\begin{itemize}
\item Funding a coordinated transition plan to guide industry restructure, developed by the power sector and unions, to ensure a collaborative effort to optimise local re-employment outcomes for the power generation sector workforce.
\item Funding a detailed ‘social impact analysis’ to determine potential impacts of transition on community wellbeing and requirements for targeted social support services. This should include assistance for indirect flow-on impacts on access to and availability of local community services, social services and ‘wrap around’ case management support to deal with the physical, mental and financial impacts of transition.
\item Increasing presence and support in the Latrobe Valley from relevant Commonwealth agencies, such as the Department of Education, Employment and Workplace Relations (including Jobs Services Australia) and the Department of Families, Housing, Community Services and Indigenous Affairs.
\end{itemize}

The Victorian Government will ensure support for workers and businesses affected by job losses by implementing appropriate activities that enable them to access new skills and employment opportunities. These include:

\begin{itemize}
\item An allocation from the new $6 million Industry Transition and Specialist Training initiative to provide any retrenched workers in the Latrobe Valley (who may be ineligible for the Victorian Training Guarantee) with State Government-subsidised training through Central Gippsland TAFE.
\item Support from the rapid response team within the Department of Business and Innovation to provide early information and support services to businesses to help reduce the adverse impacts of retrenchments.
\end{itemize}

Over the medium term, the Victorian Government will continue to work with the Commonwealth Government to ensure the best local employment outcomes are achieved during the transitional processes. These include promoting opportunities for local businesses to work on site remediation and construction of replacement base load generators, and aligning the timing of potential plant closures to ensure skilled energy sector workers have the opportunity transition to new employment in the region.

\textsuperscript{15} Detailed support for businesses to grow and diversify will be outlined in other strategic directions.
Strategic Direction Two: Strengthening the workforce

Ensuring education provision and local industry needs are better aligned, and participation in training and higher education increases in line with future industry skills demand.

Key stages

**Short term** – Collaborative institutional arrangements and plans are established to drive tertiary education and workforce development in the region.

**Medium term** – Increased accessibility and diversity of education and training provision aligned to business and industry needs.

**Long term** – Improved participation and attainment rates in higher education and advanced technical training.

The future competitiveness and successful restructuring of the Latrobe Valley economy depends on an appropriately skilled workforce that aligns with the region’s strengths and business growth opportunities.

The Victorian Government is committed to ensuring the region has the appropriate skills base to drive future economic growth opportunities and that residents in the Latrobe Valley are supported to gain accredited skills and develop long-term careers in the region’s major industry sectors. Workforce development and the availability of an appropriately skilled workforce is a key component to taking advantage of all of the opportunities identified for the region.

To this end, the Victorian Government worked with regional leaders to develop the Gippsland Tertiary Education Plan. The plan is a guide to achieving the educational aspirations of the region and builds upon substantial existing investments seeking to raise the career aspirations of young people. Initiatives include the Gippsland Youth Commitment, the Gippsland Integrated Health and Community Care program (supported by the Regional Partnerships Facilitation Fund), and the Skilling the Valley initiative.
New actions aligned with the plan include:

- **The Gippsland Tertiary Education Council**, established to facilitate relationships between industry and education providers that will provide skills and training which have positive employment outcomes for the Gippsland region. The council will also encourage increased participation by strengthening partnerships and pathways and improving rates of individual educational participation and attainment, including year 12 retention to help local residents undertake higher education and training opportunities.

- Establishing **Technology Enabled Learning Centres** in the region. Co-located with a TAFE facility in Gippsland, a new centre will increase access and course offerings, reduce the burden of distance and cost of tertiary education for Gippsland students. The roll out of these new centres will require financial support from the Commonwealth Government.

- Developing a **Gippsland Workforce Plan** led by regional leadership groups including Regional Development Australia – Gippsland, Gippsland Tertiary Education Council and local industry. The Gippsland Workforce Plan will leverage funding from the Commonwealth’s Workforce Development Fund. Implementing the plan will ensure that the energy, food, timber and forestry and health care sectors will have access to an appropriately skilled workforce.

Implementation will require the Commonwealth Government’s newly created National Workforce and Productivity Agency to prioritise the Latrobe Valley and more appropriately communicate assistance to ensure the region’s businesses are supported to access funding through the National Workforce Development Fund for training and workforce development.

The Victorian Government will support additional initiatives to build a responsive and flexible tertiary education system and regional workforce, including:

- **Supporting Apprentices** – Up to $300,000 will be provided to strengthen brokerage support and encourage local businesses to take on recently displaced apprentices in the region. The government is also strengthening the training system to ensure individuals have an entitlement to a training place where it is most needed and where there is the greatest public benefit. More than 220 courses will receive increased hourly subsidies from the Victorian Government, including all courses undertaken as part of an apprenticeship.

- Establishing a new **Work and Learning Centre** in Moe to support public housing and other disadvantaged job seekers into local job opportunities. This will be done in partnership with the Brotherhood of St Laurence and Gippsland Employment Skills Training Inc. and funded through an allocation from the $4.6 million commitment to develop five centres across the State.

The government also recognises the importance of a healthy workforce that extends beyond the workplace with a positive impact on the health of families and the social and economic wellbeing of the broader community.

- **Latrobe Valley Workforce Health and Wellbeing Plan** – is a new Victorian Government initiative which will be delivered with local partners to develop an integrated approach to employee health. A particular focus will be on the development of effective programs for older workers aimed at minimising the impact of poor health as a barrier to continued employment and participation.

As these actions are implemented, the Victorian Government and its local partners will continue to develop and implement new initiatives to meet medium to long-term aims.
Ensuring governments and industry plan and coordinate infrastructure to support industry growth and diversification.

Key stages

**Short term** – Regional land use and strategic infrastructure plans are completed.

**Medium term** – Major infrastructure upgrades commenced to support population growth, productivity and export capacity.

**Long term** – Enabling infrastructure built to significantly increase industry growth and export capacity.

The Victorian Government is committed to ensuring the Latrobe Valley has the necessary enabling infrastructure to grow and diversify its economy through increasing the productivity and export capacity of the region’s industries, and enhancing its capacity to attract new investment and create more jobs.

To achieve this goal it is important that the region develop appropriate long-term planning for further investment in transport, water, energy and communications infrastructure to boost productivity and increase export of the region’s resources and manufactured goods.

Further investment in the region’s major infrastructure assets is essential to realising opportunities associated with a number of growth opportunities, particularly the Victorian Government’s efforts to ensure the Latrobe Valley’s ongoing development as Victoria’s energy hub and the future export of products derived from the region’s coal resources. These investments will also underpin efforts to strengthen the region as a major centre for agricultural production and food manufacturing and encourage further expansion of the region’s advanced manufacturing capacity and its linking to national and international markets.

This is why the Victorian Government has recently made infrastructure investments that address barriers to regional growth. This includes the development of the Gippsland Integrated Land Use Plan which will provide a blueprint for managing population growth and future land use and transport planning for the Gippsland region, duplication of priority sections of the Princes Highway between Traralgon and Sale, the provision of expanded Bus Services across the Latrobe Valley and funding provided to the Baw Baw and Wellington Shire Councils through the Victorian Government’s *Country Roads and Bridges Program* to improve local roads and bridges managed by local government.

The Victorian Government has also implemented the necessary preliminary planning to support Port Anthony to potentially operate as a bulk commodities export and import terminal. Although the port is outside the Latrobe Valley, it is an important investment in enhancing the region’s connectivity to export markets associated with the region’s focus on energy and food sector development over the medium to long term.
Case Study – Transition to new industry taking off at Latrobe Regional Airport

Transition to new industry in the Latrobe Valley will receive a boost through over $2.7 million of Victorian Government grants, $500,000 from Latrobe City Council, and $3 million from the Regional Development Australia Fund. The funding initiative will support infrastructure upgrade to the Latrobe Regional Airport to handle anticipated growth in aircraft traffic.

The grants also ensure increased production at GippsAero, the only company in Australia with the capability to design and manufacture commercial aircraft. This expansion will generate 30 jobs during construction phase as well as 140 direct and 30 indirect jobs.

* The State Government grants are provided from the Latrobe Valley Industry and Infrastructure Fund and Regional Aviation Fund.

Building on these initiatives, the Victorian Government will support further efforts to strengthen the region’s transport infrastructure and freight handling capacity. New initiatives include:

- **Warragul Station Precinct Project** – $22.7 million in State Government funding to upgrade the Warragul Station Precinct, including car parking, bus interchange and road and rail underpass. This will provide an alternate route for freight vehicles and motorists to the east of the station and central business area.
• **Overtaking lanes on Strzelecki and Hyland Highways** – $7.1 million to improve north-south connectivity between the Latrobe Valley and South Gippsland for better freight movement, reduced travel times and costs for businesses, and greater access to markets for the region’s goods and services.

• **Koo Wee Rup Bypass** – an additional $16 million, building on recent $50 million investment, for duplication of the Healesville-Koo Wee Rup Road, which will be a critical link for the Latrobe Valley within the region, to Melbourne and to north and south travel.

• **Gippsland Logistics Precinct** – Government will work with Latrobe City Council and the private sector to identify an appropriately credentialed terminal operator to run the proposed facility, which will provide local freight users access to high capacity bulk and container rail freight services.

• **Heavy Industry Site Redevelopment** – the Victorian Government and Latrobe City Council will work to realise the former Lurgi site’s potential as a key industrial precinct in line with the Gippsland Logistics Precinct project. The precinct will deliver new jobs in the region. The government will continue working towards the market release of the site and consider appropriate infrastructure developments.

• **Expanding Public Transport Services** – the Victorian Government will investigate viable service expansions for the Latrobe Valley (such as more services from Traralgon to the east of the region), in recognition of the region’s growing population and the increasing need for intra-regional movement, particularly relating to education and job opportunities.
The Latrobe Valley will also benefit from broader Victorian Government programs that will support major infrastructure projects in the region. These include:

- **Regional Rail Network** – $171.9 million to support train punctuality and reliability, an acceptable level of passenger comfort, and the competitiveness of rail freight through major periodic maintenance for the Regional Rail Network.

- **Regional Growth Fund** – $1 billion Regional Growth Fund support for major strategic infrastructure and community-led initiatives that improve both the competitiveness and livability of regional and rural Victoria, creating more jobs and better career opportunities.
  - For example, the Regional Growth Fund provided $250,000 for the Australian Paper Maryvale De-Inked Pulp Project. Australian Paper is one of the largest employers in the Latrobe Valley. The funding contributes to a full feasibility and engineering study to support the business case for developing a de-inked pulp plant at Australian Paper’s Maryvale mill.

To underpin the Roadmap’s medium and long-term objectives related to infrastructure the Victorian Government will support:

- **Gippsland Freight Strategy** – The updating and release of the Gippsland Freight Strategy as the region’s long-term vision for managing Gippsland’s diversifying economy and growing freight task. The strategy will identify priority areas for investments in infrastructure and regulatory reforms to facilitate access between Gippsland and other regions and align with the development of the **Gippsland Integrated Land Use Plan**.

- **Infrastructure Vision** – $100,000 through the Gippsland Regional Development Australia Committee (RDA), the Victorian Government supports the Committee for Gippsland to develop a long-term vision for improved regional access to markets that complements the Gippsland Freight Strategy, Gippsland Sustainable Water Strategy and other major regional infrastructure planning processes.

In the medium to long term, the Latrobe Valley must increase its productivity and export capacity with help from funding for major infrastructure that will be identified through these plans. This shared task requires significant support from the Commonwealth Government and private sector.

This will include regionally based projects including the roll-out of the National Broadband Network and better mobile phone coverage in the Latrobe Valley, as well as direct investment in upgrading the region’s water infrastructure as part of its commitment to realising increased on-farm productivity and positioning the region as a centre for food production.

The Victorian Government will also seek to ensure funding under the Commonwealth Government’s **Clean Energy Future Plan** directly supports the development of the Latrobe Valley’s low emissions coal industry through large scale infrastructure projects and planning support for export growth, including technology development and freight capacity enhancements.

The Victorian Government has identified Commonwealth Government support for a number of large scale infrastructure investments. These are essential to strengthen the Latrobe Valley and Gippsland’s transport and freight handling capacity. They include:

- additional enhancements along the Princes Highway between Sale and the NSW border
- increasing the north-south arterial road network within Gippsland to enhance freight efficiency
- road safety and movement of people between the Latrobe Valley, coastal regions in Gippsland and across the Great Dividing Range to North-Eastern Victoria and New South Wales
- investing in priority local roads that improve heavy vehicle (including B-doubles) road links.
Ensuring businesses are supported to increase their competitiveness and drive innovation.

**Key stages**

- **Short term** – Innovative businesses increase competitiveness and access new markets.
- **Medium term** – Innovative businesses adopting new processes and technologies to expand access to markets.
- **Long term** – Robust economy with competitive businesses that access diversified markets and emerging innovative industries.

The Victorian Government is committed to supporting a robust and diversified Latrobe Valley economy by helping local businesses innovate to increase their competitiveness and access new and diversified markets and to strengthening the region’s capacity to generate additional investment and job opportunities.

Innovation by individual businesses will provide the Latrobe Valley with the drive to move from a coal region to an energy hub. It will achieve this by implementing clean energy solutions such as low emissions technologies and emerging Carbon Capture and Storage. Moving from agriculture to a food hub will require innovative businesses to invest in value-adding local food processing and manufacturing. Innovation is also essential for individual businesses to develop advanced manufacturing capabilities producing specialised products so they become integral to supply chains for national and international markets, including the lucrative resource industries.

The Victorian Government has taken early action to drive innovation in the energy sector through:

- Increasing the Energy Technology Innovation Strategy fund by $41 million to provide funding for prospective pre-commercial investments in low-emission energy technologies
- Brown Coal Innovation Australia which provides research and development grants
- The CarbonNet project which progresses development of Carbon Capture and Storage
- The Latrobe Valley Shallow Geothermal project, to confirm the potential for producing electricity from lower temperature, shallow geothermal resources.

Early action to support businesses has been delivered through the $10 million Latrobe Valley Industry and Infrastructure Fund. To build on these initial investments, the Victorian Government will act immediately to increase business innovation and competitiveness.
The Victorian Government will provide funds to support individual businesses to become more robust, competitive and productive, and secure new and diverse markets for their products and services, by:

- **Expanding Latrobe Valley Industry and Infrastructure Fund** – an additional $5 million for businesses across Gippsland to create and retain jobs in the Latrobe Valley, taking the total investment to $15 million. This increased provision will drive investments in innovative processes and models to support business expansion and increase competitiveness.

- **Fisher's Pallet and Wood Treatment Upgrade** – $326,000 funding for an upgrade to the Fisher's (Latrobe Valley) timber treatment and pallet production lines to increase output and productivity, which will create 10 new jobs. The pallets are used by local businesses as part of their supply chain and the treated timber by builders.

- **Development and Construction of a Precast Concrete Manufacturing Facility** – $350,000 contribution for the Stirloch Group to expand its business, creating up to 10 construction jobs, eight new jobs and retaining six jobs.

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**Case Study – Hydro Australia supplying the nation’s resources sector**

Hydro Australia has repositioned its business to not only supplying Latrobe Valley companies with its products and services, but with a $280,000 Victorian Government grant has purchased specialist equipment allowing its business to expand and attract new clientele across Australia.

The project will secure 29 jobs and create a further seven positions.

*The State Government grant is provided from the Latrobe Valley Industry and Infrastructure Fund.*
The Commonwealth Government must contribute to the Latrobe Valley Industry and Infrastructure Fund so more local businesses are supported to manage the challenges imposed by the introduction of a carbon price.

- **Accelerated Business Growth** – $300,000 to target high performing businesses with significant growth potential to expand their operations and employment through specialist business plan development. This assistance will look at the linkage in supply chains across the region and help to develop an advanced manufacturing sector that supplies businesses in the region, across Australia, and internationally.

- **Small and Medium Enterprises (SMEs) support** – $225,000 for a proactive one-on-one local resource, in each local government, will provide business advice, broker and facilitate accessing government programs to unlock SMEs capacity to grow. For example they may facilitate funding through the Latrobe Valley Industry and Infrastructure Fund to implement innovative business processes and technologies that will expand its operations and create employment opportunities.

- **Gippsland Broadband Connectivity** – $90,000 through the Gippsland Regional Development Australia Committee, the Victorian Government supports the employment of a broadband engagement officer to prepare business operators and residents for introduction of high speed broadband, by increasing their understanding of the benefits and assisting them to maximise the use of the available technology.

A range of State wide government programs are also available that can provide funding support for the development and implementation of innovative projects:

- **Manufacturing Strategy** for investment in innovation, strengthening collaborative arrangements, pursuit of international opportunities and improved access to information and business services.

- **Broadband Enabled Innovation Program** for trial applications that can be used on high capacity broadband networks.

- **Energy Saver Incentive Scheme** which encourages businesses to lower operation costs through the take up of energy saving products and applications.
Research and demonstration is a crucial component to developing new innovative technologies and processes to assist the transition from coal to energy and agriculture to food.

The Victorian Government will support knowledge enhancement, through:

- **Growing Food and Fibre** – one of the key opportunities in the region is to move from agriculture to a food hub increasing investments and new jobs throughout the food supply chain. Ellinbank, the nation's premier dairy research and development facility in Baw Baw Shire, will receive the bulk of the $14.3 million for dairy research to boost sector productivity and maintain market access. Potential outcomes may include greater take-up of new technologies such as rapid increases in the rate of genetic improvements in dairy cattle, and new feeding systems that improve efficiencies in feed conversion and water use.

- **Coal upgrading technologies** – encourage and support companies developing low emission coal upgrading technologies in the Latrobe Valley. A number of companies are developing technologies to produce high value products for import replacement or export, such as exportable brown coal, liquid fuels, char products and taking advantage of the opportunities to move to a broader energy sector that is not wholly reliant on traditional brown coal generation.

The introduction of a carbon price drives the necessity for businesses to innovate to offset increased costs, and the Commonwealth Government should commit significant resources to the Latrobe Valley.

This will help local government, businesses and community understand and access available support from the Clean Energy Future Plan, particularly opportunities for businesses to take advantage of clean energy technologies, energy efficiency measures and carbon farming.

These investments must be continued over the medium term by developing new initiatives and support packages to improve the region’s businesses competitiveness and continue innovative investments. The Victorian Government is committed to continuing to invest in research and piloting of innovations in manufacturing, improving business efficiency, profitability and market expansion of SMEs to strengthen the Latrobe Valley’s capacity as an energy hub and food region.
Ensuring existing businesses are helped to expand, and new businesses are encouraged to locate in the Latrobe Valley.

Key stages

**Short term** – Increased investment in key sectors facilitated by a new prospectus and campaign, and key industry plans.

**Medium term** – Latrobe Valley investment reputation and brand builds momentum based on successful new industry investments.

**Long term** – Latrobe Valley recognised as a premier destination for key sectors such as energy and food, supported by new investment facilitation models.

The Victorian Government is determined to help make the Latrobe Valley one of Australia’s best regions to invest and establish new enterprises. The government is committed to helping reposition and strengthen the region’s business identity, develop new opportunities, particularly in growth sectors such as energy, agriculture, aviation and defence, and advanced manufacturing, in a rapidly evolving and interconnected global economy and fast-track major new enterprises.

Strengthening the region’s investment attraction and improving business facilitation processes will help generate additional investment and job opportunities for the region. This includes addressing negative perceptions held about the region’s industrial relations environment and better highlighting the region’s many advantages as a business investment destination.
The Victorian Government has taken early action to drive investment in the region through Invest Victoria, the Super Trade Mission to India, supporting the Gippsland Major Projects and Opportunities Summit, and developing the Timber Industry Action Plan. Building on these early actions the Victorian Government will take further action to attract and facilitate investment, including:

- **Securing the Brown Coal Resource** – The Victorian Government is committed to securing an economically viable future for the use of the region’s brown coal asset and is progressing, through the new Coal Allocation Framework, a competitive tender to open up new reserves of brown coal in the Latrobe Valley. This provides commercial opportunities to develop new industries as there is considerable global interest in the Latrobe Valley’s brown coal, with technology available to enable lower emissions usage and conversion to higher value products. The Victorian Brown Coal Roadmap will identify these future sustainable uses.

- As part of this process, the government will also ensure that a broad view of coal development is taken that ensures infrastructure, planning, regulatory, export, environmental and Commonwealth/State aspects are considered in an integrated way to maximise the benefits of the coal resource.

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**Case Study – Dairy investment for Lion Dairy and Drinks supports growth industry in region**

**Investment attraction**

A $490,000 Victorian Government grant will support a $2.64 million upgrade to electricity infrastructure at Lion’s Morwell dairy processing facility.

The grant supports the organisation’s $59.3 million capital expenditure project that is consolidating Lion’s yoghurt manufacturing base in Morwell and the company’s future plans for expansion at this site.

*The State Government grant is provided from the Latrobe Valley Industry and Infrastructure Fund.*
• **Investment Prospectus** – $400,000 to support the development of a marketing and investment prospectus to highlight key competitive attributes and opportunities in the region to attract new investors to the Latrobe Valley. The prospectus will build upon the significant evidence base developed as part of the Latrobe Valley Industry and Employment Roadmap, and be delivered by a consortium of local government, industry, business and community representatives.

• **International Engagement Strategy** – will provide opportunities accessible to Latrobe Valley based businesses that will enable them to enter new markets and develop the skills and experience to succeed. The strategy aims to internationalise Victorian businesses through initiatives including a comprehensive trade program that will connect regional companies with opportunities in global growth markets.

• **Investment Facilitation** – Actively support new capital expenditure and the creation of jobs as well as new export opportunities in the Latrobe Valley. Where government decision-making is critical to investment planning, Invest Assist, will facilitate investment projects through a combination of specialist advice to coordinate an efficient approach to government approvals assessments.

• **Securing supply for timber and forestry industry** – VicForests, has sought expressions of interest for up to 830,000 tonne of native timber residue mostly generated in the East Gippsland region. The more productive utilisation of this new long-term residue supply could underpin significant value in timber related industries in Gippsland, by stimulating direct investment in new commercial infrastructure, more productive use of existing investments and the requisite increase in processing, logistics and supply chain contracts.

• **Biomass innovation** – developed *Fuelled for Growth* an investment attraction document that highlights Gippsland’s capacity to leverage a substantial and commercially viable biomass supply chain to attract a new and innovative biomass industry and local investment opportunities in advanced biofuel and bioenergy infrastructure.

• **Testing new service approaches at the Moe Housing Call Centre** – The Department of Human Services is looking to test the consolidation of some housing client contact and transaction processing functions, using the Moe Housing Call Centre as the test site. This will create 19 jobs at the centre for a six month period while the department determines whether this service arrangement is a viable future service delivery alternative.

• **These new service approaches and relocation of government agencies and operations to the region offers an opportunity to grow and diversify the workforce. The Victorian Government will continue to investigate broader opportunities for relocating government administrative services to the region, as well as the expansion of existing services and calls on the Commonwealth Government to explore opportunities.**
Industry planning is a key activity to drive growth and take advantage of linkages across supply chains in the region, identify specific emerging opportunities and encourage cooperative planning for workforce development, infrastructure provision and enhanced regional competitiveness. Early work has already identified opportunities in a number of specific sectors and further areas of investigation, including:

- **Gippsland Food Plan** – To enhance the agrifood sector’s performance in the region, build opportunities for innovation and ensure global relevance. The Victorian Government will support the development and implementation of the plan and look to investigate and support potential opportunities, such as fostering leadership to build knowledge and innovation capacity through increasing networking activities across the region’s agrifood businesses, and potential research and development centres for food innovation.

- **Gippsland Aviation Industry Plan** – $80,000 in funding provided to identify opportunities and actions to drive a strong aviation sector across the Latrobe Valley region capitalising on the current strengths in the RAAF base in East Sale and the Latrobe Regional Airport, home to GippsAero. The Aviation Industry Plan will also strengthen the regions proposal to deliver the RAAF’s defence pilot training school through Project Air 5428.

- **Tourism Industry Plan** – $80,000 in funding will be provided to Destination Gippsland Inc. to work with the tourism industry and develop a plan to achieve the sector’s growth potential through new tourism investment, identifying opportunities in workforce development and infrastructure, and to market the region to the Victorian, interstate and international markets.

- **Gas strategy** – Develop a gas strategy to help identify the opportunities for an expanded energy industry investment and form the basis for engagement of exploration licences and gas resource developers.

Over the medium term, the Victorian Government will continue to work with the region to refine and expand the initiatives above, as well as help other major regional industries develop industry plans.
Ensuring the Latrobe Valley maintains and enhances its reputation as a liveable community.

**Key stages**

**Short term** – Community and social infrastructure investments progressed.

**Medium term** – Infrastructure upgrades completed, increasing quality of life and decreasing disadvantage.

**Long term** – Latrobe Valley as a destination of choice for regional living.

The Victorian Government will continue its support of the Latrobe Valley’s local governments to enhance the region’s liveability and community cohesion. This is essential to minimise the impacts of transition for businesses, communities and families, and attract new investment.

This support will include the government’s backing of current proposals for precinct revitalisation in the Latrobe Valley’s main population centres and strengthening community social, cultural and sporting facilities and services.

Investing in local infrastructure, community development programs and strengthening the capacity of local governments is vital to bolster communities, reduce social disadvantage and help reposition the region as an attractive investment and employment destination.

That is why the Victorian Government acted early in February and April 2011 to fast track the release of 562 hectares of rezoned residential land in Moe, Morwell and Traralgon and Churchill. This equates to over 6,000 residential blocks and is the most significant land release in the region for decades.

The Victorian Government has also made recent investments in strengthening the region’s health and community service infrastructure including funding provided to the Latrobe Regional Hospital to redevelop and expand its sub-acute area and cancer care, funding provided to the Latrobe Community Health Service for home and community care services and assistance provided to the Central Gippsland Health Service to redevelop sub-acute bed area and rehabilitation beds.

Through the $1 billion Regional Growth Fund, the Victorian Government has also invested $11 million in major strategic infrastructure and community initiatives in the region to improve liveability. These initiatives range from community projects targeting business development, recreational, sporting and tourism events, to infrastructure investment in leisure centres, sporting field rehabilitation, swimming pools, libraries and art gallery facilities.
The government will support new community initiatives, to enhance the liveability of the region including:

- **New Planning Support for Regional Growth Areas** – The Growth Areas Authority will provide support to the Baw Baw and Latrobe City Councils to expedite their structure planning of new growth areas. The two local governments are currently facing unprecedented levels of population and housing growth within the context of major economic restructuring within their region. The demands on councils’ planning capacity are enormous and at their request the government will support the Growth Areas Authority to assist the councils with the planning of new growth areas to bring forward development and ensure an adequate supply of housing for new residents.

- **Moe Civic Precinct** – The Victorian Government will continue to work with Latrobe City Council to progress the project which aims to improve social connectivity and community participation through an innovative community space. The project has the potential to attract investment and development in the area.

The Victorian Government will continue to invest in the region’s health sector to enable it to provide the services and facilities to meet projected demands from the increasing population and ageing demographics, including:

- **Latrobe Regional Hospital** – construction of a new five-bed Mother-Baby Mental Health Services Unit to ensure the appropriate treatment and recovery of women with mental health issues by not separating them from their baby and family.

- **Promoting Health and Wellbeing** – $2.9 million over four years has been committed for the Prevention Community Model, in partnership with the Latrobe City Council and Latrobe Community Health Service. This is a comprehensive new approach to address obesity and preventable chronic disease, and improve health outcomes by engaging local community in healthy living programs. Health promotion activities in Baw Baw and Wellington Shires are also being delivered to improve healthy lifestyles and environments.

The Latrobe Valley must also be supported to develop infrastructure and services that support its growing population over the medium to long term.

To this end, the Victorian Government will continue to work with the Latrobe Valley’s local governments and communities to develop proposals through the Regional Growth Fund. This action will be facilitated through applications to the Putting Locals First Program – designed to help address gaps in services and infrastructure in regional communities at a local level.

Enhancing liveability is a shared task and the Victorian Government will seek active support from the Commonwealth Government in funding projects that contribute to the region’s liveability. Key areas where the Commonwealth Government will be engaged include providing partnership funding for initiatives under the Regional Growth Fund and in areas where the Commonwealth have major responsibilities including Acute Health and Aged Care – such as boosting the capacity of Latrobe Regional Hospital, the redevelopment of West Gippsland Healthcare Group’s main hospital campus in Warragul, and the redevelopment of Central Gippsland Health Service’s Maffra campus.

The Victorian Government will also hold the Commonwealth Government accountable for appropriate site remediation around any power stations closed under Commonwealth programs, and that the former sites are able to be redeveloped for alternative purposes such as revitalised community facilities and precincts for investment in new industries.
Strategic Direction Seven:

Working together – next steps

Ensuring governments, business, unions and other regional stakeholders work cooperatively to diversify and grow the region’s economy.

Key stages

Short term – A monitoring and implementation framework for economic development supports proposals for further action by government for medium and long-term outcomes.

Medium term – Stronger regional business network links between government, business, unions and other relevant regional institutions through cross-sectoral industry planning.

Long term – Managing of the region’s economy is based on seamless, cooperative and integrated planning.

The Victorian Government recognises that working together is fundamental to delivering effective outcomes across all the strategic directions, taking advantage of opportunities to grow and diversify, and minimising the impacts of structural change.

Stakeholder cooperation will be required to address regional economic challenges, coordinate investment and monitor and respond to changes in the region’s economy. It will also require significant community support and understanding of the changes needed in the region to diversify and grow the economy.

The Victorian Government is determined that the region’s transition is supported by effective governance arrangements, information-sharing and investment coordination between all levels of government and the private sector. This must build on existing local and regional bodies, be developed through extensive engagement and consultation with a broad range of local and regional stakeholders and include resources to strengthen the region’s leadership and regional economic planning.
The Victorian Government has invested early in supporting on-the-ground coordination:

- **Latrobe Valley Industry Link Officers** – funded four positions in locally based organisations of Gippsland Trades and Labour Council, VECCI, Latrobe City Council, and Gippsland Education Precinct to support activities towards economic diversification and transition.

- **Local Government Business and Industry Surveys** – supported each of the local governments to undertake detailed surveys to better understand the needs of businesses in the region, including barriers and opportunities for growth.

- **Gippsland Community Leadership Program** – Sustained regional development requires innovative regional leaders from government, business and community sectors to develop a leadership culture and stronger connections across all these sectors. Leadership supports a strengthened resilience and capacity to respond to economic development challenges and opportunities. This is why the Victorian Government has funded the Committee for Gippsland to enhance the Gippsland Community Leadership Program for the next four years. The program will develop up to 28 participants’ leadership skills, while raising awareness of the issues facing Gippsland and join active alumni which commits to future community involvement.

- **Latrobe Valley Transition Committee** – supported the development of this key regional body to research, communicate and provide advice to Victorian and Commonwealth Governments regarding the region’s transition needs over the short to longer term.

The Victorian Government will commit to a range of new initiatives to assist the Latrobe Valley to build local networks and strengthen partnerships, including:

- **Local collaborative action** – Continue to support and commit to the development of a collaborative model that will incorporate an ongoing (adapted) role for the Latrobe Valley Transition Committee and its sub-committees to deliver on the implementation of initiatives in the Roadmap and achieve the region’s long-term vision.

- **Economic monitoring, evaluation and networking** – investigate and develop an appropriate model to link available data and intelligence on changes in the region’s economy. Also helping enhance the cooperation and exchange of information between the region’s local governments, major economic development agencies, Monash University and the education sector, and local business, union and community stakeholders.

- **Young Dairy Development Program** – $39,000 through the Gippsland Regional Development Australia Committee, the Victorian Government supports a program of three, two-day leadership and business development workshops for young dairy farmers in the region to develop better business decision making skills to achieve long-term profitability of the sector.

The Victorian Government will continue to work with the Commonwealth Government to ensure an ongoing and sustained commitment to support the region over the long-term through joint funding of local committees and programs and monitoring of economic indicators.