



Hinterland Futures

Background Research Report

Prepared for Surf Coast Shire Council

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HiIPDA
CONSULTING

THE STAFFORD GROUP



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 **SMART**
PLANNING & DESIGN

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1 INTRODUCTION

Project Background

The vision for Surf Coast Shire, as noted in the Municipal Strategic Statement, includes supporting development and growth that positively contributes to tourism and rural businesses and encourages clean industries and development that respects the Surf Coast's environment and lifestyle.

The Shire has undertaken a significant body of strategic planning work over the last decade for its townships such as Torquay/Jan Juc. This has ratified a clear urban growth position, which includes protection of township hinterlands and the rural hinterland at large for rural businesses, complementary tourism activities and for environmental purposes.

The rural hinterland covers approximately 1,020 square kilometres and includes agricultural districts (the hills and plains), small farming towns including Winchelsea as the main rural service centre, through to the Great Otway National Park.

The hinterland has traditionally performed a strong agricultural role in dairy, beef, sheep and grain. Structural changes within the primary industry sector have seen many of the traditional large farm operations replaced by smaller agricultural activities, including agritourism, a diversity of other business types and hobby farms. Some large farm operations remain.

The area is also influenced by tourism activity generated by the Great Ocean Road and Great Otway National Park. The millions of tourists that visit the region each year provide businesses in the rural hinterland with significant opportunity. Two major drawcards for tourism in the hinterland are the significant landscapes and the environment, and the protection of these is a key consideration.

A range of other opportunities also exist for the hinterland area. This includes the potential to harness treated water that is currently discharged into the sea.

The hinterland is an important generator of economic activity and employment. Whilst the population of Surf Coast's major towns is expected to continue to grow strongly in the future, the related jobs and services that are required to support a balanced local economy are expected to be provided in both urban and rural settings.

Project Purpose

The purpose of the Hinterland Futures Strategy is to:

- Provide an evidence-based and strategically justified spatial economic strategy for the study area; and
- Provide an associated implementation plan, addressing Planning Scheme, economic development and infrastructure actions.

This Report

This report provides an interim output in the development of the Hinterland Futures Strategy. This report is a **Background Research Report** and contains research and analysis to produce an evidence base for the subsequent Issues and Opportunities Report. It is noted that this Report is not a Strategy.

Stage 1 Report by Surf Coast Shire Council

This report includes information, data and text produced by Surf Coast Shire Council in a preliminary Stage 1 report for this project.

Project Scope

The focus of this report is to examine matters relating to land use, development and economic activity in the study area.

The project scope excludes the following topics from consideration:

- Township structure plans and urban growth boundaries;
- Land capability and soil assessment beyond existing available information;
- Carbon farming assessment and strategy;
- Coal seam gas and fracking assessment and strategy;
- Windfarm assessment and strategy;
- Crown Land assessment;
- Event policy;
- Development incentives;
- Planning Scheme Amendment process; and
- Other matters not listed in Report Structure below.

Report Structure

Sections 2 to 8 of this report provide research and analysis on a range of themes relevant to land use, development and economic activity in the study area.

This report is structured as follows:

- Section 2 - Policy and Planning Review;
- Section 3 - Land Use and Infrastructure Review;
- Section 4 - Property Market Analysis;
- Section 5 - Economic Profile;
- Section 6 - Land Capability and Environmental Analysis;
- Section 7 - Tourism Activity and Opportunities Analysis;
- Section 8 - Agribusiness Activity and Opportunities Analysis; and
- Section 9 - Conclusion.

2 POLICY AND PLANNING REVIEW

Introduction

This section documents the current Commonwealth, State and Local planning policy framework, where it relates to the rural hinterland. It provides an overview of the issues and opportunities created within the current framework. In addition, it reviews examples of best practice and innovation, including current initiatives of State Government and other Councils. Planning cases are also presented to highlight topical issues.

Planning Policy Framework

The hinterland of Surf Coast Shire provides an opportunity to foster agricultural and tourism enterprises that protect and enhance the agricultural purpose as relevant to the zoning of the area, and respect the landscape and environmental context of the land. Similar outcomes have been achieved in other rural based areas such as the Mornington Peninsula and the Yarra Valley.

The economy of the Surf Coast Shire is influenced by policy at the Commonwealth and State level, in addition to the local level with the Council's own policy and strategic plans.

The Commonwealth Government has a significant influence on the local economy of the Surf Coast Shire, through the setting of monetary and fiscal policy, taxation policy, pension benefits, immigration levels and other broader economic policy, which in turn influences population levels, income levels and employment.

Of relevance to this report, specific Commonwealth Government Strategies and Programs are the Tourism 2020 Strategy and the Tourism Demand Driver Infrastructure Program.

In comparison to the Commonwealth Government, the State Government plays a direct role in planning for the activation of land use, development and economic opportunities, through the Victorian Planning Provisions. These include the policy set out in the State Planning Policy Framework and the suite of zones, overlays and other planning controls that are made available to Councils to implement locally.

Local Government influences economic outcomes for the hinterland through the Surf Coast Local Planning Policy Framework, contained through the Municipal Strategic Statement (Clause 21 of the Planning Scheme) and the Local Planning Policies (Clause 22 of the Planning

Scheme) in addition to the application of zones and overlays. The planning context for the development of the Rural Hinterland Strategy also includes other local plans and strategies, which sit outside the Planning Scheme as reference documents. These include documents such as the Surf Coast Shire Council Plan (incorporating the Health and Wellbeing Plan and Strategic Resource Plan) 2017–2021, the Surf Coast Shire Council Plan 2013-2017, and the Surf Coast Shire Rural Strategy (2007).

Relevant material from these documents has been incorporated into the Planning Scheme, through the Planning Scheme Amendment process.

The Victorian planning system provides a framework and statutory process capable of fostering or discouraging land use outcomes. It is important to have clear policy provisions and controls, to guide the use and development of land in the rural hinterland, which in turn facilitates economic growth in a sustainable manner, supporting the overall vision for the area.

Commonwealth Government Strategies

Tourism 2020 Strategy

The National Long-Term Tourism Strategy was launched in December 2009, followed by the 2020 Tourism Industry Potential in November 2010. The National Long-Term Tourism Strategy is being updated and sharpened since its launch to more closely align the strategy with the 2020 Tourism Industry Potential.

Tourism 2020 marks a further milestone in Australian tourism policy. It represents an integration of the long term focus, research and collaboration commenced under the National Long-Term Tourism Strategy with the growth aspirations of the 2020 Tourism Industry Potential. Tourism 2020 builds on this foundation to support industry to maximise its economic potential.

Tourism 2020 calls for cooperation between industry and the Australian and State and Territory Governments to address the barriers to industry growth. It is a whole of government approach to improve the industry's productive capacity. It focuses on creating a policy framework that will support industry growth and provide industry with the tools to compete more effectively in the global economy and to take advantage of the opportunities that Asia presents.

The Six Strategic Areas are outlined below:

- Grow demand from Asia
- Build competitive digital capability
- Encourage investment and implement the regulatory reform agenda
- Ensure tourism transport environment supports growth
- Increase supply of labour, skills and Indigenous participation
- Build industry resilience, productivity and quality

Tourism Demand Driver Infrastructure Program

The Commonwealth Government, through the TDDI Program, allocates funding to each jurisdiction for the development of tourism infrastructure. The Department of Economic Development, Jobs, Transport and Resources (DEDJTR) is responsible for the administration of Victoria's allocation. The TDDI Program funding is available to tourism related businesses or investors, Local Governments, tourism associations and State Government bodies.

The TDDI Program provides funding for the development of tourism infrastructure or enabling work. The Program provides funding on a matched dollar-for-dollar basis, to support projects that contribute to achieving the Commonwealth's Tourism 2020 objectives.

Funded projects should create and encourage visitation to a destination and to assist the tourism industry in meeting the Commonwealth's Tourism 2020 objectives and the Victorian Visitor Economy Strategy targets. Projects that demonstrate a collaborative approach across a region or the State, are strongly encouraged. Eligible projects, and examples for each, include:

- Environmental: the development or enhancement of natural assets such as protected and recreational areas, public spaces such as beaches and parks and walking trails.
- Built: such as mixed-use facilities, convention facilities, cultural institutions, entertainment and sporting facilities, city / town precincts and tourist attractions.
- Transport: such as roads, rail networks, ports and airports.
- Enabling: such as tourism networks, plans and feasibility studies and programs to improve industry capability and capacity (e.g. destination management planning, business planning, workforce development, cultural awareness, digital product development).

Funding for the Victorian component of TDDI has now been committed, however, decisions regarding future funding under TDDI are the ongoing responsibility of the Commonwealth Government. Surf Coast Shire could lobby State and Federal Government, to be included within the next phase of this funding program.

Victorian State Planning Policy Framework

Clause 09 Plan Melbourne

Where relevant, planning and responsible authorities must consider and apply the strategy Plan Melbourne 2017-2050: Metropolitan Planning Strategy, Department of Environment, Land Water and Planning, 2017 ('Plan Melbourne'). Plan Melbourne's vision for the city is guided by nine principles. To support those principles seven outcomes have been set, together with the policy directions that will be taken to reach those outcomes.

The seventh outcome of Plan Melbourne relates to the hinterland, being: Regional Victoria is productive, sustainable and supports jobs and economic growth.

The directions and policy to meet this outcome are outlined in the table below.

Table 1 - Plan Melbourne, Regional Victoria Policy Directions

Directions	Policy
Invest in regional Victoria to support housing and economic growth.	Stimulate employment and growth in regional cities.
	Support planning for growing towns in peri-urban areas.
Improve connections between cities and regions.	Improve transport and digital connectivity for regional Victoria.
	Strengthen transport links on national networks for the movement of commodities.

The State Government has identified priority industry sectors with potential for growth. Collectively, there is potential to drive up to \$70 billion in additional economic output by 2025 and create more than 400,000 new jobs for Victorians. Regional Victoria is well placed to benefit from future growth and export development in a number of these sectors. These sectors and their potential for growing rural economies are outlined below:

- Regional Victoria is well positioned to take advantage of the significant job opportunities expected to emerge in the new

energy industries that will drive the state's transition to a net zero emission, low carbon, economy.

- In 2015-16, Victoria's food-and-fibre exports were valued at \$11.9 billion, with 27 per cent of exports sent to China. Long-term growth in Asia is expected to accelerate demand for beef, lamb, wheat and dairy products as well as processed foods.
- Tourism is another major economic driver for regional Victoria. The industry contributes \$11.5 billion to the regional Victorian economy (GRP) and generates 114,400 jobs. It contributes 13.4 per cent of total GRP and 13.4 per cent of employment.
 - Nature based tourism visitors represented 70 per cent of all international overnight visitors to the state in 2013-2014.
 - Domestic nature-based visitors had approximately 4.3 million-day trips to and within Victoria in 2013-2014.
- With new investment in infrastructure and improvements to marketing, product development and the visitor experience, there are huge opportunities for regional Victoria to increase its share of the tourism market.
- International education has been Victoria's largest services export industry for more than a decade, generating \$5.6 billion for the state and supporting 30,000 jobs in 2014. Regional education providers can offer niche expertise and significant industry expertise in fields of global significance, such as food and agriculture, soil and water, energy and resources, and the environment.
- The population services sector (such as the healthcare and social-assistance industries) is expected to drive strong employment growth in regional Victoria, particularly as a result of Victoria's ageing population. The opportunities for growth in these industries have already been demonstrated with the establishment of the National Disability Insurance Scheme headquarters in central Geelong. For this study, it is expected that these types of jobs may be focused in the townships rather than in the hinterland.

Significant policy to meet the listed State Objectives for Regional Victoria is expanded upon below.

Policy 7.1.2 Support planning for growing towns in peri-urban areas

- A number of towns in peri-urban areas have capacity for more housing and employment-generating development without impacting on the economic and environmental roles that surrounding non-urban areas serve. This includes Torquay-Jan Juc township.
- Peri-urban towns can provide an affordable and attractive alternative to metropolitan living. However, strategies need to be developed for the timely delivery of state and local infrastructure to support growth and protect their significant amenity.
- Most importantly, development in peri-urban areas must also be in keeping with local character, attractiveness and amenity. Growth boundaries should be established for each town to avoid urban sprawl and protect agricultural land and environmental assets.

Policy 7.2.1 Stimulate employment and growth in regional cities

- Responses to growing transport demand in regional Victoria will be assessed and prioritised. All potential solutions and interventions will be reviewed to ensure the capacity of existing infrastructure is being optimised.
- Planning will identify infrastructure and service priorities to better link regional Victoria and Melbourne and support regional city growth.
- Opportunities will be identified to leverage expansion of the digital economy to support increased regional economic and population growth. Improvements to digital connectivity will continue to be sought, working closely with the Federal Government.

Policy 7.2.2 Strengthen transport links on national networks for the movement of commodities

- Transport network planning must ensure that industries such as Victoria's food and fibre industry remain viable and competitive. This should include identification of key freight corridors and interstate freight terminals.
- The Avalon corridor near Geelong contains nationally significant economic assets, including airport, road, rail and waste facilities. This corridor must be safeguarded for state infrastructure opportunities and complementary development in the future.

Clause 11.09 G21 Region

The G21 Region comprises the municipalities of Geelong, Queenscliff, Surf Coast, Golden Plains and Colac Otway. The region is Victoria's largest regional economy and one of Australia's largest centres of agribusiness. In considering the policy objectives and strategies for the Geelong G21 region, planning authorities must consider as relevant, the G21 Regional Growth Plan (Geelong Region Alliance, 2013).

State Planning Support for Regional Victoria

The above strategic directions, policies and plans provide a planning based opportunity through the State Government's support in growing regional Victoria's economy, and the recognition that Melbourne's economic linkages to Regional Victoria are becoming increasingly important. The policy put forward provides the Surf Coast Shire the ability to capitalise on current growth in emerging industry sectors, particularly suited to growing the regional economy in a manner that is sustainable for the Shire's economic, social and environmental context.

Other State Strategies

Victorian Visitor Economy Strategy (2016)

This Strategy maps out a clear direction for Visit Victoria, the state's new world-leading entity responsible for ensuring Victoria remains the national leader for tourism and major events, focusing on nine key areas:

- More private sector investment
- Building on the potential of regional and rural campaigns
- Maximising the benefits of events
- Improved branding and marketing
- Improved experiences for visitors from Asia
- Better tourism infrastructure
- Improved access into and around Victoria
- A skilled and capable sector
- More effective coordination

Victorian Food and Fibre Sector Strategy (2016)

This Strategy has been prepared by the Victorian State Government and will be delivered in partnership with industry. It sets out a long-term vision that in 2025 Victoria’s food and fibre sector:

- Is creating new jobs, attracting talent and providing rewarding careers
- Has seen remarkable growth, with more value adding and product differentiation
- Is a recognised leader in the Asia-Pacific region and is a destination of choice for investors
- Is demand-driven, achieving strong and sustained export growth
- Exceeds customer expectations for safety and quality
- Has welcomed a diversity of business models, technologies and production systems
- See more small and medium enterprises (SMEs) on strong growth trajectories

The Strategy outlines the State Government’s objectives and initiatives to meet the vision. These are outlined below.

Table 2 - Food and Fibre Sector Strategy Directions

OBJECTIVE	INITIATIVES
Attract more ideas and investment.	Attract and support key industry events in Victoria.
	Build investment readiness and attract investment to the sector.
Help business innovate and grow.	Establish an Innovation Network linking key capabilities.
	Equip businesses with the skills needed to innovate and grow.
	Support businesses to integrate technology, add value and create jobs.
	Support local approaches to strengthen food and beverage manufacturing.
Capture market opportunities.	Identify and respond to fibre manufacturing growth opportunities.
	Support SMEs to build export capability, including capturing e-commerce opportunities.
Capture market opportunities.	Host inbound missions and support targeted outbound missions and market development.

	Maintain existing and facilitate new access to export markets.
	Support growth in food and wine tourism, and collaborative marketing.
Develop our infrastructure.	Improve freight infrastructure, including expansion of the High Productivity Freight Vehicle network.
	Improve access to our ports to reduce delays and costs for exporters.
	Improve water security and realise the benefits of irrigation modernisation.
	Improve access to ICT infrastructure and services in regional Victoria
Improve the business environment.	Support the implementation of Regional Partnerships.
	Tailor facilitation services to support sector growth.
	Reduce regulatory and compliance burden.
	Work towards providing greater resource access certainty for foresters and fishers.

Successful implementation of this strategy will see measurable progress in the following areas:

- The creation of more jobs in the sector
- An increased number of international participants at key industry events
- Greater capital investment in the sector
- Substantial growth in sector Gross Value of Production
- An increase in exports, including a higher proportion of value-added exports
- More businesses with an annual turnover of over \$25 million.

Victoria’s Regional Statement (2015)

Victoria's Regional Statement is the Victorian Government's acknowledgment of the enormous contribution regional Victoria makes to Victoria’s economic strength and way of life. The Statement is about creating jobs, providing a better start for young people, and supporting a brighter future for families and communities.

It is built on the Government's recognition that every region is different: from dry land to irrigated farming; and from big cities to

small towns; and from economies reliant on food and fibre, to tourism, manufacturing and natural resources. It signals an understanding that some regions are experiencing significant population growth, while others are facing population adjustment and decline and that regional communities have their own character, their own aspirations, and their own common sense understanding of the challenges and opportunities that they face.

The Statement follows an extensive independent Review of regional economic development and service delivery led by former Victorian Premier, John Brumby. The objective of the Review was to give regional communities a say about their priorities for the future and the role government can play in delivering these.

The Regional Statement sets a new approach that will change the way government works with regional Victorians. Its centrepiece is the establishment of nine new Regional Partnerships across the State that will direct regional priorities straight into the heart of government. The Partnerships will look at the strategic priorities regional communities have identified themselves – across economic, social and environmental issues – and oversee implementation of the top priorities on a year-by-year basis. The Partnerships recognise that the opportunities and challenges facing regional communities are complex and intertwined, and that government needs to change how it operates to respond to the needs of communities. The Surf Coast Shire is within the Barwon Region, and part of the Barwon Regional Partnership, outlined below.

Barwon Regional Partnership

From the famous Great Ocean Road coastline, to the Otway forests, to rich farmland, to the streets of Victoria's biggest regional city, Geelong, the Barwon Regional Partnership spans spectacular and diverse landscapes.

Just over a quarter of a million people live here - almost half are under 35 - and this region is growing rapidly. The economy is dynamic, with a strong advanced manufacturing and processing sector and great potential for growth in biotechnology, information and communication technologies (ICT) and the carbon fibre sector.

Growing the education and health sectors, strengthening road and rail networks, further developing the advanced manufacturing sector, managing the impacts of transitioning industries and creating new

jobs, will be among the issues and opportunities tackled by the Barwon Regional Partnership.

Regional Jobs and Infrastructure Fund

The Regional Jobs and Infrastructure Fund (RJIF) is the Victorian Government's overarching regional development package. It invests in growing jobs, building infrastructure and strengthening communities in regional Victoria.

Regional Development Victoria (RDV) manages the RJIF's three programs, with ten program streams with public grant programs under the fund, as follows:

- The Regional Infrastructure Fund (RIF)
 - Visitor Economy
 - Productive and Liveable Cities and Centres
 - Enabling Infrastructure
 - Rural Development
- The Regional Jobs Fund (RJF)
 - Investment Attraction
 - Innovation and Productivity
 - Employment Precincts
 - Market Access
- The Stronger Regional Communities Plan (SRCP)
 - Community Capacity Building
 - Population Attraction

The Government welcomes grant proposals from regional and rural local government authorities, government agencies, not-for-profits, community groups and businesses. This includes from businesses in high-growth sectors such as: medical and new energy technology; food and fibre; transport, defence and construction technology; international education and professional services.

Localised Planning Statements

At a State level, Localised Planning Statements have also been developed for key regions where rural hinterlands and adjacent towns play an important role in the State. The Localised Planning Statements are long-term policies developed for particular areas identified as having significance to the broader Victorian community.

These policies set out broad objectives for the future planning and development of these identified areas. Localised Planning Statements have been developed for the Mornington Peninsula and the Bellarine Peninsula. Development is occurring on Localised Planning Statements for Macedon Ranges and the Yarra Valley.

These policy statements seek to capture the elements that make an identified area unique and are based around areas that have significant geographic features and strong economic bases in agribusiness and tourism. Common themes in these statements include landscape elements, the connection between rural hinterlands and local townships, a sense of place and identity and tourism offers built around these attributes and environmental assets.

The Localised Planning Statements seek to identify and enhance these attributes and provide direction to help manage pressures that could potentially undermine the natural and / or non-urban uses of land in these areas. The statements provide a useful framework for considering issues for the Surf Coast. Future advocacy could be directed to developing such a policy framework for the Surf Coast, to elevate the role of the rural hinterland at a State level, and support branding and marketing of the “Surf Coast Hinterland”.

Opportunities

State level strategies such as the Victorian Visitor Economy Strategy (2016) the Victorian Food and Fibre Sector Strategy (2016), Victoria’s Regional Statement (2015), the Barwon Regional Partnership, the Regional Jobs and Infrastructure Fund and associated funding program streams, as well as the Localised Planning Statements are a strong basis for consideration and development of more detailed investigation of the planning scheme tools and implementation mechanisms to support appropriate controls, change and development.

In particular there is a need to investigate and advocate to the State Government for a Localised Planning Statement to be developed for the Surf Coast hinterland to recognise the key agricultural, food security, environmental, landscape and tourism values the locality offers to the State.

Local council planning policies will continue to apply along with any future localised planning statements and any new state policy. Local policies may require updating to reflect the localised planning

statement, or, they may no longer be needed if council believes the localised planning statement and supporting state policies provide the appropriate level of guidance. It will be up to the Surf Coast Shire to determine if changes to local policies are required.

The type of land use, development and subdivision permitted will continue to be guided by the planning zones and overlays that apply to the land. In instances where a planning permit is required, the localised planning statement may provide stronger policy intent for the area and guide how council should determine an application.

Local Planning Policy Framework

Current rural policy in the Surf Coast Planning Scheme builds on the broad State setting on rural land and has been informed by the Surf Coast Shire Rural Strategy 2007, which was adopted in December 2007. The strategy was adopted after extensive consultation including with Council officers and committees, State Government agencies, agriculture and tourism industry representatives and the broader community.

The directions of the Rural Strategy Review 2007 were incorporated into the Surf Coast Planning Scheme via planning scheme amendment C68 Pt 1 and approved by the Minister for Planning on September 2013.

The majority of Council's rural areas are zoned Farming Zone or Rural Conservation Zone. The Farming Zone was introduced by the State Government in 2005 and was a restrictive zone that limited non-agricultural development significantly. In 2013 the zone was changed by the State Government to provide a more flexible zone and provided more opportunities for other uses such as tourism however the primary focus still remained to protect high quality agricultural land.

The key directions in the Scheme related to the rural areas of the Shire are across issues of agriculture, tourism, environment and landscape issues. These are summarised as follows:

- Direct anticipated high population growth into existing townships, primarily Torquay-Jan Juc and Winchelsea and protect the rural landscape from urban intrusion.
- To maintain a clear rural-landscape separation between settlements and particularly between Torquay-Jan Juc and the Armstrong Creek southern growth corridor of Geelong.

- Protect and enhance the rural areas of the Shire for their diverse agricultural, environmental and landscape values and opportunities.
- Support agriculture and rural industries that build the economic base of the Surf Coast Shire.
- To recognise that rural landscape vistas are highly valued for their contribution to the amenity and liveability of rural areas.
- Encourage tourism based uses that link to the natural and rural setting without compromising these values.

The above principles are explained in more detail below via categories related to agriculture, rural landscape, environmental values and tourism:

Agriculture

The Rural Strategy Review 2007 has informed the existing policy at Clause 21.05 Agriculture in the Surf Coast Planning Scheme, which has a focus on maintaining the agricultural opportunities in the rural areas of the Shire. Key elements of the policy are summarised below:

- Protect agricultural opportunities through minimising the use of agriculture areas for housing.
- Discourage the use and development of good quality agricultural land for activities that are not reliant on the soil.
- Maintain technically viable farming lots as much as possible and avoid small lot subdivision in rural areas.
- Support niche related farming outcomes where such can be done as part of larger lots.

This policy setting is related to agriculture use and is intended to protect the opportunity for agricultural expansion and ensure that soil related enterprises have access to land where the value of the land is recognised primarily for agriculture. As identified in the other parts of the rural hinterland background work the effectiveness of policy to limit the value of agriculture land can be challenging where the market sees value in the land for a range of reasons such as lifestyle opportunities.

A key mechanism to help prevent rural land subdivision into small lots and development for these with dwellings is operational policy at Clause 22.01 Tenement Policy in the Surf Coast Planning Scheme. This policy seeks to ensure historic small lots that have been owned in common as larger farms are discouraged from being sold off for rural

living opportunities. The Rural Strategy 2007 reviewed this policy and considered it provided an effective mechanism to help maintain the agriculture and land based focus of rural areas in the Shire by discouraging ad hoc dwelling development in the rural areas and assisted in keeping the value of rural land linked to agriculture.

The policy at Clause 21.05 Agriculture recognises future opportunities for supporting agricultural production including investigating changing the minimum lot sizes for the Farming Zone in the Thompsons' Creek valley to potentially support more intensive farming outcomes associated with access to recycled water and value adding that may occur with such outcomes.

The policy settings related to agriculture in the SCPS are positive and help maintain the focus of agriculture production in rural areas and the opportunity exists to review lot size settings in specific locations where new and developing forms of agriculture have potential with access to water or other key infrastructure outcomes.

There is opportunity for the current policy in relation to agriculture to better reference emerging agriculture uses such as Ravens Creek Farm and The Farmers Place where niche farming and tourism work together.

Rural Landscape

Clause 21.06 of the Surf Coast Planning Scheme recognises the important role the rural and coastal landscape has in the Shire. The policy details the important role the coastal and rural landscapes make to the amenity of the area including the contribution to the lifestyle of residents and a value to the tourism economy. Managing impacts to the rural and coastal landscape and associated environmental values is a key focus of the policy.

The policy at Clause 21.06 provides a strong context for understanding how future use and development should respond to key rural settings and is an important policy in ensuring future value adding uses in rural areas are respectful of the amenity that goes with those locations. Such policy has helped guide rural development to date including the Great Ocean Road Chocolaterie between Bellbrae and Anglesea and development of The Farmers Place and Ravens Creek Farm. Such policy has also assisted with Council successfully defending decisions to refuse support for inappropriate rural development at the Victorian Civil and Administrative Tribunal (VCAT) such as a caravan park proposed to the west of Torquay.

Recent work has also been progressed to strengthen reference in Clause 21.06 related to the importance of the hinterland of Bells Beach following the Bells Beach Taskforce findings. This is an example of where the policy can be enhanced to provide clear direction about the scale and extent of development expected in a rural setting which in the case of the Bells Beach hinterland is focused on discouraging development to protect the important vista. This context of discouraging development in certain areas is best implemented where other opportunities for development are recognised in the policy, providing balance across the overall rural setting. Such a setting does exist for the current policy for the rural areas in the Surf Coast Planning Scheme.

Ensuring clear and concise policy exists related to rural landscape values is important to create an environment of responsive rural development that relates to the agricultural setting. The use of such policy environments can be seen in the Yarra Valley. Investigating the opportunities in the identified landscape precincts is a key to ensure there is clarity about where respectful change can occur (and directing investment to these areas) as opposed to areas where limited change is expected.

Environmental Values

The rural hinterland areas contain key environment assets and the synergy between management of rural areas and environmental outcomes is important. These links in land management and environmental benefits can also align with enhancing the character and landscape features that are associated with many parts of the hinterland.

The Rural Strategy Review 2007 highlighted the following in relation to environmental issues in rural areas:

- Significant work has been done to recognise the environmental assets in the rural areas.
- Updated reference to recognising key landscape units in the rural areas is important.
- Alignment with strategies and policies in relation to catchment management, estuary management and coastal management plans is important.
- The protection of high quality agricultural land will be important in helping to manage climate change issues.

- Continued focus on land management and environmental outcomes in planning policy for rural areas.

The Environmental Management policy at Clause 21.03 identifies a number of risks and opportunities around environmental management and rural areas. Key elements are detailed below:

- Land management outcomes that assist in management of riparian and waterway areas, promote indigenous vegetation, and reduce pest plant and animals.
- Recognise risks such as salinity and integrated fire management and ensure land management is cognisant of these issues.

The Surf Coast Planning Scheme includes several overlays that:

- Identify key environmental assets such as the Environmental Significance Overlay, Vegetation Protection Overlays and Significant Landscape Overlay.
- Identify key risks such as Flooding and Land subject to Inundation Overlays, Salinity Management Overlay and the Bushfire Management Overlay.

Combined with the landscape attributes of the rural areas highlighted earlier, the environmental policy and controls in the Surf Coast Planning Scheme help direct where, and how, changes in the rural area can occur and are a useful factor in recognising areas for change. Opportunities for value adding rural to enterprises are likely to be easier where such environmental assets and risks are less, and change in areas where those environmental features and risks are present will need to respond to those matters and help enhance the values and/or manage the risks appropriately.

The connection between climate change and rural areas is briefly detailed in current planning policy in the Surf Coast Planning Scheme, however, enhancement of this connection with updated data and research will be beneficial in highlighting the value of protecting and enhancing the rural areas.

Tourism

The Surf Coast Planning Scheme outlines tourism policy related to the Surf Coast Shire in Clause 21.04. The important role of tourism across the Shire is highlighted in this policy and focus is provided to the role the rural areas play in tourism. The following are key directions for tourism outcomes in the rural areas of the Shire outlined in Clause 21.04:

- Tourism development in the farming areas of the Shire should generally be of a small scale that does not compromise the agricultural use of the land.
- Tourism development should be of a nature, designed and sited to avoid conflict with existing rural uses, preserve the rural landscapes and environmental values, avoid loss of high quality agricultural land, and be within proximity of existing townships.
- Tourism development should enhance the environmental condition of the land through protection and re-establishment of native vegetation and control of pest plants and animals, erosion, salinity, stormwater and nutrient runoff. This should be demonstrated through the development and implementation of a management plan.
- Discourage tourism development from locating in prime farming areas, particularly in areas with an open rural landscape.

The Rural Strategy Review 2007 explored potential directions for specific tourism opportunities within the rural areas of the Shire. The Strategy identified two key locations where tourism proposals could be considered based on criteria that included landscape sensitivity, environmental values, proximity to townships and accessibility to the coast. The areas identified were located around Gundrys Road, north of the Great Ocean Road between Bellbrae and Anglesea, and an area south and east of Deans Marsh.

The opportunities identified in these areas included aspects such as accommodation and restaurants provided such development was modest in scale and responded to the landscape settings in which it was located. To implement such outcomes, it was originally proposed to apply the Rural Activity Zone (RAZ) to these areas. However, the State government change to the Farming Zone in 2013 provided far greater flexibility for uses to occur in those areas without the need for a zoning change and the zoning change was not pursued via a formal amendment. This also resulted in the key findings of the Rural Strategy Review 2007 related to tourism in rural areas to not be incorporated into the policy at Clause 21.04.

The development of the Great Ocean Road Chocolaterie, in the Gundrys Road area along the Great Ocean Road, is an outcome consistent with the principles of the Rural Strategy Review 2007. Opportunity exists to confirm and clarify that the areas identified for such tourism uses are still relevant and to develop policy in the Surf Coast Planning Scheme to make clear reference to these areas.

The broader areas of the rural hinterland also have opportunity to have tourism outcomes that have more direct links to value adding in an agricultural sense such as the Ravens Creek Farm or The Farmers Place outcomes.

Considering the above, the opportunity exists to confirm the following and integrate findings into Clause 21.04:

- Direct tourism proposals such as restaurants and accommodation uses into the areas around Gundrys Road and Deans Marsh as per findings of the Rural Strategy Review 2007 where such use and development can respond to the rural setting appropriately.
- Better reference the emerging agriculture uses such as Ravens Creek Farm and The Farmers Place, where niche farming and tourism work together as well as highlight locations where these can be promoted across the rural areas.

Opportunities

- Enhance policy to recognise and help facilitate, where appropriate, the potential value adding of agricultural enterprises related to tourism associated with food and beverage production and paddock to plate concepts and describe areas where this can be encouraged.
- Investigate how the current planning controls related to lot size can better support agricultural outcomes associated with access to recycled water.
- Investigate the precincts for the hinterlands project and look at alignment with the landscape precincts in Clause 21.06 and investigate opportunities to simplify these further to help highlight areas for future investment.
- Ensure alignment in the planning policy in the SCPS between current Council environmental policy and the rural areas including climate change.
- Maintain the emphasis on the role rural areas play in managing environmental assets and risks and have this as priority in identifying where opportunities for change can occur in the rural areas.
- Enhance policy (rather than zoning given the current flexibility in the Farming Zone) in the SCPS to recognise identified tourism areas from the Rural Strategy Review 2007 and direct potential tourism development that can integrate with the rural setting to these areas.

- Enhance policy in relation encouraging tourism across other appropriate rural areas of the Shire that is connected to local produce and food and beverage production that links and value adds to agricultural production.
- Advocate to the State Government for nature based tourist uses to be permit required uses in the RCZ.

Relevant Amendments and VCAT Decisions

Amendment C68

Amendment C68 – part 2, Surf Coast Shire, aimed to incorporate tourism findings from the Rural Strategy 2007, into the Surf Coast Planning Scheme. As mentioned in Section 5.4 of this report, above, the Rural Strategy identified two key locations where tourism proposals could be considered based on specific criteria intended to protect the important landscape, environmental and social assets of the hinterland. The amendment aimed to introduce the Rural Activity Zone to specific sites in the Bellbrae and Deans Marsh rural hinterland, with specific provision added to target tourism opportunities in these rural areas. One of the sites at 55 Elkington Road, Bellbrae was subsequently developed as a Chocolaterie.

The purpose of the proposed zoning and associated schedule was to ensure new development was:

- Small scale
- Relevant to the land size and surrounding uses
- Unobtrusive and able to nestle into the landscape so as not to detract from the visual amenity of the area
- Not located on ridges or hilltops
- Complementary in design to the rural character of the area
- To retain the dominance of the landscape
- Capable of net gain environmental outcomes
- Self-sufficient in the provision of relevant infrastructure and associated development costs

This amendment was ultimately abandoned, due to State Government changes to the Farming Zone, which increased flexibility in the zone without the need to follow through with the amendment process. Changes to the Farming Zone did not encapsulate the desired outcomes sought through the Rural Strategy 2007 for

tourism, and the key findings relating to tourism in rural areas were not incorporated into the policy at Clause 21.04.

The proposed amendment is relevant as it indicates the thinking of the Council at that time, and was proposed in recognition of the Council's desire to encourage tourism in potentially appropriate locations based on the land's lesser agricultural quality and lesser bushfire risk in relative terms. Opportunity exists to confirm and clarify whether the areas previously identified for such tourism uses in the Rural Strategy 2007 are still applicable and acceptable, and if so, pursue a similar amendment pathway to that originally abandoned.

Amendment C116

The Amendment modifies the Schedules to Clauses 52.03 and 81.01 to include the Incorporated Document "Livewire Park, Tree Top Adventure Facility, 180 Erskine Falls Road, Lorne, April 2016", which allows consideration of a planning permit application for an Outdoor recreation facility on the subject land. This was a site-specific planning scheme amendment to allow the land to be used and developed in a manner that would have otherwise been prohibited or restricted due to the original Rural Conservation Zoning, which prohibited 'Outdoor recreation facility'.

The amendment and concurrent planning permit application, facilitated outcomes desired through *The Rural Strategy Review 2007*, which recognised the role some parts of the Shire's Rural Conservation Zone (RCZ) can play in promoting nature based tourism (e.g.: eco accommodation, tree top walks, interpretative centres).

The locations for the Rural Conservation Zones across the Shire are generally located behind the coastal townships and areas adjacent the Otway National park. The Rural Conservation Zone in its current form provides limitations on such activities occurring through planning permit processes and generally require more complex planning scheme amendment processes. Clause 21.04 recognises that continued advocacy to the State Government to allow for more nature based tourism uses in the RCZ is required.

There is opportunity to make such uses discretionary, to be assessed on their individual merit and approved if appropriate. This would simplify the approvals and decision-making process. The Livewire Park illustrates a facility which was deemed appropriate and addressed the objectives of planning in Victoria, by:

- Providing for the protection of the environmental values of the site, retaining the vast majority of the existing trees within the site
- Providing for a tourism use of the land that provides direct economic and social benefits to the Lorne township and surrounds
- Providing for a recreational use for the residents and visitors of Lorne and the broader area
- Incorporating environmentally sustainable design features including water tanks and solar panels into the design

VCAT Decision P1763/2015

VCAT decision P1763/2015 was to set aside the original refusal to grant a permit by the Responsible Authority, and to grant a permit for the use and development of the land as a leisure and recreation facility, comprising an external adventure course and indoor activity centre, to be located within the farming zone. The facility was projected to provide a positive tourism outcome, having some 100,000 to 150,000 visitors per year. The proposed Adventure Park – at the corner of Gundrys Road and Great Ocean Road – was very contentious, drawing many objections from the Bellbrae community and wider environs. Council determined not to support the proposal and refused to grant a permit. Council’s reasons to refuse the permit were:

- The use and development fails to meet the purposes of the Farming zone [sic] and will result in a loss of productive agricultural land and impact on the operation and expansion of adjoining and nearby agricultural uses.
- The scale and intensity of the proposal is contrary to the rural setting of Bellbrae and concentrates the impacts of tourism development in one area compromising the landscape values, agricultural activities and rural amenity.
- The scale and intensity of the proposal does not maintain the rural buffer between the townships, the open uncluttered landscape and the visual landscape qualities of the Great Ocean Road.
- The scale and intensity of the proposal requires significant traffic management measures.

The tribunal members needed to consider many strategic directions of the Surf Coast Planning Scheme, including:

- Recognise and protect productive agricultural land and encourage sustainable agriculture.
- Enhance and expand the tourism industry.
- Protect and enhance environmental, biodiversity, landscape and heritage values and assets.
- Contain urban development to within settlement boundaries.
- Prevent land use conflict.

Among other things, respondent objectors were primarily concerned that the proposal would establish a precedent for other substantial tourist facilities with consequent impacts, such as on their rural lifestyle, traffic, environment, the rural landscape, agricultural uses and the loss of productive agricultural land. Of note, and of particular relevance, the tribunal members provided the following in response to this:

“As is commonly found by the Tribunal and responsible authorities, each permit application must be assessed on its own merits. We consider any precedent, should it be argued, that this proposal sets should be to underscore the need for the values identified in the Scheme to be understood and appropriately balanced in reaching a fair decision on the planning merits. Central to this is analysing the planning outcomes and assessing whether a specific proposal, in its individual physical setting, achieves the planning outcomes articulated by the planning authority”.

Ultimately, the tribunal decided the proposal resulted in a net community benefit, providing the following:

- Clause 10.04 of the Scheme requires the decision maker to integrate the range of relevant policies and balance conflicting objectives in favour of net community benefit and sustainable development for the benefit of present and future generations. Multiple objectives must be balanced in this permit application. Questions of access, native vegetation removal and noise emissions have the greatest potential negative impacts.
- Overall, and after detailed consideration and analysis of the carefully prepared and well-presented material, we have found that:
 - The proposal has positive and acceptable outcomes in terms of the use and development of the subject land based on the relevant considerations in the Scheme.

- Where there are potential unacceptable impacts, or unresolved matters such as wastewater disposal, we are persuaded that the impacts can be managed and mitigated to an acceptable level through permit conditions.

VCAT Decision P877/2016

This decision overturned Council's original refusal to grant a permit for the extension of a residential building, to be used for tourist accommodation in the Rural Conservation Zone. The responsible authority issued a Notice of Refusal to Grant a Permit due to the alleged failure of the proposal to protect the environmental, landscape and cultural values of the Shire, and to respond appropriately to the objectives of the Rural Conservation Zone.

The member's reason for ultimately setting aside the Council's refusal and granting a permit, was that the proposal would result in a small, net community benefit. Reasons for the benefit are detailed below.

- The impacts of the proposed buildings and associated works on the landscape and environmental values of the land are very minor and that in the longer term the maturation of the proposed landscape is likely to result in a positive outcome.
- The proposal will contribute to the economy of the area by providing tourist accommodation in the viewshed of the Bells Beach Surfing Recreation Reserve, an important tourist related destination, while carefully protecting the valued characteristics of the area.
- The proposal will contribute to improving the accessibility of this important tourist destination for all people.
- The proposal will provide a supplementary income which will help support the ongoing use of the land for farming purposes.

The important issues in this application related to the protection of environmental and landscape values and the importance of tourism. These are issues which appear regularly in a whole range of aspects of planning policy. The member ultimately had to balance policy objectives which aim to protect the landscape values of rural precincts and ensure ecological and biological conservation, but also aim to encourage tourism opportunities and expand the tourism industry.

This outcome highlights the importance of providing clear local strategies to ensure desired objectives for tourist development are met. It also emphasises the continued need to advocate to the State Government to allow for more nature based tourism uses in the Rural Conservation Zone, to be assessed on their individual merit and permitted on a discretionary basis.

Relevant Precedence

Greater Geelong

As discussed, in 2013 the State Government changed the rules on the types of development that can occur in rural areas through Victoria Planning Provisions and Planning Schemes by Amendment VC103 (5 September 2013). Principally the reforms sought to provide flexibility for farmers and land owners, support business, encourage tourism and provide greater flexibility of land uses. A number of changes were made to both the Farming (FZ) and Rural Conservation (RCZ) zones.

The City of Greater Geelong has recently amended local policies in relation to their rural areas, which re-establish the link between rural activity on the land and decision making guidelines for discretionary uses. The Greater Geelong Planning Scheme previously managed tourism development in rural areas through a Local Planning Policy (LPP) for *Tourism Development in Rural Areas* (Clause 22.06). This has now been amended to *Tourism, Accommodation and Function Centre Development in Rural Areas*.

Amended Clause 22.06 applies to all land zoned Farming and Rural Conservation, the objectives of which are:

- To support tourism development in rural areas that contributes to the growth of the tourism market.
- To diversify the range of accommodation types to address an identified demand.
- To preserve the productive agricultural capacity of the land and where possible enhance the environmental condition of the land.
- To ensure the scale of development will complement and respect the rural landscape character of the area;
- To ensure development will not result in the urbanisation of the area;
- To ensure a mix of accommodation options are provided in camping and caravan parks.

Clause 22.06 now provides policy for tourism, accommodation and function centres, in relation to the following areas:

- Preferred location
- Impacts on agricultural activity
- Design and Siting
- Amenity
- Traffic and Services
- Camping and caravan park design

The amendment also introduced a brand new policy, Clause 22.64, *Discretionary Uses in Rural Areas*. The objective of new Local Planning Policy 22.64 is:

- To discourage discretionary non-agricultural uses in rural areas that could reasonably be located in an urban zone.
- To preserve the productive agricultural capacity of the land and where possible enhance the environmental condition of the land.
- To maintain the unique rural landscape character of rural areas.

For a discretionary non-agricultural use, it is policy that:

- The intensity of the use will complement and support the local rural context.
- The use will not result in an unreasonable loss of productive agricultural land.
- Existing agricultural activity on adjoining land will not be compromised.
- The scale of the development will complement and respect the rural landscape character.
- Buildings and structures are designed and sited to not be visually dominant and can blend into the surrounding landscape and natural environment. Visual impacts should be mitigated or minimised through sensitive design, landscaping, materials and colours.
- The site has access to an appropriately constructed or sealed road that is capable of accommodating anticipated traffic levels or has convenient access to a major road.
- The site has access to all necessary servicing infrastructure. Where infrastructure is required or needs upgrading the applicant will meet all costs.

Amendment VC103 brought about the potential for a number of permit applications to be received for the new discretionary uses. This has created a gap in the Surf Coast Local Planning Policy to guide this decision making process. The Surf Coast Shire has an opportunity to prepare new local policy(ies) and review existing policies to address the changes introduced by VC103. Similar to Geelong's Clause 22.64, this policy could be used to guide applications for discretionary uses in the Farming and Rural Conservation Zones, and provide clear guidelines for the decision making process.

Planning Issues for the Hinterland

Clarifying Uses in the Rural Conservation and Farming Zones

There is currently a gap in the Surf Coast Planning Scheme to guide decision making for discretionary uses in the Rural Conservation and Farming Zones. There is competing policy in relation to the protection of environmental and landscape values and the promotion of tourism facilities and the economic development it brings.

Many Rural Conservation Zones are located on the fringe of towns and generally have a low agricultural value. In many cases such areas were zoned to preserve a significant viewline.

The role of tourism in the Farming Zone needs clarification. This could include guidelines to support tourism of particular types in precincts of the hinterland. Moreover, decoupling tourism from needing an agricultural use could be explored.

Tourism uses are diverse and can include leisure and recreation, outdoor recreation, food and drink processing and accommodation.

The discretionary uses that present opportunity in these zones need to be identified and tested based on the directions of the strategy development process. Guidelines that might be considered include:

- Location within a defined tourism precinct;
- Impact on image and landscape and environmental values;
- Complementarity to farming practices; and
- Access to arterial route / tourism route.

Refining Planning Policies

In addition to the above, there is an opportunity to refine Surf Coast Shire's Local Planning Policy Framework to align with the outcomes of the final strategy (when available), addressing Agriculture Policy,

Rural Landscape Policy, Environmental Values Policy, Tourism Policy, Bushfire Management Policy, Infrastructure Policy and Economic Development Policy.

Consideration could also be given to preparation of Localised Planning Statements. These provide a basis for more detailed investigation of Planning Scheme tools and implementation mechanisms to support appropriate controls, change and development. There is an opportunity to investigate and advocate to State Government for a Localised Planning Statement to be developed for the Surf Coast hinterland to recognise the key agricultural, food security, environmental, landscape and tourism values the locality offers to the State.

Summary

The current policy in the Surf Coast Planning Scheme provides direction on the important role of the rural hinterland areas to the Surf Coast in terms of economic value, amenity and environmental outcomes.

As part of the strategy development process, there is opportunity to:

- Clarify land use zones and areas in which agricultural and tourism sectors should be focused;
- Clarifying discretionary uses in the Rural Conservation and Farming Zones; and
- Refining planning policies to align with strategy outcomes.

3 LAND USE AND INFRASTRUCTURE REVIEW

Introduction

This section of the report provides a profile of land use, lot size and infrastructure conditions in the hinterland area. This includes an overview of agricultural and business uses in the area and provision of transport, telecommunication and water and sewerage infrastructure.

Land Use Profile

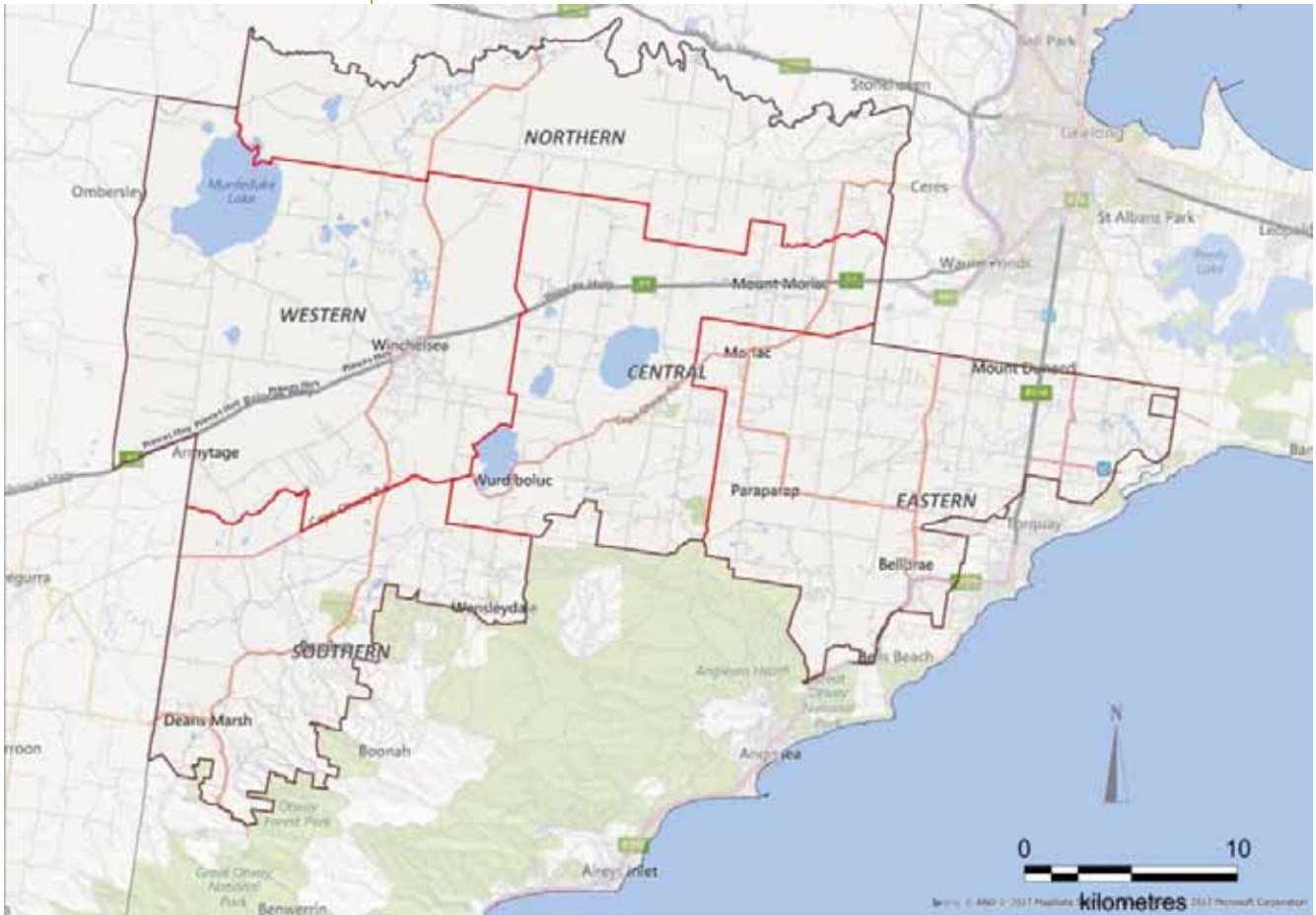
The land use profile of the Surf Coast hinterland has been undertaken for the purposes of providing information to assist in the preparation of the Hinterland Strategy.

The hinterland has been split into five sub-regions to assist profiling (based on Surf Coast Shire definitions). These are as follows:

- Northern sub-region;
- Western sub-region;
- Central sub-region;
- Eastern sub-region; and
- Southern sub-region.

These areas are shown in in the figure below.

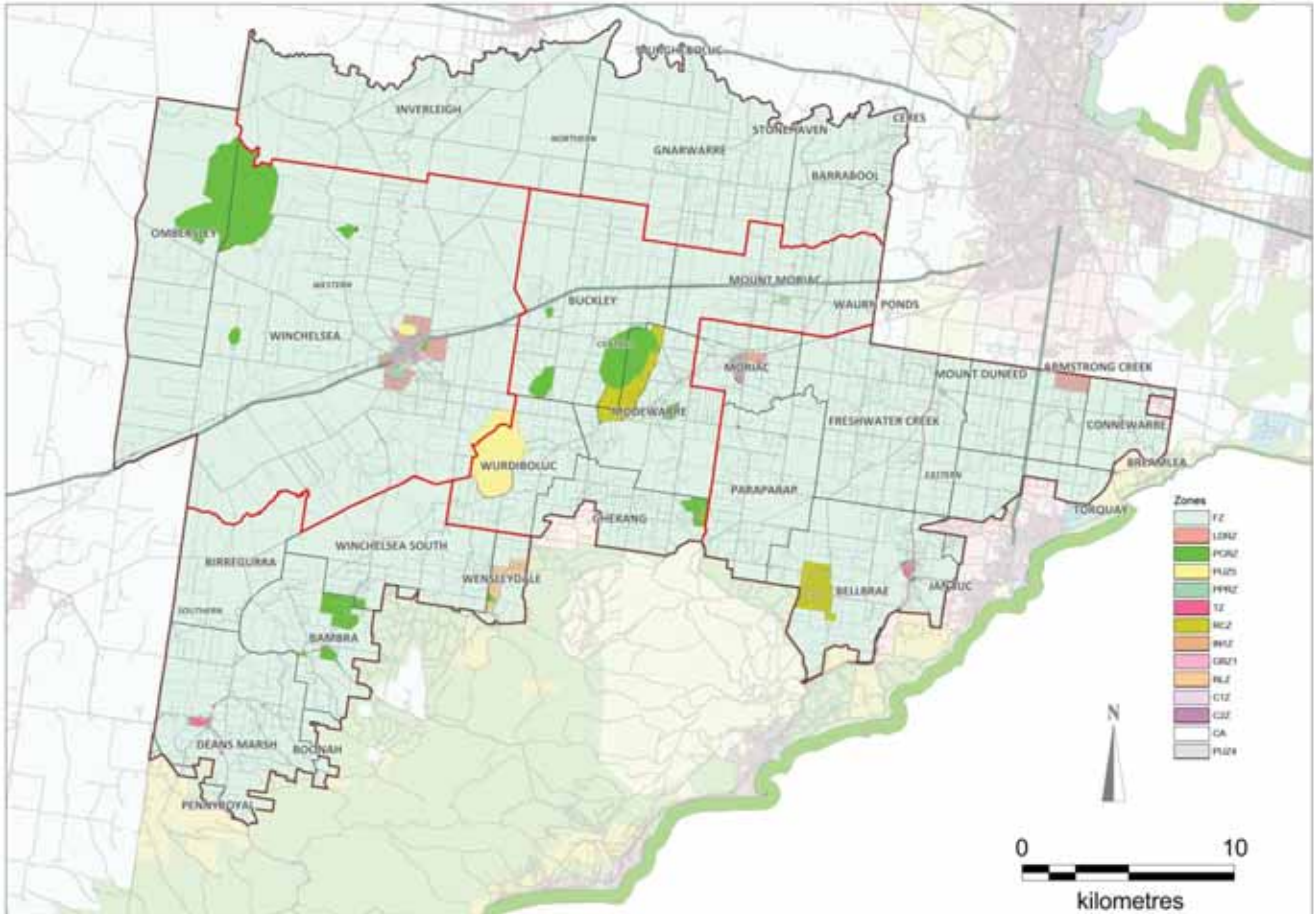
Figure 2 - Surf Coast Shire Hinterland by Sub-Region



Zones and Overlays

The current land use zoning and overlay framework is shown in the following two figures. The Farming Zone (FZ) is the primary zone in the hinterland area. The Rural Conservation Zone (RCZ), Public Conservation and Resource Zone (PCRZ) and Rural Living Zone (RLZ) are also notable in the area.

Figure 3 - Planning Scheme Zones



The Rural Strategy Review 2007 identified five landscape precincts based primarily on landscape features, but also factoring in land use, agricultural quality, tenement/allotment patterns and environmental values.

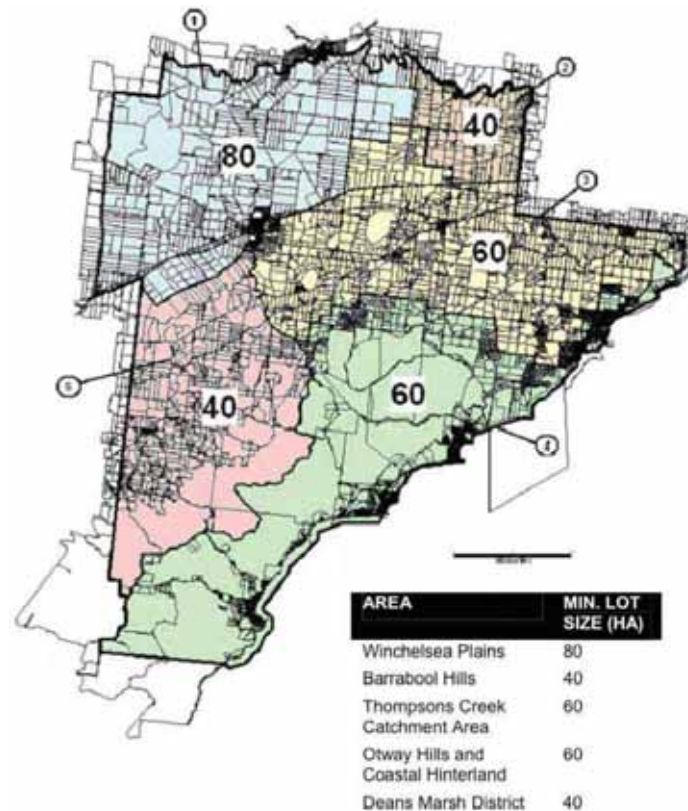
The key elements of the landscape precincts are summarised below:

- Winchelsea Plains – productive agricultural land with larger lots and includes intensive animal husbandry uses such as piggeries and broiler farms.
- Barrabool Hills – significant ridgeline topography with smaller lots and sparse settlement pattern and opportunity for more intensive use subject to water with close proximity to Geelong.
- Mixed farming – undulating and cleared land with broad acre farming opportunity at the western end and the eastern end has opportunity for more intensive, irrigated agricultural outcomes subject to access to water.

- Cape Otway Road to Northern Foothills and Coast – undulating land with a combination of open pastures with dense bush in pockets and includes Bells Beach. Parts around Deans Marsh have an opportunity for tourism outcomes associated with an attractive setting and niche agriculture outcomes.
- Otway Ranges and Coast – features dense forest and coastal heath in hilly setting along the coast. Visually attractive and dominated by Otway Park. High fire risk and environmental values will impact on opportunities for tourism uses outside the townships.

These areas are shown in in the figure below.

Figure 4 - Rural Strategy Review 2007 Five Landscape Precincts



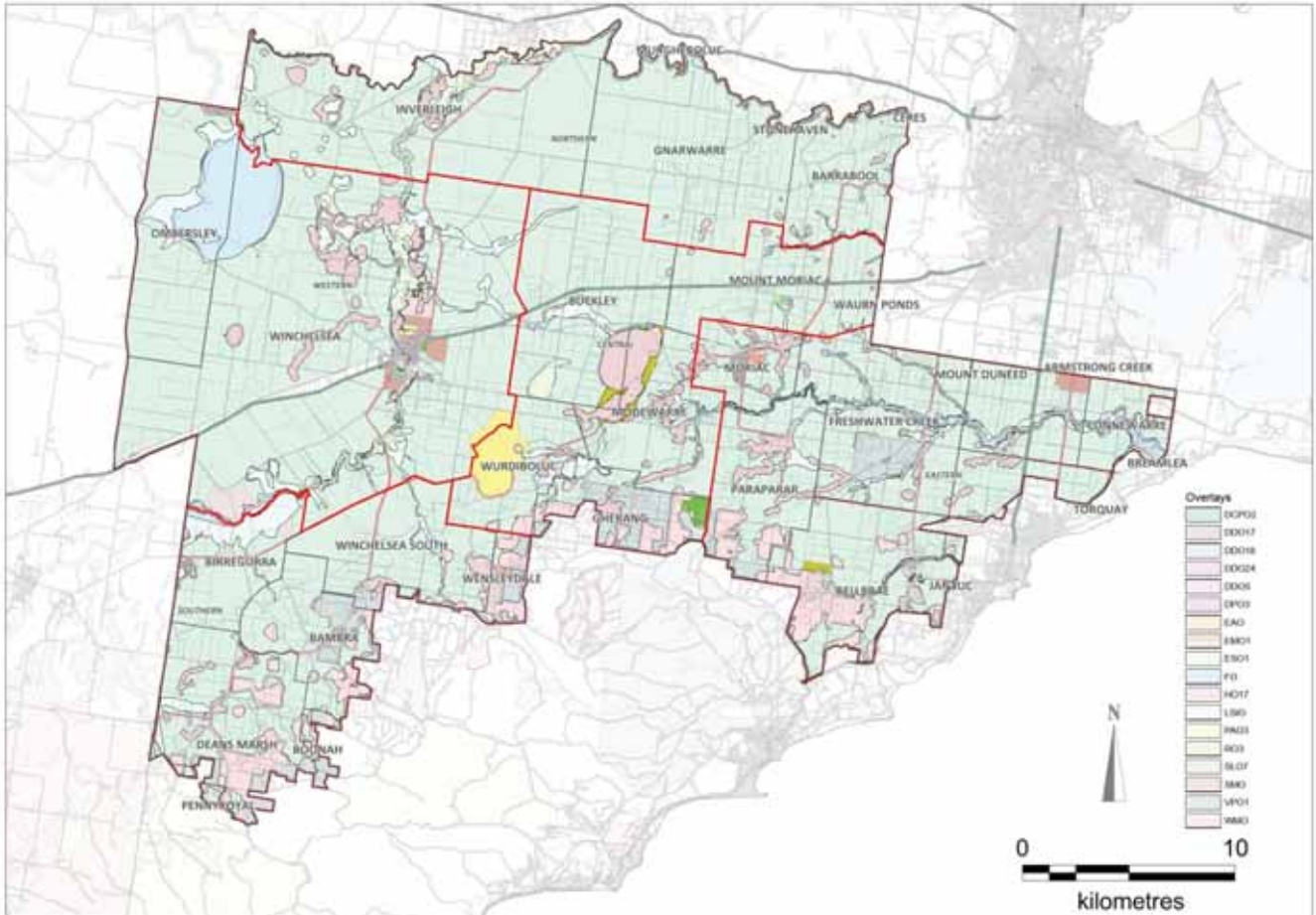
Subdivision of Farming Zone land in each of the five landscape precincts is restricted to the minimum sizes (hectares) shown in Figure 4.

An audit of land stock by planning zone is shown in the table below and identifies that the large majority – approximately 95 hectares or 94% of the total land area – of the existing land in the rural hinterland is zoned Farming Zone.

Table 3 - Land Stock by Zone, Surf Coast Hinterland

Zone	Area HA	Share
FZ	95,157.45	93.9%
PCRZ	2,725.05	2.7%
PUZ6	993.32	1.0%
RCZ	743.88	0.7%
RDZ2	628.08	0.6%
LDRZ	444.30	0.4%
RLZ	164.40	0.2%
GRZ1	155.48	0.2%
PPRZ	147.08	0.1%
TZ	129.55	0.1%
IN1Z	23.38	-
C2Z	13.22	-
CA	0.05	-
Total HA	101,325.24	100.0%

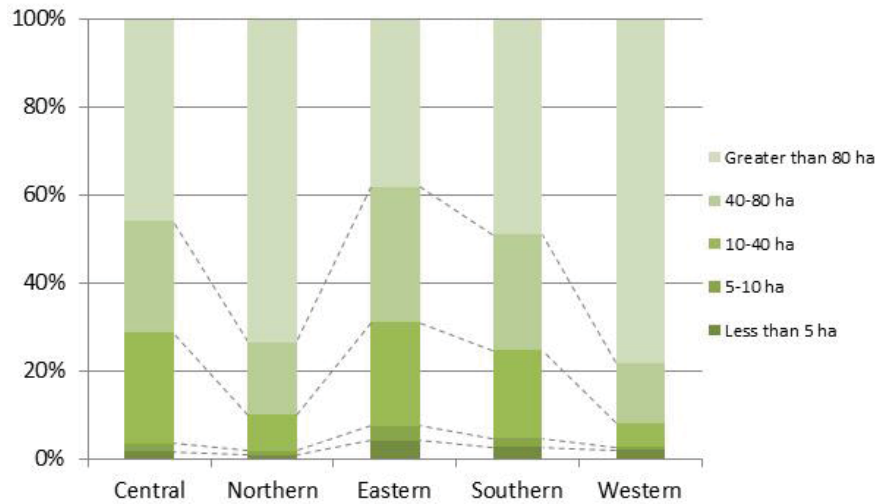
Figure 5 - Planning Scheme Overlays



Lot Sizes

The figure below provides an indication of the distribution of lots according to lot size across the hinterland area. A clear pattern is evident with a north south split. Larger lots are common to the northern portion of the hinterland area, while smaller lots are concentrated on the south, with notable concentrations around Winchelsea, Deans Marsh, Wensleydale, Gherang, Bellbrae, Jan Juc, Moriac and Mount Moriac.

Figure 6 - Lot Areas by Sub-Region



Smaller lots (less than 5 hectares) make up over half of the total number of lots (57%). Despite this, the area of such lots accounts for just over 2% of total lot coverage in the hinterland area. Conversely, the larger lots - while accounting for around 8% of lots in numerical terms - make up nearly 60% of the total area.

Table 4 - Lot Sizes by Size Band

Lot Size Band	Number of Lots	Percent of total lots	Total Area (ha)	Percent of total area
Less than 5 Hectares	2,203	57%	2,326	2%
5-10 Hectares	238	6%	1,714	2%
10-40 Hectares	687	18%	15,750	16%
40-80 Hectares	400	10%	22,174	22%
Greater than 80 Hectares	306	8%	59,593	59%
Total	3,834	100%	101,557	100%

The distribution of lot sizes by sub-region within the hinterland area is shown in the figure below. The figure shows the Western sub-region is dominated (in total area terms) by large lots, with the same being true for the Northern sub-region.

Conversely the Eastern, Central and to a lesser extent the Southern sub-regions have a smaller proportion of total land area accounted for by the largest lots.

Even though the Western sub-region has the highest proportion of land accounted for by large lots, the same sub-region also has the

highest number of lots accounted for by the smallest lots (i.e. those less than 5 hectares).

Figure 7 - Lot Distribution by Number of Lots

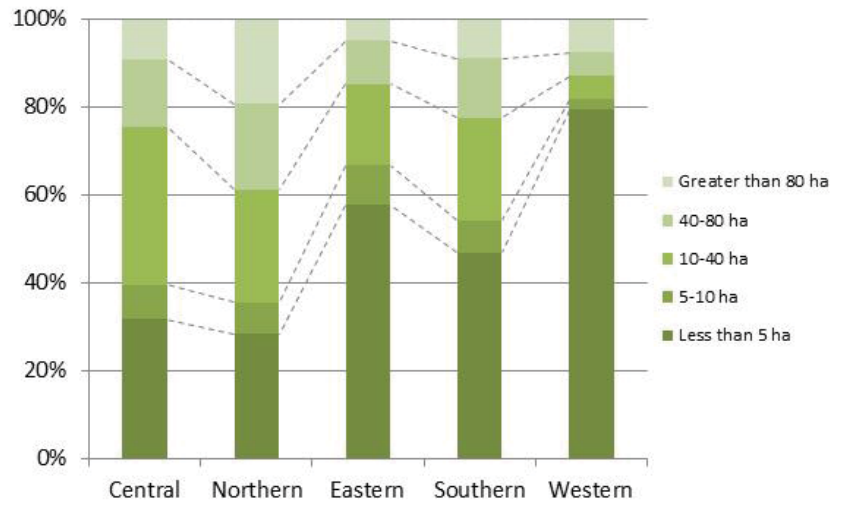
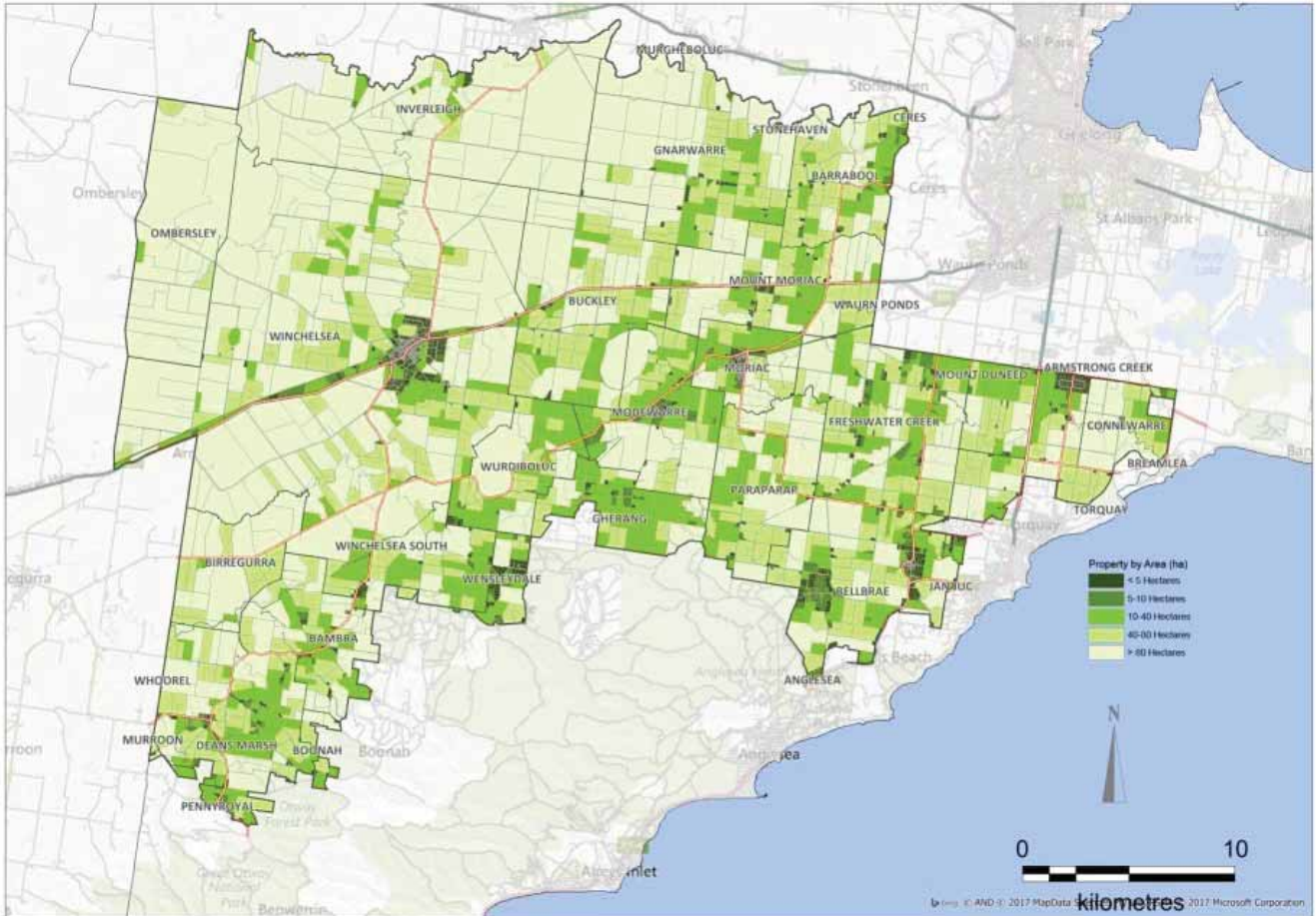
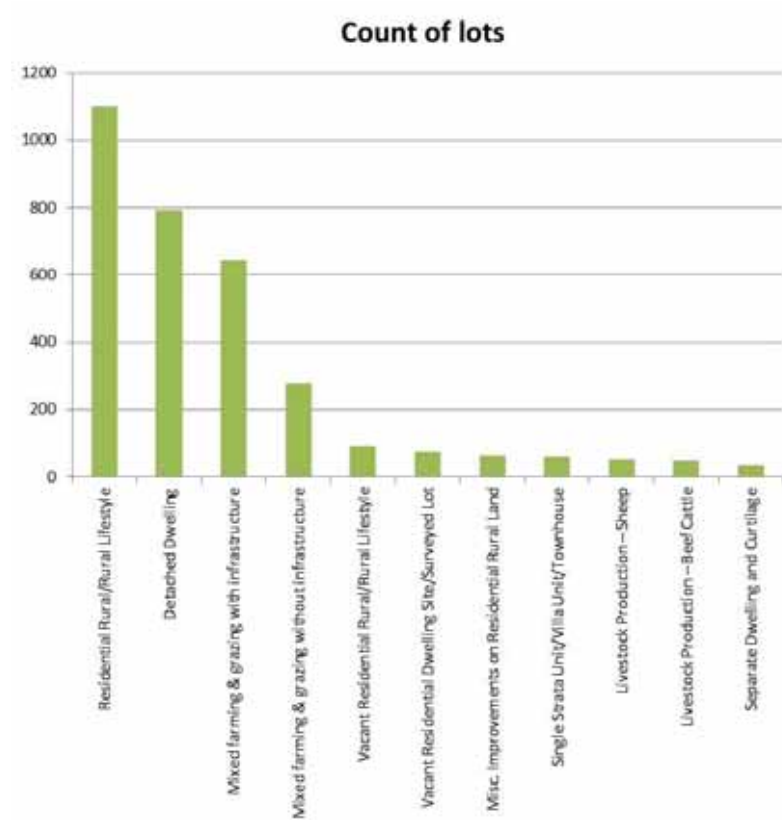


Figure 8 - Lot Size Distribution



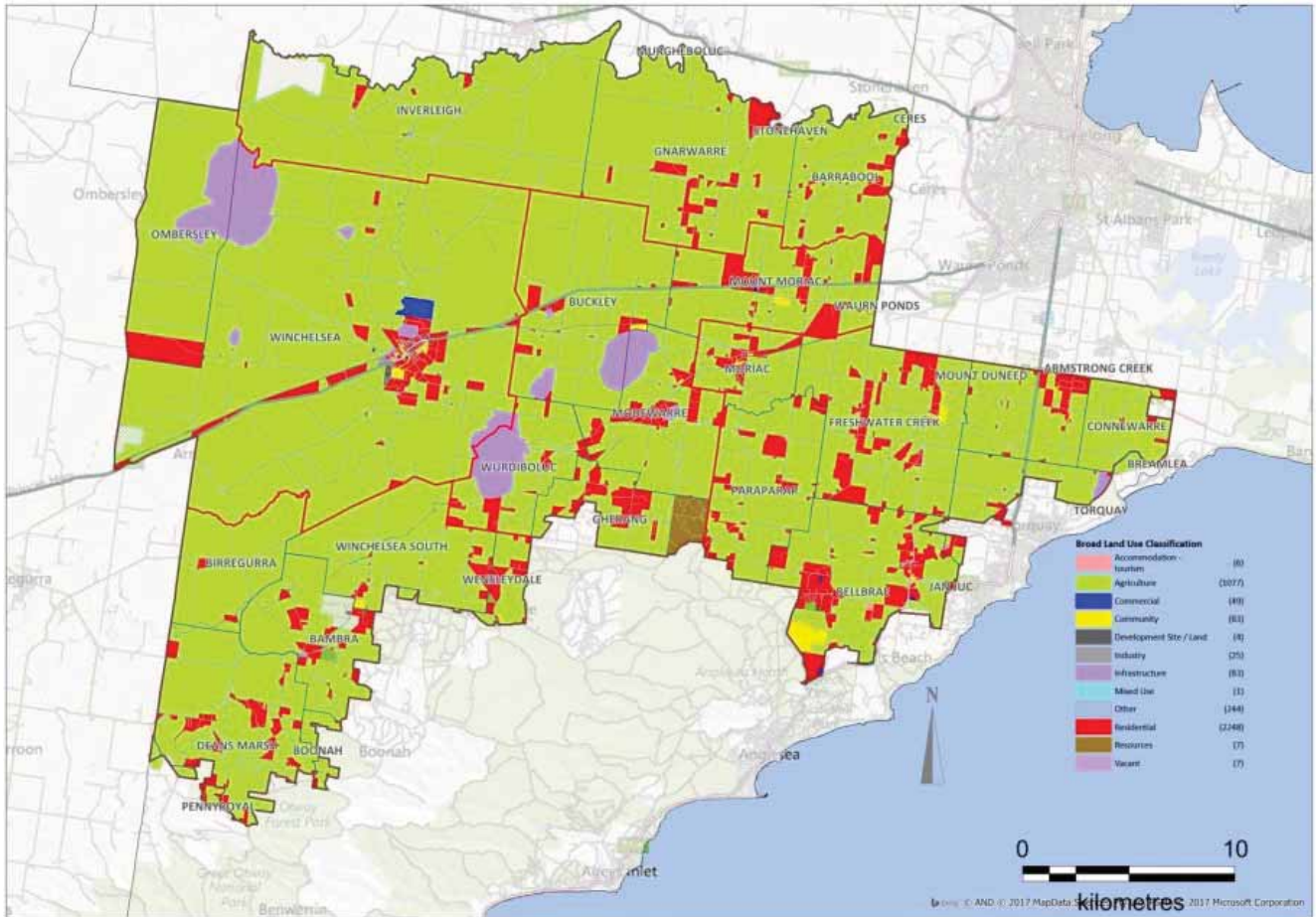
In terms of the total number of lots by type, the majority - as shown in the figure below - are residential rural / rural lifestyle lots. These lots account for 30% of all lots in the hinterland area and with other land uses broadly categorised as residential (including detached dwellings, vacant dwelling lots) account for 62% of all lots in the hinterland area.

Figure 9 - Lots by Type - Total Number



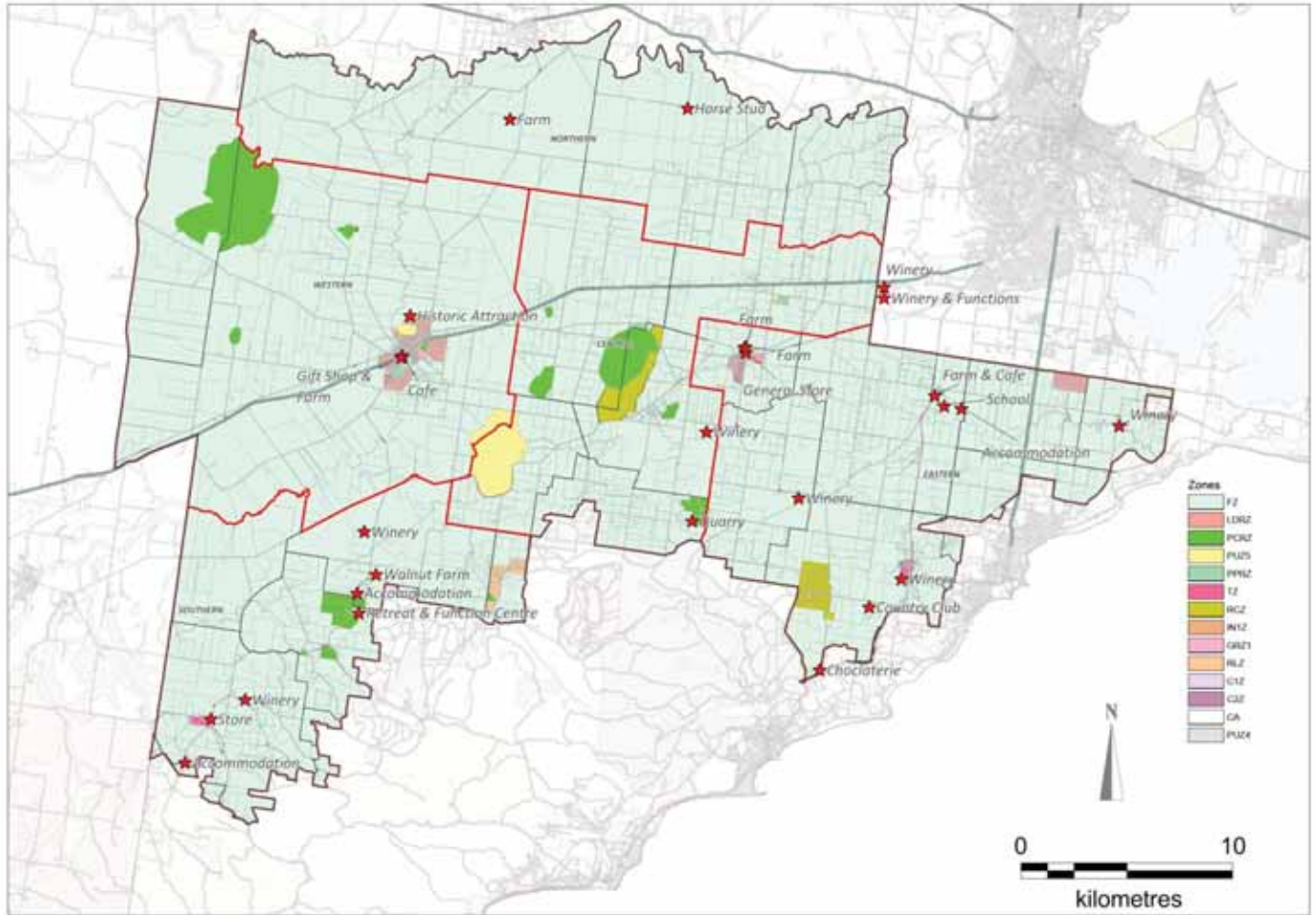
The classification of lots by broad land use is show below. The residential lots in the hinterland area are distributed to the south, east and west, with limited residential land use to the north and north-west.

Figure 10 - Broad Land Use Distribution



A sample of notable businesses and organisations in the hinterland area is depicted in the figure below. This identifies a sample of organisations that are identified in tourism and other places of interest map sources.

Figure 11 - Zones and Selected Organisations



Agricultural Land Use

Mixed farming and grazing – with / without infrastructure - are the dominant forms of agricultural land use accounting for 86% of agricultural lots in the hinterland area by number, and 77% by land area. When livestock production - both sheep and cattle are included - the proportion of lots and land consumed rises to 95% and 93% respectively.

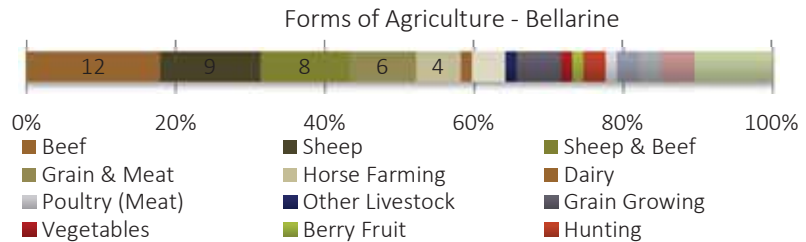
Table 5 - Lots and Land Consumption by Agricultural Land Use

	Count of lots	Area (HA)
Mixed farming & grazing with infrastructure	643	45,904
Mixed farming & grazing without infrastructure	278	20,437
Livestock Production – Sheep	51	9,534
Livestock Production – Beef Cattle	49	4,695
General Cropping	13	1,979
Market Garden - Vegetables	8	473
Poultry (broiler production)	8	1,295
Mixed farming and grazing	7	149
Softwood / Hardwood Plantation	6	662
Horse Stud/Training Facilities/Stables	4	868
Vineyard	3	56
Plant/Tree Nursery	2	14
Livestock Production – Dairy Cattle	2	175
Piggery	1	189
Domestic Livestock Grazing	1	2
Commercial Flower and Plant Growing – (outdoor)	1	66

Previous work¹ identified a lack of diversity in agriculture in the hinterland, particularly when contrasted with areas such as Geelong’s Bellarine area. In the Bellarine, 65% of agriculture businesses are geared toward animal husbandry, with a more diverse spread of business types throughout the industry.

¹ Remplan 2016

Figure 12 - Agriculture Businesses - Bellarine



Source: REMPLAN 2016

The distribution of agricultural land uses across the Surf Coast hinterland area is shown below. The distribution of mixed farming and grazing land is relatively even across the hinterland area - with the exception of the Southern region. The Central, Northern, Eastern and Western sub-regions all contain between 20% and 25% of the mixed farming and grazing land, while the Southern sub-region contains just 14% of the hinterland area total.

The concentration of agricultural subsectors by sub-region is shown below.

Table 6 - Agricultural Sector - Proportion of Land Area by Sub-Region

Sector	Central	Northern	Eastern	Southern	Western
Mixed Farming and Grazing	20%	21%	25%	14%	20%
Livestock Production	6%	11%	0%	21%	63%
Horse Stud/Training Facilities/Stables	9%	87%	4%	0%	0%
Poultry (broiler production)	16%	10%	7%	0%	67%
Piggery	0%	0%	0%	0%	100%
General Cropping	0%	51%	0%	13%	36%
Market Garden - Vegetables	7%	5%	73%	0%	15%
Vineyard	36%	0%	26%	38%	0%
Softwood Plantation	0%	0%	0%	100%	0%
Plant/Tree Nursery	0%	70%	30%	0%	0%
Commercial Flower and Plant Growing – (outdoor)	0%	0%	100%	0%	0%

Livestock production is concentrated in the Western sub-region and this area account for 63% of the hinterland area’s livestock production. The Western sub-region also contains the majority - or 72% - of the hinterland area’s sheep production.

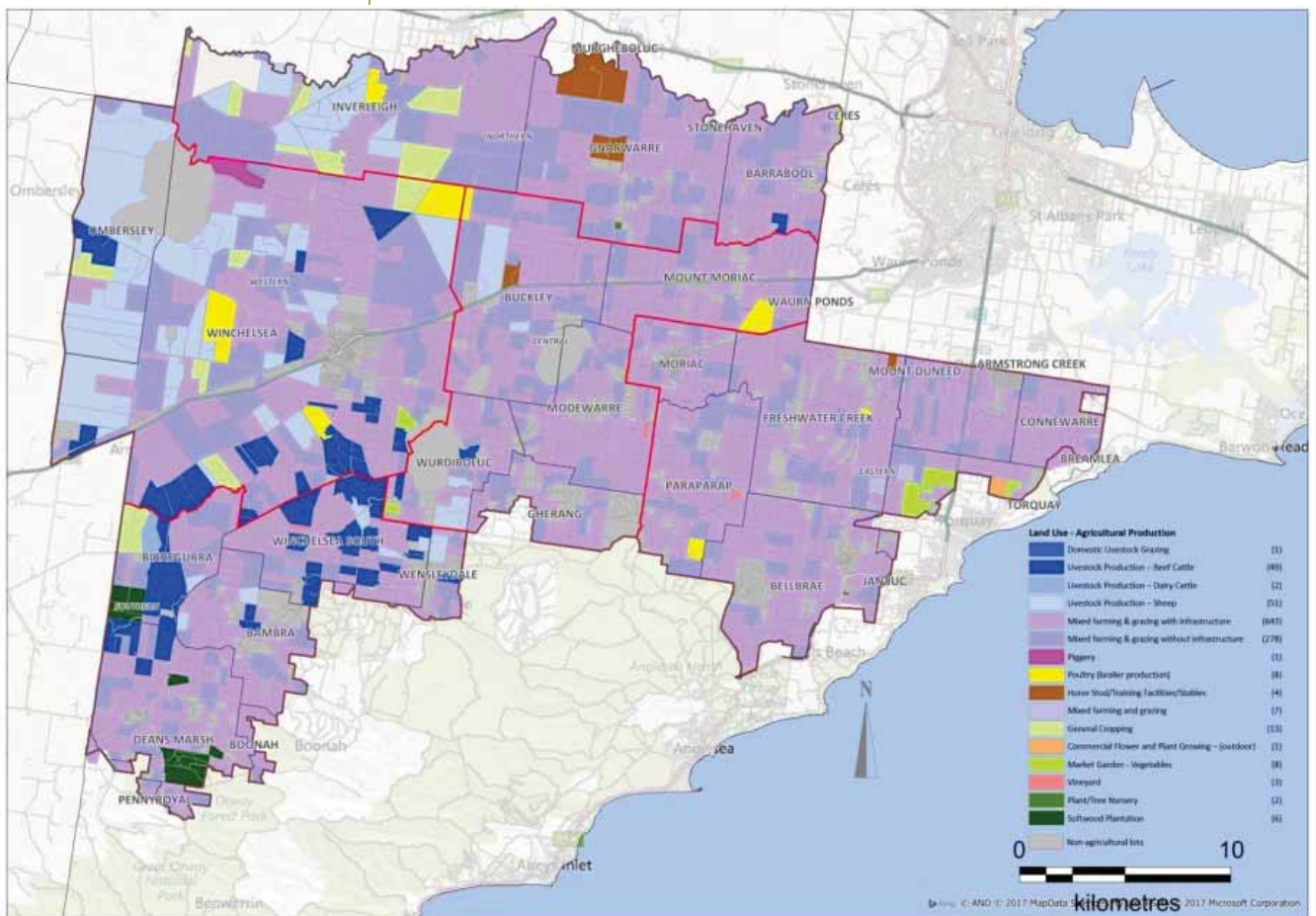
Horse Stud / Training Facilities / Stables are concentrated in the Northern sub-region, including the Rosemont Stud in Gnarwarre. Nearly 90% of the hinterland area’s 868 hectares of land consumed by this land use is in the Northern sub-region. Other notable equine industry locations in the hinterland area include the Carawatha Stud, Buckley in the Central sub-region.

The Western sub-region is home to the bulk of the hinterland area’s Poultry production. It is estimated that 67% of the hinterland area’s broiler production is concentrated in the Western sub-region, with

significant facilities to the west of Winchelsea, off Peels Road between Winchelsea and Inverleigh, and off the Winchelsea-Deans Marsh Road to the South of Winchelsea.

General cropping is another significant agricultural land use in the hinterland area, accounting for nearly 2,000 hectares of land in the hinterland area. This is concentrated around Inverleigh in the Northern sub-region, Birregurra in the South, and dispersed across the Western sub-region.

Figure 13 - Agricultural Lot Distribution



Commercial Land Use

The distribution of commercial and industrial land use by type across the hinterland area's sub-regions is shown below.

Table 7 - Properties by Land Use Classification – Land Area SQM

	Central	Northern	Eastern	Southern	Western	Total
Retail	0	0	106,688	11,442	32,427	150,556
Industrial	0	0	0	0	213,336	213,336
Food and Drink	32,381	0	530,235	0	14,133	576,748
Post Office	0	0	0	0	721	721
Health	0	0	998	0	3,398	4,396
Other	0	0	0	0	10,073	10,073
Museum	0	0	0	0	1,300,256	1,300,256
Total	32,381	0	637,921	11,442	1,574,343	2,256,086

While this table represents the split between areas, it does not accurately portray the difference in distribution of the various land use classes. For example, the Eastern sub-region is shown to contain approximately 53 hectares of land use dedicated to food and drink premises. However, there were just six properties identified as food and drink establishments in the Eastern sub-region – comprising one pub, two cafés, two restaurants, and one licensed restaurant.

The number of properties in each land use category by sub-region is shown below. The table shows the majority of commercial and industrial properties are located in the Western sub-region, which accounts for 58 of the 74 properties in these land use classifications.

Table 8 - Properties by Land Use Classification - Number

	Central	Northern	Eastern	Southern	Western	Total
Retail	0	0	5	3	24	32
Industrial	0	0	0	0	25	25
Food and Drink	1	0	6	0	3	10
Post Office	0	0	0	0	1	1
Health	0	0	1	0	2	3
Other	0	0	0	0	2	2
Museum	0	0	0	0	1	1
Total	1	0	12	3	58	74

Transport

Further analysis of the data reveals that all of the commercial and industrial properties in the Western sub-region are located in Winchelsea, which is not the focus of the Hinterland Strategy. Winchelsea is also home to the only property identified by a land use code as being a Museum / Gallery – being the Barwon Park Mansion, located 3km north of the Winchelsea town centre.

Other locations with commercial and industrial land uses within the area are largely concentrated in the Eastern sub-region, which is home to a further 12 of the hinterland's commercial and industrial properties; five of which are in Bellbrae, with a further three in Moriac and three in Freshwater Creek. Deans Marsh, in the Southern sub-region, is home to three commercial-industrial land use properties.

Roads

The hinterland is served by a road network including arterial roads and highways together with a network of local roads. The Princes Highway runs east–west connecting Geelong through Winchelsea to Colac and beyond through to Camperdown and Warrnambool.

Other significant roads in the region are noted as follows:

- The Cape Otway Road from Moriac through Winchelsea South to Birregurra;
- Geelong Ring Road connecting Melbourne to Freshwater Creek via Anglesea Road;
- Winchelsea – Deans Marsh Road (from Winchelsea to Deans Marsh);
- Deans Marsh – Lorne Road (from Deans Marsh to Lorne);
- Great Ocean Road from (Torquay to Allansford); and
- Surf Coast Highway (from Geelong to Torquay and the Great Ocean Road).

Improvements to the network in recent years include:

- Duplication of the Princes Highway to Winchelsea and to Colac;
- Safety improvements to the Great Ocean Road; and
- Completion of the Geelong Ring Road / Princes Highway West.

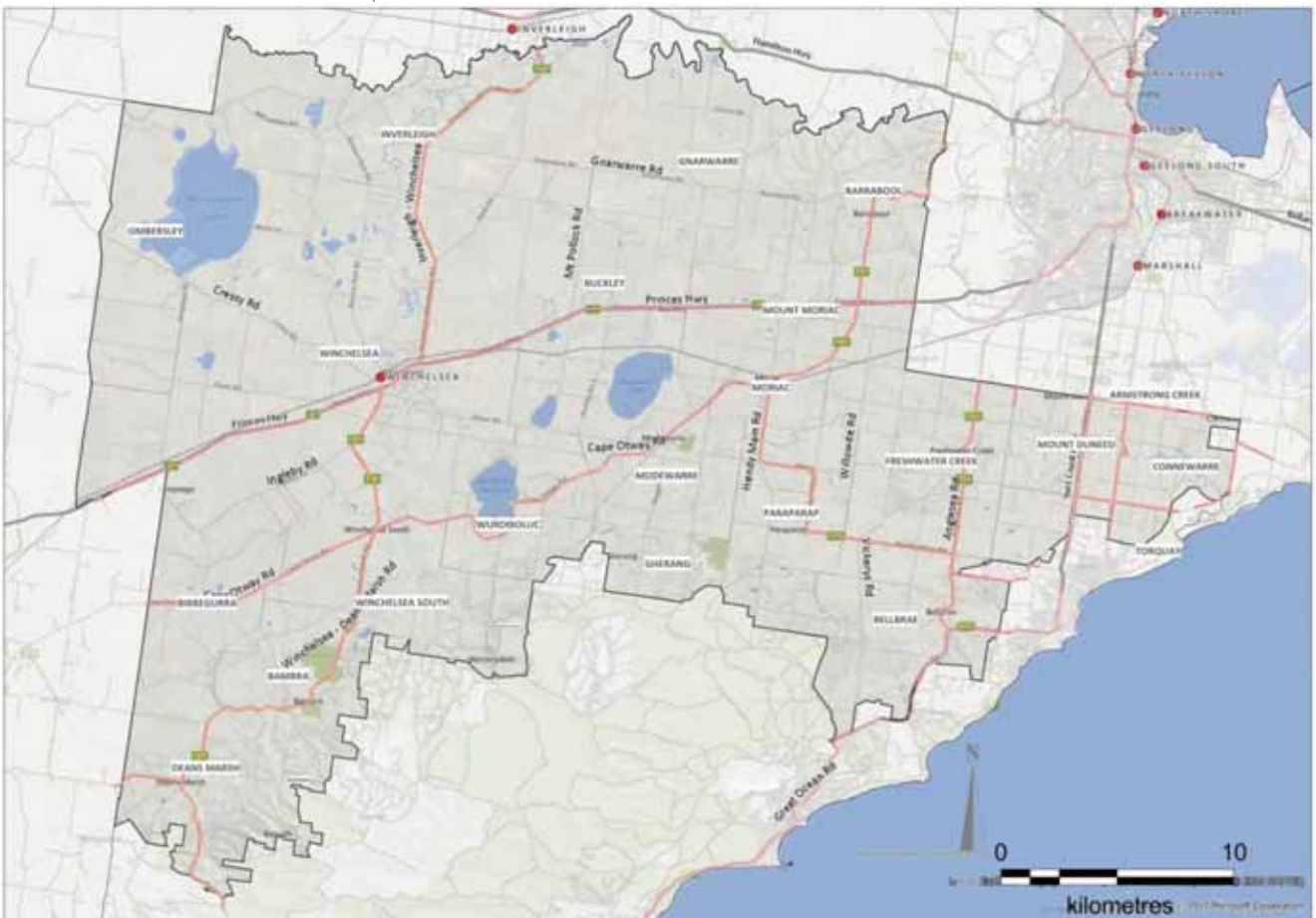
The road network serves incoming cars (primary mode of transport), while there are enough walking/cycling trails to serve the nature-based tourists and exploit the natural environment.

However, the transport infrastructure is not of a sufficient quality to accommodate high volumes of traffic, especially along Lorne Deans Marsh Road, which is experiencing higher demand and a key connection with Great Ocean Road.

Many of the unsealed roads are unsuited to tourist traffic. The Pennyroyal Valley has a large cluster of tourism related businesses on unsealed roads and access is problematic. Cycling both on and off-road is also problematic throughout the area.

The road network and transport infrastructure in the hinterland is shown below.

Figure 14 - Road / Transport Networks



Public Transport

Surf Coast is served by both train and bus services, operated by the state as well as private providers. The table below shows that public transport services operate in eight towns within the Surf Coast Region, including several towns within the hinterland (e.g. Deans Marsh and Winchelsea). However, there is only one train line servicing the region, which runs through Winchelsea.

Table 9 - Public Transport Services for the Surf Coast Region

Town	Bus	Train	Comments
Anglesea	✓	x	V/line GOR Bus service
Aireys Inlet	✓	x	V/line GOR Bus service
Bellbrae	✓	x	V/line GOR Bus service
Deans Marsh	✓	x	Colac-Lorne Summer service
Jan Juc	✓	x	V/line GOR Bus service McHarry's private operator
Lorne	✓	x	V/line GOR Bus service Colac-Lorne Summer service

Rail services connecting the hinterland are limited to the Warrnambool to Melbourne line. A station at Winchelsea provides connectivity to Geelong and Melbourne with eight daily train services connecting to Melbourne and one train terminating at Geelong. Bus services provide connectivity to the rest of the hinterland.

Walking Tracks

There are more than 70 bush and coastal walks in the Surf Coast, covering the hinterland and beachfront areas. These serve to encourage nature-based and adventure seeking visitors to the area.

The more prominent - and more popular - walking track is the Surf Coast Walk, covering 44km along the coast, from Breamlea to Fairhaven. In addition, there are numerous walks around the Lorne area that take into account surrounding waterfalls and hinterland areas (a sample of these walking tracks are outlined in this section of the report).

Cycling Trails

While there are numerous BMX / mountain bike parks throughout the region, there are also more than 30 recommended cycle trails in the Surf Coast.

In addition, the prominent Otways Cycle Trail, while beginning outside the region, traverses both coastal and inland routes and connects through Surf Coast townships.

Overall however, while there are some isolated bike paths throughout the region, there is very limited interconnection. There are no bike paths and inadequate bike lanes for safe cycling from towns into the hinterland, which limits accessibility.

Airport

Avalon Airport (30 minutes by road from Surf Coast) is the second airport serving Melbourne and Victoria. It is a curfew free airport with a single runway, currently used by Jetstar for domestic flights and offers freight and ground handling services. Passenger movements are predicted to reach 9 million by 2031. Further expansion of the airport is mooted, which will increase passenger handling capacity and provide international aircraft services.

Ports

GeelongPort is located in Corio Bay. It is the largest bulk port in south-east Australia. The port comprises 15 berths across two primary precincts, Corio Quay and Lascelles. The Port handles over 600 vessel visits every year, with a majority of the shipping activity linked to the bulk liquid berth at Refinery Pier.

As the second largest port in Victoria, GeelongPort handles more than 10.5 million tonnes of product annually across a broad range of industry segments, including crude oil, wood-chip, fertiliser and break bulk cargo. Tonnage handled by cargo type is shown below.

Table 10 - Tonnes Handled Annually at GeelongPort by Cargo Type

	2012	2013	2014	2015	2016	2017
Woodchip	742,903	640,827	739,427	965,106	1,435,498	1,435,031
General Cargo	344,006	671,057	967,153	349,060	271,502	251,530
Fertiliser	1,135,371	1,264,366	1,429,529	1,489,020	1,532,261	1,651,171
Other Dry Bulk	309,683	309,683	337,098	952,803	855,188	861,457
Liquid Bulk	6,818,950	7,410,327	7,283,459	7,219,154	6,861,278	6,613,000
Total	9,350,913	10,323,672	11,372,371	10,877,528	10,961,996	11,027,499

Source: GeelongPort

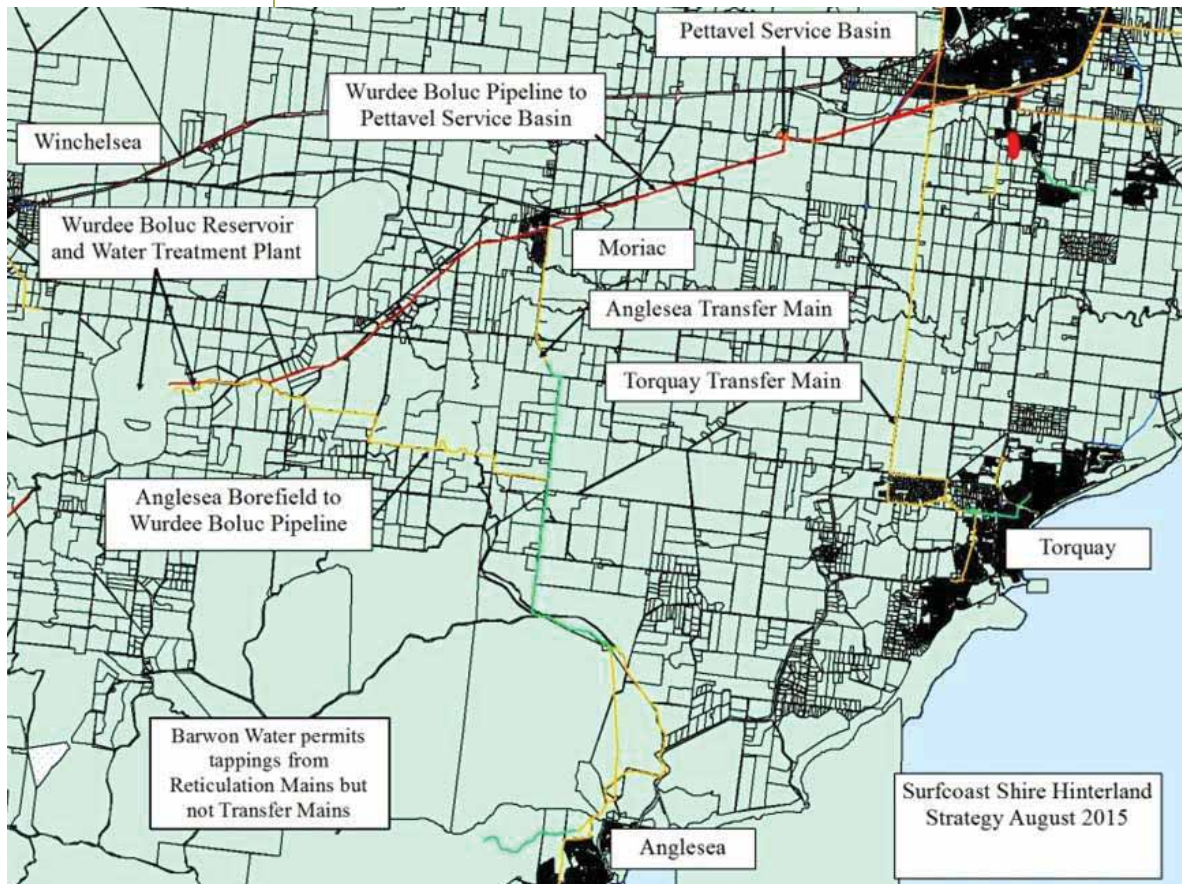
Existing infrastructure, including channel depths, is geared to bulk cargo. Neither the infrastructure nor the channels are capable of serving larger container traffic, making connectivity to road and rail systems important for the Port's ability to compete for bulk freight traffic. Over 135,000 truck movements are generated annually.

Water Resources

The information that follows relates to water, sewerage and recycled water infrastructure in the hinterland area.

Barwon Water is the service authority responsible for providing drinking water, recycled water and sewerage services to the hinterland area. A summary of the services is shown in the following figures below. These pipelines transfer bulk water from one storage to another and are not available to supply properties en route. Barwon Water's current policy is that individual properties are not permitted to connect to major transfer mains. Reticulation mains are shown in the township areas and their extent. Tappings are allowed from reticulation type mains.

Figure 15 - Water Mains in the Hinterland Area



Source: Barwon Water, 2017

Figure 16 - Water Mains in the Winchelsea Area

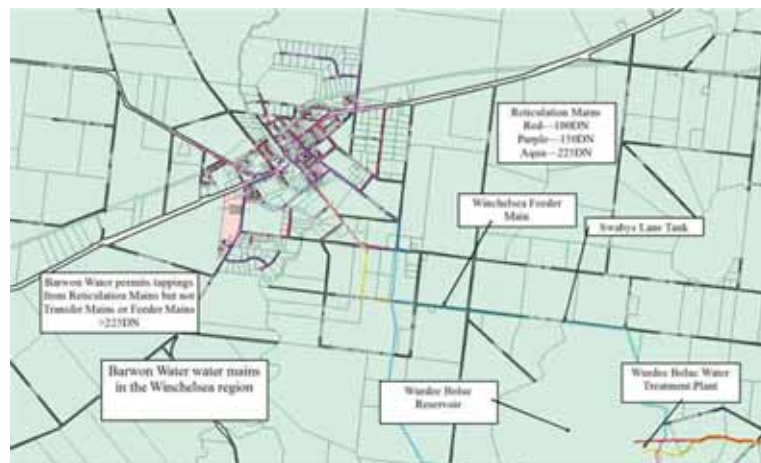
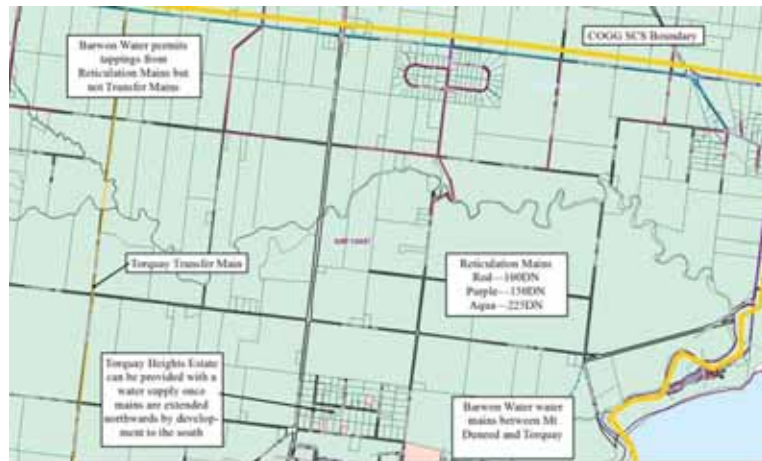


Figure 17 - Water Mains in the Moriac Area



Figure 18 - Water Mains between Torquay and Mount Duneed Area

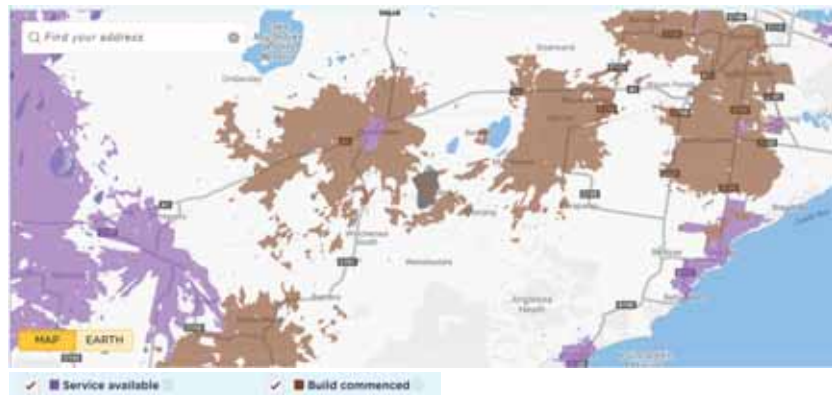


Telecommunications

NBN provision will cover the majority of the hinterland area. Winchelsea is covered (as at September 2017) by fixed line NBN with fixed wireless build commenced in the hinterland towns of Deans Marsh and Moriac. The build has not yet commenced to cover Bellbrae.

Limited internet access has been identified as a significant constraint on businesses in the hinterland. Poor connectivity limits the efficiency of businesses to operate – by limiting file transfers, access to information, communication with customers and suppliers.

Figure 19 - NBN Rollout



Source: NBN co – Rollout map 2017

Water Supply

Water supply to the hinterland is provided from the Upper Barwon catchment, with key water storages being West Barwon Dam near Forrest and Wurdee Boluc Reservoir near Winchelsea. The water supply can also be supplemented with groundwater sourced from borefields at Barwon Downs and Anglesea. Untreated water is transferred from West Barwon Dam to Wurdee Boluc reservoir by means of an open gravity channel.

At Wurdee Boluc reservoir, the water is filtered and disinfected and is conveyed by pipeline to the Geelong system as well as to the Bellarine Peninsula. The pipeline to Geelong follows the railway line and passes through the township of Moriac. Water is also pumped north to a tank which supplies Winchelsea.

The water is treated to a high standard to meet the requirements of the Safe Drinking Water Act and is priced such that the cost of production and distribution of this high quality product is recovered.

Irrigated agricultural enterprises that require highly seasonal large volumes of water (not necessarily of the quality of drinking water) are unlikely to be commercially feasible using this highly treated drinking water due to the cost and system capacity limitations.

Southern Rural Water is responsible for management of stream and groundwater extraction licences in the region. These sources, if any are available, would more likely be sources used for irrigated agriculture, rather than more expensive drinking water.

Sewerage

Sewerage is only provided to some townships within the hinterland area. Torquay and Jan Juc are connected to the Geelong Sewerage system at Black Rock. There is one inland Water Reclamation Plant (WRP) at Winchelsea and three coastal WRPs at Anglesea, Aireys Inlet and Lorne. These plants adequately cater for their current populations and service lots within the township boundary.

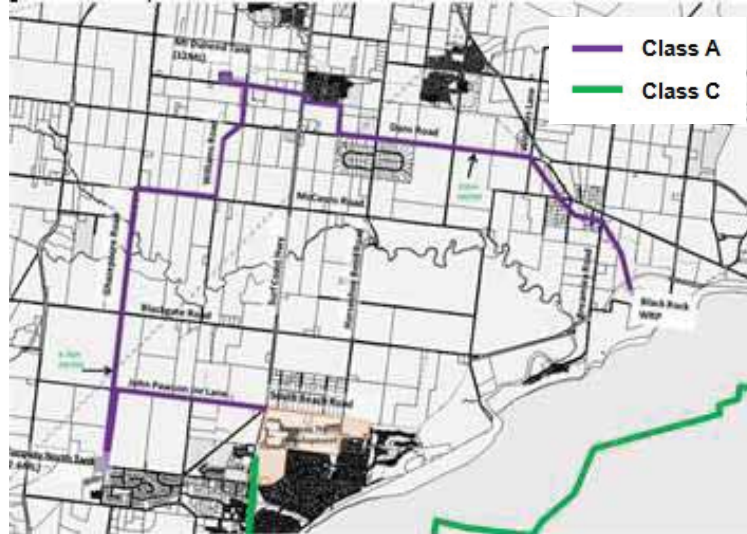
Recently, to coincide with the Growing Winchelsea Strategy, Barwon Water completed a strategy which sets out the staged upgrades required to meet a target population of 10,000 people.

Recycled Water

Recycled water is generated at the WRPs at Winchelsea, Anglesea, Aireys Inlet, Black Rock and Lorne. Recycled Water from the plants is reused where feasible. The coastal water reclamation plants discharge excess treated effluent to the ocean in compliance with a licence issued by EPA, while the Winchelsea treated effluent is used onsite to irrigate tree lots and pasture. The quality of the recycled water differs at each of the plants. The two main potential sources of recycled water in the hinterland area are the Black Rock WRP and the Winchelsea WRP.

- Black Rock WRP – The Black Rock Water Treatment Plant pumps approximately 17,500 megalitres of treated water into the ocean each year. The Black Rock WRP produces both Class A and Class C recycled water. Class C recycled water is distributed via privately owned pipelines to properties around the plant as well as in Torquay and Barwon Heads. Class A is provided to houses in the Armstrong Creek and Torquay North growth areas. In addition to this, some Class A recycled water is supplied to agriculture along the Class A pipe route to Torquay. This is via a short term connection agreement, prior to the demand being taken up by houses. The pipeline routes are shown below.

Figure 20 - WRP Pipe Infrastructure



Source: Barwon Water, 2017

- Winchelsea WRP - The volume of Class C recycled water produced at the plant will increase over time as the population grows. The table below presents the volume of recycled water from the Winchelsea WRP which could be available for use if feasible.

Table 11 - Recycled Water Volume Potential

Year	Population Sewered	Excess Class C Recycled Water Available for Irrigation (ML)
2015	1,433	50
2020	1,618	64
2025	1,817	79
2030	2,026	94
2035	2,258	111

Source: Barwon Water, 2017

The specific services available to each area are summarised below.

Table 12 - Water Services Provision

Area	Reticulated Water Supply	Recycled Water	Sewerage
Anglesea	✓	✓ (Class B)	✓
Aireys Inlet	✓	✓ (Class C)	✓
Bambra	✗	✗	✗
Bellbrae	✗	✗	✗
Deans Marsh	✗	✗	✗
Freshwater Creek	✗	✗	✗
Gnarwarre	✗	✗	✗
Moriac	✓	✗	✗
Modewarre	✗	✗	✗
Winchelsea	✓	✓ (Class C)	✓
Torquay Jan Juc	✓	✓ (Class A & C)	✓
Lorne	✓	✓ (Class C)	✓

Source: Barwon Water, 2017

Natural Gas

The supply of natural gas in the Surf Coast hinterland is limited. Torquay/Jan Juc is connected and Winchelsea recently gained reticulated gas supply, however Moriac and Deans Marsh do not currently have natural gas supply.

Specific Capacity

The available capacity in infrastructure is highly variable across the region and changes over time as urban development occurs. Barwon Water has indicated they would consider specific proposals as and when they occur.

Summary

The hinterland area's lot size and land use patterns are diverse but generally described as having a north-south split. Larger lots are common to the northern portion of the hinterland, while smaller lots are concentrated to the south along with concentrations o around towns such as Winchelsea, Deans Marsh, Wensleydale, Gherang, Bellbrae, Jan Juc, Moriac and Mount Moriac.

By number, residential rural / rural lifestyle purposes account for the highest number of lots in the hinterland area. Mixed farming, grazing and livestock production account for 95% of agricultural lots and 93% agricultural land area.

A road network (primary mode of transport) and walking / cycling trails are available in the area. However, the transport infrastructure is not of a sufficient quality to accommodate high volumes of traffic, especially along Lorne Deans Marsh Road, which is experiencing higher demand as a key connection with the Great Ocean Road.

Moreover, many of the unsealed roads in the hinterland are unsuited to tourist traffic. The

Cycling both on and off-road is also problematic throughout the area.

Water resources and reticulated systems are supplied by Barwon Water. Southern Rural Water is responsible for management of stream and groundwater extraction licences.

Businesses in the hinterland area may be able to access recycled water subject to the supply being feasible. Feasibility is enhanced where a cluster of users demand such services.

4 PROPERTY MARKET ANALYSIS

Introduction

This section provides an overview of property market activity in the region and hinterland area. The section includes an overview of prices, sales activity, land value patterns and investment and construction activity

Price Context

Variable median house price growth has been experienced across Surf Coast's hinterland locations over the past six years when compared with regional Victoria growth rates. As shown in the table below, median house price growth of 7-8% pa was experienced in Birregurra, Inverleigh and Mount Duneed, with Winchelsea's growth rate averaging 2% pa over the period. This contrasts to 3% pa growth for regional Victoria. In part, these variable growth rates and median prices may be explained due to a limited number of sales in some rural suburbs.

While no information is available for vacant land sales in Inverleigh, data for other hinterland locations shows price growth in median vacant house block prices has occurred over recent years. For example, between 2010 and 2016, residential land prices increased by 9% pa in the suburb of Winchelsea, and this trebled the growth rate (2.9% pa) experienced for regional Victoria over the period. This data highlights that ongoing demand exists for residential land, certainly in Winchelsea and across other parts of the hinterland area.

Table 13 - Median House and Land Prices, Selected Locations, 2010 to 2016

Suburb	2010	2011	2012	2013	2014	2015	2016	AAGR 2010- 2016
House								
Inverleigh*	\$230,000	\$365,000	\$246,500	\$319,500	\$321,500	\$355,000	\$370,000	8.2%
Birregurra*	\$230,000	\$260,000	\$274,000	\$255,000	\$337,500	\$302,500	\$345,000	7.0%
Winchelsea	\$235,000	\$260,000	\$268,500	\$287,000	\$287,500	\$262,000	\$267,000	2.2%
Mount Duneed	\$267,000	\$190,000	\$480,000	\$286,000	\$532,000	\$545,000	\$425,000	8.1%
Connewarre	\$850,000	\$707,500	\$810,000	\$690,500	\$722,500	\$805,000	\$892,000	0.8%
Regional Victoria	\$270,000	\$280,000	\$280,000	\$290,000	\$300,000	\$310,000	\$320,000	2.9%
Land								

Inverleigh	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Birregurra	\$106,500	\$116,000	\$133,500	\$127,500	\$142,000	\$109,500	\$121,500	2.2%
Winchelsea	\$95,000	\$113,000	\$135,000	\$135,000	\$130,000	\$127,500	\$158,000	8.8%
Mount Duneed	-	-	\$200,000	\$199,000	\$178,000	\$186,000	\$190,500	N/A
Connewarre	\$350,000	\$385,000	\$395,000	\$395,000	\$370,000	\$390,000	\$382,500	1.5%
Regional Victoria	\$122,500	\$132,000	\$130,000	\$136,000	\$138,000	\$142,500	\$145,000	2.9%

Source: Valuer General Victoria, 'A Guide to Property Values', annual
*Locations abutting the Surf Coast hinterland border

Sales Activity

Sales of rural lifestyle properties in Surf Coast have been relatively consistent over recent years, averaging approximately 110 transactions a year between 2013 and 2016, including approximately 30 vacant rural lifestyle lots a year.

Over the 2013 to 2016 period, rural lifestyle lots accounted for 10% of all residential sales in Surf Coast, which is notably lower than the average for regional Victoria of 15%; this situation illustrates the importance of the major townships in the context of Surf Coast's residential market, with rural lifestyle lots filling more of a niche role by comparison.

The following table summarises the recent trends in rural lifestyle property sales in Surf Coast.

Table 14 - Rural Lifestyle Property Sales Trends, Surf Coast Shire, 2013-2016 (No. Lots)

Category	2013	2014	2015	2016	Annual Average, 2013-2016
Surf Coast Shire					
Rural lifestyle	70	86	97	86	85
Vacant rural lifestyle	38	37	12	22	27
Misc improvements on rural lifestyle	0	0	3	0	1
Total - Rural lifestyle sales	108	123	112	108	113
Total residential sales	1,030	1,093	1,185	1,158	1,117
Rural lifestyle share of total residential sales	10%	11%	9%	9%	10%
Regional Victoria					

Regional Victoria - total rural lifestyle sales	5,953	6,292	6,756	6,746	6,437
Total residential sales	39,493	40,373	42,683	43,595	41,536
Rural lifestyle share of total residential sales	15%	16%	16%	15%	15%

Source: Valuer General Victoria, A Guide to Property Values

A price premium is often associated with rural lifestyle property sales. The median house price in Surf Coast on a rural lifestyle allotment in 2016 was \$1,025,000, which was 52% above the median house price in the Shire. Similarly, the median price for a vacant rural lifestyle lot in 2016 was \$383,500, significantly above the median vacant residential lot price of \$269,000.

The table below summarises recent trends in median property prices for rural lifestyle properties in Surf Coast Shire, the large majority of which are likely to be located in the hinterland region. It is noted that these types of properties in Surf Coast Shire are currently achieving prices which are approximately double the regional Victorian median.

Table 15 - Median Rural Lifestyle Property Price Trends, 2013-2016

Category	2013	2014	2015	2016	Average Annual Growth, 2013-2016	Regional Victoria, 2016	Variation from Regional Victoria, 2016
House Sales							
Median rural lifestyle	\$722,500	\$760,000	\$795,000	\$1,025,000	12%	\$440,000	133%
Median house	\$585,000	\$599,500	\$630,000	\$675,000	5%	\$320,000	111%
Premium associated with rural lifestyle	24%	27%	26%	52%			
Vacant Lot Sales							
Vacant rural lifestyle	\$393,500	\$320,000	\$310,000	\$383,500	-1%	\$162,000	137%
Vacant residential lots	\$245,000	\$245,000	\$255,000	\$269,000	3%	\$145,000	86%
Premium associated with rural lifestyle	61%	31%	22%	43%			

Source: Valuer General Victoria, A Guide to Property Values

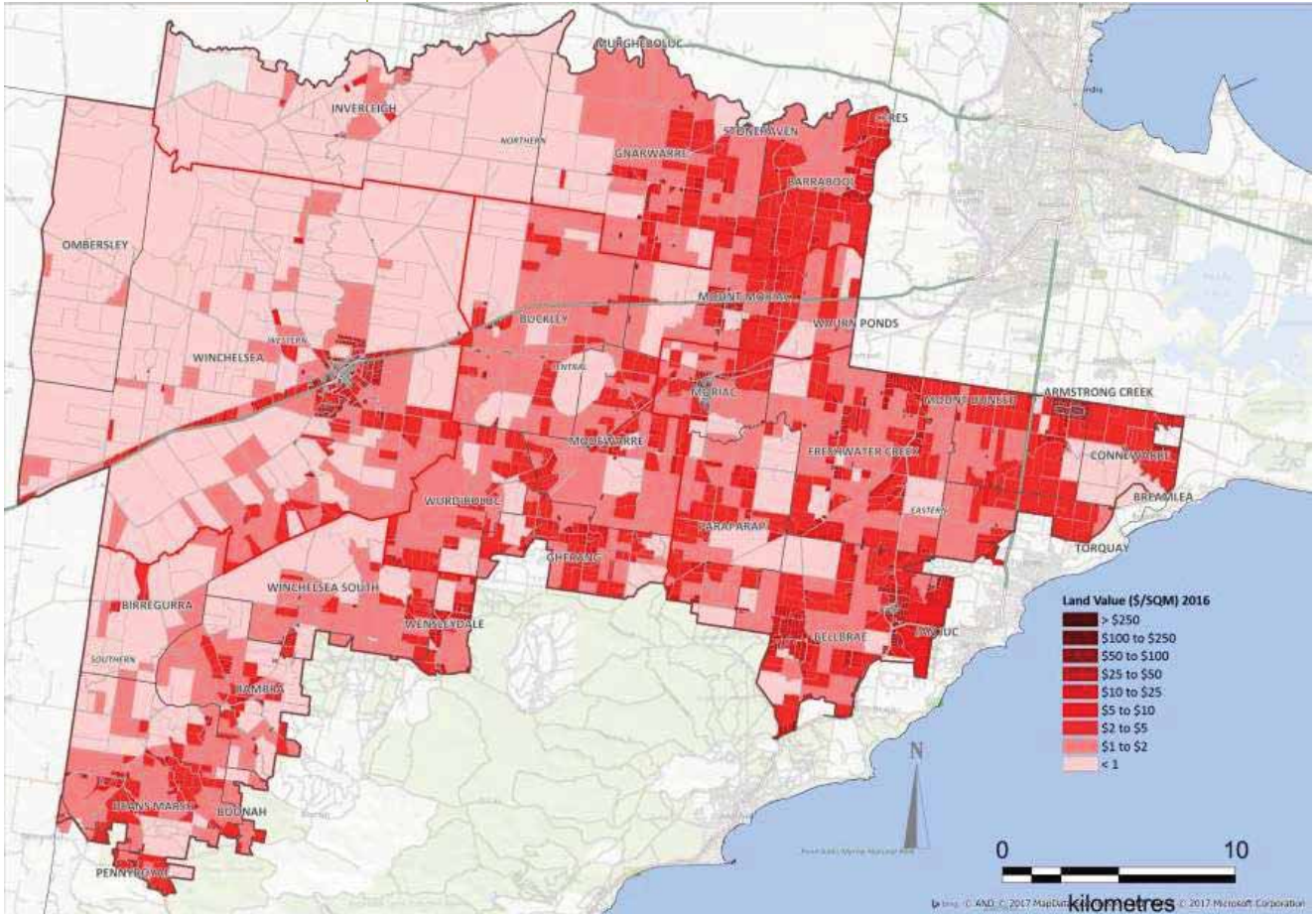
Land Value Patterns

Land values on a square metre basis vary across the hinterland but broadly follow a pattern of increasing towards the eastern portions of the area towards Geelong, and also to the southern areas of the hinterland close to Torquay and Lorne.

Lower land values (on a unit area basis) are evident for larger lots in the north-western portion of the hinterland region. Land values around Winchelsea tend to be lower than in other parts of the hinterland and many commercial farming operations have established around the township to capitalise on land affordability and land capability.

Having regard for the recently completed construction of the 23km Princes Highway duplication from Geelong to Winchelsea - and the recently commenced construction for the duplication of the Princes Highway between Winchelsea and Colac – the town of Winchelsea is likely to become a key focus of varying property demands in the future. It will be important that an appropriate balance is met between providing greater housing choice and the protection of productive agricultural land.

Figure 21 - Land Values (\$/sqm), 2016



Source: Surf Coast Shire Council Data, 2016

Investment and Constructions Activity

Construction trends indicate that a limited number of projects have been completed in the hinterland region over the past five years. In terms of estimated value of the investment, the two largest of the 16 completed projects from 2012-2016 include:

- Construction of a chocolate factory and ice creamery at 15 Elkington Road, Bellbrae in 2016. The 1,688sqm facility includes a chocolate production area, packing room, storage room, cafe, showroom, kiosk, office room, kitchen, amenities, staff room, function room, room for chocolate making classes and wintergarden. A caretaker’s house and manager’s dwelling was also constructed and parking infrastructure at the site includes parking for 248 cars and eight bus parking bays. The site also

includes horticultural orchards and recreational areas. As part of the \$4.5 million development, Ecologically Sustainable Development (ESD) and water saving technologies were used.

- The redevelopment of the Winchelsea Eastern Reserve in 2016. The project comprised a central community facility which included a multi-purpose room, public toilets, club administration area, kitchen and sheltered spectator areas. The \$3.5 million development also entailed the reconstruction of the existing netball courts, installation of a new playground, refurbishment of the football and cricket change rooms and an allocation of 3.25 hectares to the south of the reserve for a new oval. It is noted that Eastern Reserve is located in the township however provides facilities which can attract residents from the hinterland area.

Other smaller investments in the hinterland area have come from the Country Fire Authority (CFA), who have constructed fire station facilities at Deans Marsh and Bellbrae (in the township) during the past five years, while Barwon Water have continued to upgrade their infrastructure predominantly in and around the townships but which also serve parts of the hinterland region.

Overall, limited private sector investment has occurred in the hinterland region over the past five years.

The pipeline of projects in the hinterland region indicates continued public sector investment in recreational facilities, such as the Dickens Road Indoor Recreation Facility and the proposed upgrades to the Modewarre Tennis & Netball Club pavilion and the Winchelsea netball pavilion.

In 2017 Barwon Water are expected to complete Stage 7 of their Wurdee Boluc Inlet channel reconstruction project in Winchelsea.

Construction of the \$1.5 million Kithbrooke Parke Country Club Aged Care Facility, featuring a 120 bed single storey aged care facility, has completed its first stage of work and further development is planned.

The most significant private sector-driven project would be the Great Ocean Road Adventure Park which would see the development of a small Adventure Park in Bellbrae. Estimated for completion in 2018, the \$4 million park would include maze garden, adventure puzzles, obstacle course, tube slides, indoor park building of 2,600sqm including a cafe, play area, amenities and storage, outdoor playground, a group facility building that will include trampolines and rope courses, climbing equipment and treetop course. The facility will also include 260 car parking spaces and nine bus parking spaces.

While it is noted that not all of the projects earmarked for beyond 2017 will necessarily be constructed, the forecasts show that the ongoing investment in the hinterland region – from both the private and public sectors – is anticipated to be relatively modest over the coming years.

From 2012-2019, approximately 18% of projects in the Surf Coast Shire have been identified as being located in the hinterland area, while the estimated value of projects in the hinterland region equate to only \$31.5 million (or 6.5%) of the \$484 million total for the Shire overall.

Table 16 - Construction Trends and Pipeline, Surf Coast Hinterland, 2012-2019 (\$ million)

Project	Completed	Construction	Possible	Total
2012				
Barwon Water Alliance Horseshoe Bend Road Sewer - Stage 2	\$0.20			\$0.20
2013				
Barwon Water Alliance/Torquay North Recycled Water Tank	\$0.40			\$0.40
Bellbrae CFA Fire Station	\$0.50			\$0.50
Connewarre Reserve and Newling Reserve Skateparks	\$0.40			\$0.40
2014				
Deans Marsh Landfill Rehabilitation	\$0.54			\$0.54
Mount Moriac Reserve Netball and Tennis Court Upgrade	\$1.35			\$1.35
Mount Moriac Reserve Pavilion	\$0.95			\$0.95
The Farmers Place Commercial Development	\$1.00			\$1.00
Winchelsea Public Toilets and Clock Tower	\$0.43			\$0.43
2015				
Deans Marsh CFA Fire Station	\$0.50			\$0.50
Harding Street Warehouse	\$0.25			\$0.25
Main Street Retail Shops/Former Colonial Bank Building	\$0.80			\$0.80
2016				
Great Ocean Road Chocolaterie and Ice Creamery	\$4.50			\$4.50
Modewarre Newling & Wurdale Hall Reserves Playgrounds 2015 (Pkg 2)	\$0.15			\$0.15
Winchelsea Eastern Reserve Master Plan	\$3.50			\$3.50

2017				
Barwon Water Wurdee Boluc Inlet Channel Reconstruction Stage 7		\$3.20		\$3.20
Kithbrooke Parke Country Club Aged Care Facility		\$1.50		\$1.50
2018				
Moriac Primary School Upgrade		\$3.00		\$3.00
Bambra School Road Winery			\$0.27	\$0.27
Barwon River Playground Renewal			\$0.16	\$0.16
Dickins Road Indoor Recreation Facility			\$0.71	\$0.71
Great Ocean Road Adventure Park			\$4.00	\$4.00
Harding Street Dwellings			\$0.90	\$0.90
Grossmans Road Zorbing Recreation Facility			\$0.15	\$0.15
Winchelsea Netball Pavilion			\$0.31	\$0.31
2019				
Modewarre Tennis & Netball Club			\$0.65	\$0.65
Total	\$15.47	\$7.70	\$7.15	\$30.32

Source: Cordell Connect, September 2017

Summary

Variable median house price growth has been experienced across (and abutting) Surf Coast's hinterland over the past six years when compared with regional Victoria growth rates. Winchelsea's growth was modest but other sub-areas are well above regional Victoria averages.

A price premium is often associated with rural lifestyle properties in Surf Coast and the hinterland, which are currently achieving prices approximately double the regional Victorian median. This pattern of demand is likely to remain strong and can be expected to place pressure on lot subdivision in the future.

Land values vary across the hinterland but broadly follow a pattern of increasing towards the eastern portions of the area towards Geelong and to the southern areas close to Torquay and Lorne. High land prices also places pressure on the hinterland's important agricultural uses as the return on investment is generally significantly lower for agriculture than for uses such as accommodation.

Land values in the northern part of the region around Winchelsea tend to be lower (on a unit area basis) and reflect large farming lots. Recently completed road projects between Geelong and Winchelsea and Colac are likely to facilitate demand in and around Winchelsea for varying property demands. It is recognised that a challenge exists in achieving a balance between diversity of land uses and protecting agricultural land where appropriate.

Investment and construction trends and forecasts show some food and tourism based investment in and around the hinterland. Notable examples include construction of a chocolate factory in Bellbrae and a planned Adventure Park in Bellbrae.

Overall, limited private sector investment has occurred in the hinterland region over the past five years.

5 ECONOMIC PROFILE

Introduction

This section of the report provides an economic profile of the hinterland area. This includes an analysis of industry sectors, employment and labour force with a view to identify the economic role of the hinterland area and how this is changing and could change in the future.

It should be noted that the hinterland area is referred to as the hinterland Data Area for the purpose of profiling in this section of the report. The Data Area differs for economic data, which uses ABS Journey to Work Destination Zones, and demographic data, which uses ABS Statistical Areas. This is shown in the figure below.

The latest data point for which jobs data is available is 2011.

Figure 22 - Map of Data Areas

**Hinterland Data Area for Economic Profile
(Journey to Work Destination Zones)**



**Hinterland Data Area for Population Data
(Statistical Areas with Star)**



Source: Derived from ABS Census 2011, REMPLAN December 2016, Profile ID

Economic Overview

It is estimated that Surf Coast Shire has approximately 7,200 jobs (2011 data).

Surf Coast Shire as a whole had around 26,700 residents, of which approximately 48.7% were in the labour force (13,000 people). The Shire accommodated approximately 7,200 jobs within its borders, representing a 55% jobs to labour force ratio. The State average is 91%.

Surf Coast Shire has approximately 7.2% of the 98,000 jobs in the G21 Region.

This jobs to labour force ratio is relatively low based on the Shire's lifestyle, rural and tourism role. Nevertheless, if the gap between

local workers and jobs widens ‘too far’, it will place pressure on the commuter transport network (mainly towards Geelong and Melbourne). Demand for local social services would also increase.

Population projections suggest the Shire may have around 43,800 residents by 2036. If this occurred (and the labour force participation rate remain static), the Shire would have 21,300 persons in the labour force by 2036.

In order to maintain a 55% jobs to labour force ratio, the Shire will need to have approximately 11,700 jobs within its borders by 2036 – or growth of about 4,500 jobs in the 2011 and 2036 data period.

Should the Shire strive for a higher self-containment ratio, say 60%, it would need to accommodate about 12,800 jobs by 2036 – or growth of 5,600 jobs in the 2011 and 2036 data period.

Table 17 - Surf Coast Shire: Population, Labour Force and Jobs, 2011

Surf Coast Shire	
Year	2011
Population	26,675
Labour Force	12,989
Participation Rate	48.7%
Jobs in Shire	7,155
Jobs / Population	26.8%
Jobs / Labour force	55.1%

Source: ABS Census 2011, REMPLAN December 2016

The same data for the Hinterland Data Area is shown below. As at 2011, the area had 11,200 residents, 5,700 in the labour force and 1,800 jobs at a 31% jobs to labour force ratio.

This data includes the urban periphery of Jan Juc-Bellbrae-Bells Beach in the data, which comprises about 42% of the data area’s population and labour force.

Population projections suggest the Hinterland Data Area may have around 14,500 residents by 2036. If this is the case (and the labour force participation rate remain static), the Hinterland Data Area will have about 6,100 persons in the labour force by 2036.

In order to maintain a 31% jobs to labour force ratio, the Hinterland Data Area will need to have approximately 1,900 jobs within its borders by 2036 – or growth of about 130 jobs in the 2011 and 2036 data period.

Should the Hinterland Data Area strive for a higher self-containment ratio, say 35%, it would need to accommodate about 2,400 jobs by 2036 – or growth of 670 jobs in the 2011 and 2036 data period.

Table 18 - Hinterland Data Area: Population, Labour Force and Jobs, 2011

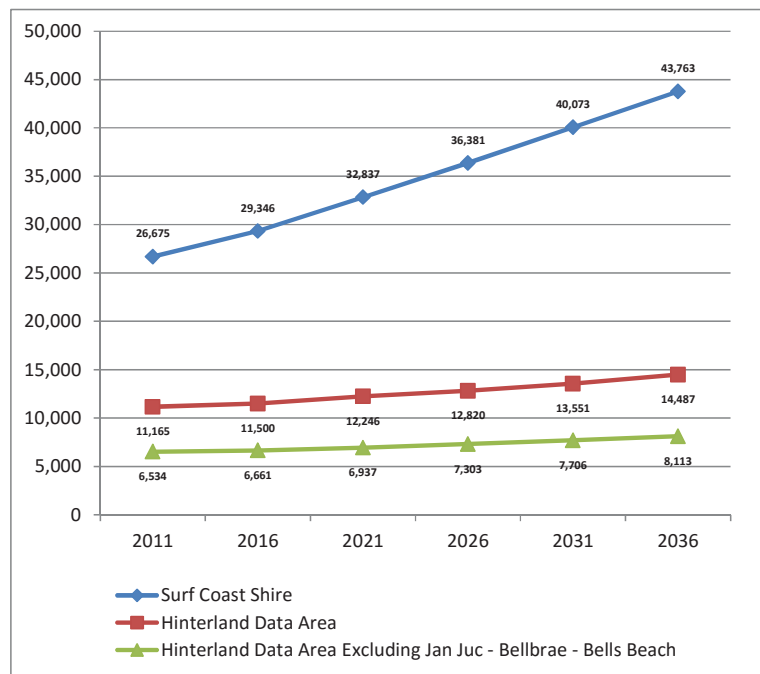
Hinterland Data Area	
Year	2011
Population	11,165
Share in Jan Juc - Bellbrae - Bells Beach	41.5%
Labour Force	5,693
Share in Jan Juc - Bellbrae - Bells Beach	42.0%
Participation Rate	51.0%
Jobs	1,762
Jobs / Population	15.8%
Jobs / Labour Force	31.0%

Source: ABS Census 2011, REMPLAN December 2016

Population trends and projections for the Shire and for the Hinterland Data Area are shown below. About 59% of the population in the Hinterland Data Area population is within the Jan Juc-Bellbrae-Bells Beach area.

The population of the Shire is expected to grow strongly to 2036.

Figure 23 - Selected Areas: Population Trends and Projects, 2011-2036



Source: Forecast ID 2017

Industry Sector Focus

Industry sectors that are most important to Surf Coast Shire are shown in the table below. The score (location quotient) shows the relative strength of the sector compared to the state as a whole. This shows, for example, that Agriculture, Forestry & Fishing has 2.8 times the emphasis in the Shire compared to its share of jobs across the state as a whole.

The key sectors are agriculture, tourism and population-driven sectors.

Table 19 - Surf Coast Shire: Industry Sector Rankings, 2011

Surf Coast Shire vs Victoria	Score
Agriculture, Forestry & Fishing	2.8
Accommodation & Food Services	2.5
Construction	1.6
Wholesale Trade	1.5
Rental, Hiring & Real Estate Services	1.4
Electricity, Gas, Water & Waste Services	1.3
Arts & Recreation Services	1.2
Retail Trade	1.2
Other Services	0.9
Administrative & Support Services	0.8
Public Administration & Safety	0.8
Education & Training	0.7
Health Care & Social Assistance	0.7
Professional, Scientific & Technical Services	0.7
Mining	0.6
Manufacturing	0.4
Information Media & Telecommunications	0.4
Financial & Insurance Services	0.4
Transport, Postal & Warehousing	0.3

Source: Derived from ABS Census 2011, REMPLAN December 2016

In terms of absolute number of jobs, the top seven sectors in the Shire are:

- Accommodation & Food Services: 1,100 jobs
- Retail Trade: 959 jobs
- Construction: 954 jobs
- Health Care & Social Assistance: 558 jobs
- Wholesale Trade: 480 jobs

- Agriculture, Forestry & Fishing: 465 jobs
- Education & Training: 434 jobs

The table below shows the relative industry sector strengths of the Hinterland Data Area compared to Victoria.

This shows that agriculture is overwhelmingly the key sector, followed by construction, tourism, mining and education.

Table 20 - Hinterland Data Area: Industry Sector Rankings, 2011

Hinterland Data Area vs Victoria	Score
Agriculture, Forestry & Fishing	11.5
Construction	2.2
Accommodation & Food Services	1.7
Arts & Recreation Services	1.4
Mining	1.1
Education & Training	1.1
Professional, Scientific & Technical Services	0.9
Other Services	0.8
Administrative & Support Services	0.8
Electricity, Gas, Water & Waste Services	0.7
Rental, Hiring & Real Estate Services	0.6
Transport, Postal & Warehousing	0.5
Wholesale Trade	0.4
Retail Trade	0.4
Information Media & Telecommunications	0.4
Manufacturing	0.3
Financial & Insurance Services	0.3
Public Administration & Safety	0.2
Health Care & Social Assistance	0.2

Source: Derived from ABS Census 2011, REMPLAN December 2016

The relative emphasis of the Hinterland Data Area compared to the Shire as a whole is shown in the table below. Warehousing and professional services rise in the ranking under this measure.

The part of the study area that sits in the Torquay urban area hinterland has a focus on professional services. The part of the study area remote from Torquay has an emphasis on agriculture, mining and industrial land sectors.

Table 21 - Hinterland Data Area: Industry Sector Rankings within Surf Coast Shire, 2011

Hinterland Data Area vs Surf Coast Shire	Score
Agriculture, Forestry & Fishing	4.0
Mining	2.0
Education & Training	1.5
Transport, Postal & Warehousing	1.5
Professional, Scientific & Technical Services	1.4
Construction	1.3
Arts & Recreation Services	1.1
Administrative & Support Services	0.9
Financial & Insurance Services	0.9
Other Services	0.9
Information Media & Telecommunications	0.9
Manufacturing	0.8
Accommodation & Food Services	0.7
Electricity, Gas, Water & Waste Services	0.5
Rental, Hiring & Real Estate Services	0.5
Health Care & Social Assistance	0.3
Wholesale Trade	0.3
Public Administration & Safety	0.3
Retail Trade	0.3

Source: Derived from ABS Census 2011, REMPLAN December 2016

Five industry sectors have over 100 jobs in the Hinterland Data Area. These are:

- Agriculture, Forestry & Fishing: 465 jobs
- Construction: 319 jobs
- Accommodation & Food Services: 190 jobs
- Education & Training: 164 jobs
- Professional, Scientific & Technical Services: 132 jobs

Change in Economic Structure

The following table shows change in jobs by industry sector between the last two available data periods (i.e. 2006 to 2011). Significant growth has been focused in a range of service sectors. Solid growth has been focused in tourism and population-serving sectors.

Decline has generally been focused in industrial land sectors and agriculture. Jobs stock decline in agriculture is explained by structural change in the sector in which processes have become more efficient resulting in increased productivity per worker employed.

Table 22 - Surf Coast Shire: Industry Sector Change, 2006-2011

Surf Coast Shire	Annual Average Change 2006-2011
Administrative and Support Services	11.4%
Other Services	9.8%
Financial and Insurance Services	8.4%
Professional, Scientific and Technical Services	7.7%
Public Administration and Safety	7.0%
Education and Training	6.1%
Information Media and Telecommunications	5.8%
Construction	5.1%
Arts and Recreation Services	4.1%
Accommodation and Food Services	3.6%
Health Care and Social Assistance	3.6%
Retail Trade	3.4%
Wholesale Trade	3.3%
Transport, Postal and Warehousing	0.6%
Manufacturing	0.3%
Mining	0.0%
Rental, Hiring and Real Estate Services	-0.3%
Agriculture, Forestry and Fishing	-3.3%
Industry not classified	-4.3%
Electricity, Gas, Water and Waste Services	-4.8%
Total	3.6%

Source: Derived from ABS Census 2011, REMPLAN December 2016

Change in Skills Profile

The change in economic structure of Surf Coast Shire towards services is reflected in the skills profile of the resident population. Residents with degrees and diplomas have increased at a fast rate.

Table 23 - Surf Coast Shire: Change in Skills Profile (Highest Qualification), 2006-2011

Surf Coast Shire	Annual Average Change 2006-2011
Bachelor or Higher degree	7.8%
Advanced Diploma or Diploma	6.1%
Vocational	5.1%
No qualification	1.1%
Not stated	-2.0%
Total persons aged 15+	3.4%

Source: ABS Census 2011

Employment Locations

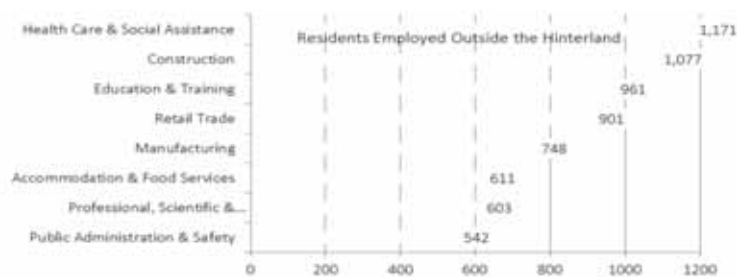
The majority of people that live in the Surf Coast hinterland do not work in Surf Coast Shire.

Approximately 3,875 of hinterland residents work in Surf Coast's coastal townships; 3,775 work in Greater Geelong; 386 work in Melbourne and other residents commute to other regions.

Health Care & Social Assistance is the most prevalent industry for hinterland residents commuting to jobs outside of the Shire, followed closely by Construction, and Education and Training. This is likely a result of the relatively short commute from the Surf Coast to Geelong's large healthcare and education facilities.

Residing in Surf Coast continues to be predominantly a lifestyle choice. The townships in the Shire, particularly Torquay, are largely dormitory suburbs for employment in Geelong. Armstrong Creek, easily accessible from Torquay on the Surf Coast Highway, will have a major activity centre and industrial land which will create employment opportunities on the doorstep.

Figure 24 - Hinterland Residents' Place of Work by Sector, 2016



Source: REMPLAN December 2016

SEIFA Index

Socio-Economic Indexes of Areas (SEIFA) is produced developed by the ABS to rank areas in Australia by levels of disadvantage, comparing income, education attainment, unemployment, and unskilled labour jobs.

This measurement indicates that greater Winchelsea is more disadvantaged than 69% of all areas in Australia while the actual township of Winchelsea is more disadvantaged than 80% of all areas in Australia.

However, the rest of Surf Coast Shire is much more advantaged than the City of Greater Geelong, Greater Melbourne, Victoria and Australia.

Other hinterland regions are more advantaged than averages. This includes Greater Moriac (more advantaged than 91% of areas), Greater Deans Marsh (more advantaged than 80%) and Bells Beach-Bellbrae (more advantaged than 94%).

Economic Value of the Surf Coast Hinterland

The Hinterland Data Area is estimated to generate \$627.7 in gross regional product (GRP) which represents 30.8% of the Shire economy (\$2,033.8m) (according to REMPLAN analysis).

The sectors that generated the highest output from the Hinterland Data Area are as follows:

- Construction: \$128.6m in output
- Agriculture, Forestry & Fishing: \$119.3m
- Rental, Hiring & Real Estate Services: \$92.1m
- Manufacturing: \$56.9m
- Accommodation & Food Services: \$42.6m
- Professional, Scientific & Technical Services: \$33.5m
- Education & Training: \$19.6m

Agriculture in More Detail

With the hinterland's vast quantities of farm land, agriculture is the most prominent employment sector making up 26% of all hinterland jobs or a total of 465 jobs.

The nature of the agricultural sector and the relative low level of supply of employment generating land (industrial zoned) in the town centres results in most employment related to agriculture being located in farms.

A survey conducted on hinterland land owners identified a range of agricultural activities taking place in the hinterland with differing peak periods of production. The identified peak periods are summarised below.

Table 24 - Peak Periods of Agricultural Activity - Hinterland

Activity	Peak Period
Crops	October – February
Sheep	November – December
Berries	November – Jan
Cattle	November
Wine	March – May
Dahlias Flowers	June – August
Grain	December – March

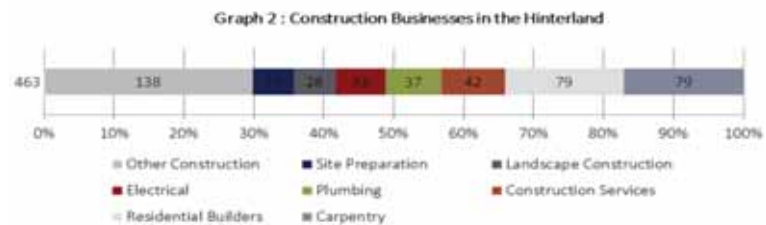
Source: Survey, Surf Coast Shire 2015

Construction in More Detail

The construction industry is the hinterland’s second largest industry by employment (319 jobs), with 79 Carpentry Firms, 79 Builders, 42 Construction Services, 37 Plumbing Firms, and 33 Electrical Firms operating.

The strength of this representation points to many trade people living and operating out of the hinterland that conduct their work and trade goods and services across the broader region.

Figure 25 - Construction Businesses in Hinterland, 2016

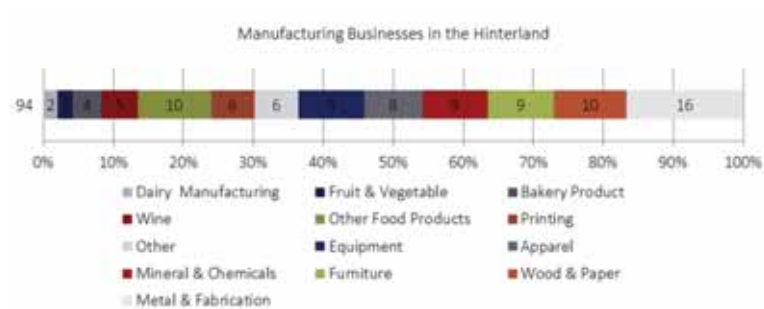


Source: REMPLAN December 2016

Manufacturing in More Detail

Surf Coast’s hinterland manufacturing industry includes food and beverage manufacturing, which provides 1.4% of local jobs and 2% of value added. This sector has potential for growth associated with food and beverage tourism.

Figure 26 - Manufacturing Businesses in Hinterland, 2016



Source: REMPLAN December 2016

Value Added

Value added measure the economic value generated in the local area by industry. It removes the costs of production, including labour per unit, cost of components per unit, and depreciation of assets (such as machinery or land) to produce a comparison similar to the economic 'profit' generated by industry in the location of interest.

The total value added generated by the Surf Coast hinterland economy is \$276m. This represents 32% of the Surf Coast Shire (\$851m).

The data is shown in the table below. This also shows some comparison areas that have rural and tourism based economies.

The sectors that generated the highest value added from the Hinterland Data Area are as follows:

- Rental, Hiring & Real Estate : \$63.7m (this sector relates to ownership of property)
- Agriculture, Forestry & Fishing: \$48.9m
- Construction: \$33.0m
- Accommodation & Food Services: \$17.0m
- Professional & Technical: \$16.1m
- Education & Training: \$14.2m
- Health Care & Social Assistance: \$13.5m
- Manufacturing: \$12.8m

Inter-relationships exist and can be further developed between primary industry sectors (such as agriculture), manufacturing (such as food and beverage processing) and tourism (such as food and farm based tourism).

Table 25 - Selected Areas: Value Added, 2016

	Surf Coast Shire		Hinterland Data Area		Onkaparinga Hinterland		Yarra Ranges Hinterland	
	Value Added (\$M)	%	Value Added (\$M)	%	Value Added (\$M)	%	Value Added (\$M)	%
Accommodation & Food Services	\$68.79	8.10%	\$17.06	6.20%	\$43.62	5.70%	\$68.14	3.60%
Administrative Services	\$18.29	2.10%	\$4.06	1.50%	\$15.77	2.06%	\$16.83	0.89%
Agriculture, Forestry & Fishing	\$41.12	4.80%	\$48.99	17.70%	\$78.05	10.20%	\$170.70	9.03%
Arts & Recreation Services	\$8.92	1.00%	\$2.06	0.70%	\$3.69	0.48%	\$16.38	0.87%
Construction	\$98.70	11.60%	\$33.01	11.90%	\$71.61	9.36%	\$115.70	6.12%
Education & Training	\$33.45	3.90%	\$14.25	5.20%	\$54.67	7.14%	\$77.29	4.09%
Electricity, Gas, Water & Waste	\$42.58	5.00%	\$6.22	2.20%	\$18.32	2.39%	\$21.51	1.14%
Financial & Insurance Services	\$45.01	5.30%	\$8.14	2.90%	\$30.82	4.03%	\$40.94	2.16%
Health Care & Social Assistance	\$41.99	4.90%	\$13.54	4.90%	\$57.13	7.47%	\$56.52	2.99%
IT, Media & Telecommunications	\$13.27	1.60%	\$2.58	0.90%	\$3.45	0.45%	\$15.22	0.80%
Manufacturing	\$36.93	4.30%	\$12.86	4.70%	\$198.37	25.92%	\$144.94	7.66%
Mining	\$6.55	0.80%	\$2.01	0.70%	\$4.15	0.54%	\$2.52	0.13%
Other Services	\$16.51	1.90%	\$3.53	1.30%	\$14.23	1.86%	\$29.82	1.58%
Professional & Technical	\$43.98	5.20%	\$16.18	5.90%	\$33.34	4.36%	\$44.17	2.34%
Public Administration & Safety	\$31.99	3.80%	\$4.26	1.50%	\$8.62	1.13%	\$11.18	0.59%
Rental, Hiring & Real Estate	\$154.15	18.10%	\$63.73	23.10%	\$22.68	2.96%	\$846.67	44.77%
Retail Trade	\$58.48	6.90%	\$8.64	3.10%	\$51.65	6.75%	\$65.14	3.44%
Transport, Postal & Warehousing	\$10.20	1.20%	\$7.32	2.60%	\$17.90	2.34%	\$48.12	2.54%
Wholesale Trade	\$80.06	9.40%	\$7.96	2.90%	\$37.14	4.85%	\$99.36	5.25%
Total	\$850.98	100%	\$276.37	100%	\$765.21	100%	\$1,891.15	100%

Source: REMPLAN December 2016

There is great opportunity for the hinterland to leverage off the existing tourism industry in the region to sell food based value added products and offer rural attractions and experiences.

Creating one additional job in the Surf Coast hinterland's agriculture produces an approximate economic benefit of \$162,000 of value added and pay \$44,000 in wages a year; but leveraging off of agricultural production to create an additional food-manufacturing job, would produce an approximate economic benefit of \$132,000 of value added, paying \$75,000 in wages. Leveraging off agriculture to support one additional job manufacturing beverages (rather than food) produces an economic benefit of \$305,000 and wages of \$218,000.

In order to maximise the benefits of a strong agricultural region, further value added manufacturing creates and supports jobs in a variety of additional industries.

Example Regional Economies

Onkaparinga Example

Agricultural regions such as South Australia's Fleurieu Peninsula (Onkaparinga) region and Victoria's Yarra Valley have successfully translated agriculture into higher value food manufacturing jobs and greater food tourism; this has increased wages, value added, and economic diversity through their regions.

In the Onkaparinga hinterland, incorporating the McLaren Vale and Willunga food and wine regions, agriculture plays a central role in the region's economy (10% of value added and 8% of local jobs). This region provides an example of how a region can leverage its agricultural production with food and wine manufacturing. This region supports approximately 90 wineries of various sizes, many of which offer cellar door experiences for tourists and function centres.

Domestic overnight visitors spend an average of \$694 per trip to the region over 3 days. Of every dollar a tourist spends in Onkaparinga – 12c is spent in the hospitality sector; 15c is spent in retail, 14c in transport and warehousing, and 34c in manufacturing (largely gourmet food and wine products). These manufacturing enterprises contribute 26% of the economy's value added and provide 16% of local jobs.

The region offers food and wine tours, cycling events, gourmet and local produce markets, "Day on the Green" type events, functions and restaurants.

The strength of their manufacturing sectors helps support other local industries such as retail (15% of local jobs) and hospitality (12% of local jobs).

Leveraging off the region's agricultural production contributes to at least 40% of the region's economic value.

Yarra Valley Example

The Yarra Valley provides another example of how the agriculture, food and beverage manufacturing, and tourism industries can be developed to leverage off each other for mutual benefit.

The Yarra Valley, after Melbourne and the Great Ocean Road, is Victoria's third most popular tourist region. The region's popularity is due to its reputation for quality produce, gourmet food and wine, rural charm, and being a one hour drive from Melbourne.

Of every dollar a visitor spends in the Yarra Ranges – 41c is spent in the hospitality sector; 10c is spent in the retail, 12c in transport and warehousing, and 15c in manufacturing.

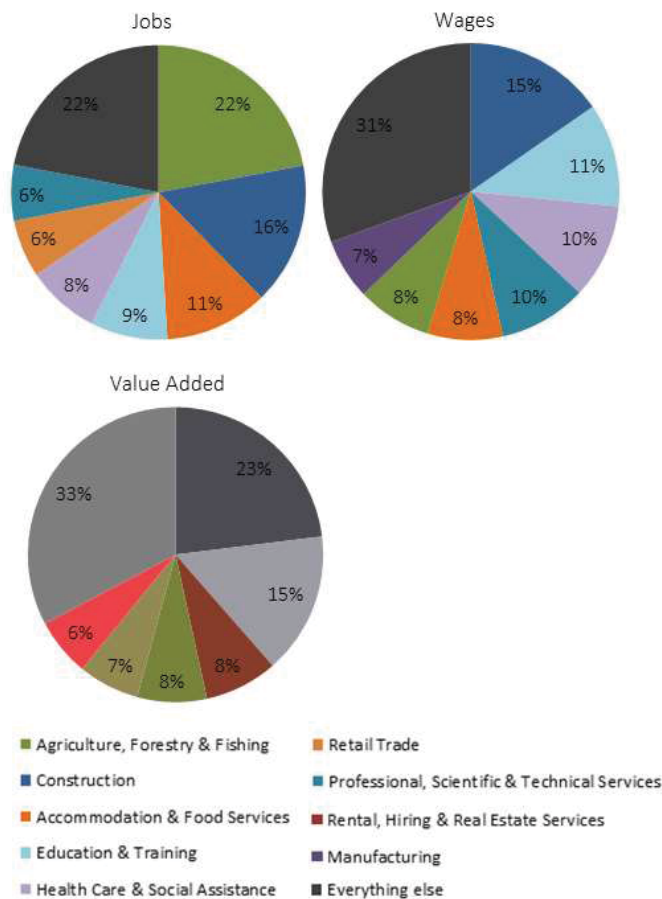
Domestic overnight visitors spend an average of \$424 per trip over 2 days.

The agriculture industry provides 9% of the region’s value add, and 11% of local jobs. Leveraging off this production with manufacturing provides 7.5% of value added and nearly 11% of local’s jobs.

Comparison of Indicators

The following figures compares the most significant industry sectors by employment, wages and value added.

Figure 27 - Hinterland Data Area: Comparison of Economic Indicators by Industry Sector, 2016



Source: REMPLAN December 2016

Summary

Surf Coast Shire has a relatively modest local job stock compared to the size of its population and labour force (with a jobs to labour force ratio at 55%).

Expected future population growth will mean that an additional 4,500 jobs will be needed in the 2011 and 2036 data period to maintain this ratio in 2036.

Should the Shire strive for a higher self-containment ratio, say 60%, it would need an additional 5,600 jobs in the 2011 and 2036 data period.

The hinterland has a significant role to play in delivering jobs, both directly and indirectly through multipliers in the economy.

In terms of direct jobs, it could strive to add up to 700 additional jobs in the 2011 to 2036 data period.

The role of the hinterland will be via inter-relationships being further developed between agriculture, manufacturing (such as food and beverage processing) and tourism (such as food and farm based tourism).

Other sectors, like construction, warehousing, professional services and retailing can also leverage from these relationships.

The continued shift to higher order sectors should be encouraged, to align with the existing strengths of the area and the increasing skills profile of the population.

Industry and manufacturing should be limited to 'clean and green' sectors that add value to the agricultural tourism offer of the area.

6 LAND CAPABILITY AND ENVIRONMENTAL ANALYSIS

Introduction

This section of the report provides an overview of land capability and environment topics, with a focus on biodiversity, water assets, water supply, land capability, soils & topography, agricultural quality and climate change.

Biodiversity

Historically, the rural hinterland was dominated by two main Ecological Vegetation Classes (EVCs): Grassy Woodlands (EVC 175) and Plains Grassy Woodlands (EVC 55). These EVCs are characterised by an open eucalypt woodland, with a diverse understory of grasses and herbs. Grassy Woodlands typically occurs on gentle slopes and undulating hills, while Plains Grassy Woodland occupies the flat and gently undulating plains at lower elevations². The Lowland Forest EVC was present at the foothills of the Otway Ranges, such as around Deans Marsh. Several ephemeral and permanent wetlands also occur across the hinterland, and provide important habitat and refuge for significant migratory and non-migratory birds.

Today, the rural hinterland is a highly fragmented landscape. Since European settlement, the hinterland has been extensively cleared for agriculture and the development of settlements and infrastructure. Few remaining examples of the original EVCs can be found across the hinterland. The Grassy Woodland and Plains Grassy Woodland EVCs are listed as Endangered, while the Lowland Forest EVC is listed as Depleted.

² Department of Sustainability and Environment (DSE) (2004). *EVC/Bioregion Benchmark for Vegetation Quality Assessment*. Victorian State Government, Melbourne.

Figure 28 - Modelled EVC Extent Pre-1750³

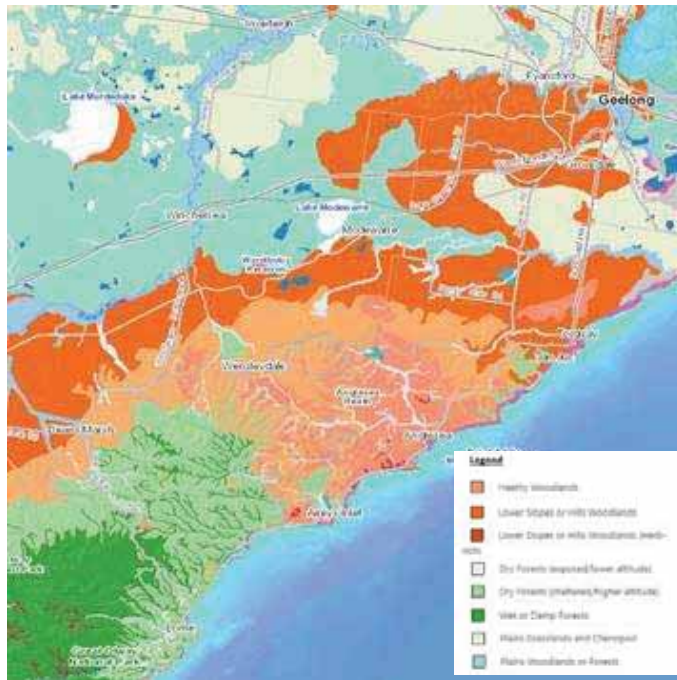
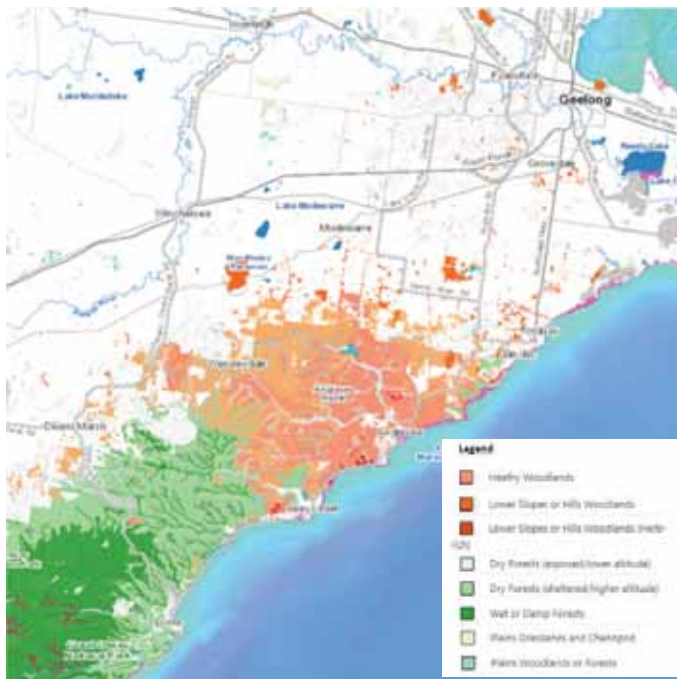


Figure 29 - Current Extent of Remnant EVCs⁴



³ Department of Environment, Land, Water and Planning (DELWP) (2017). NatureKit URL: www.maps.biodiversity.vic.gov.au

⁴ Ibid

Several processes continue to threaten biodiversity assets of the rural hinterland, including:

- The impacts of a rapidly growing population and large visitor numbers passing through the area
- Very high bushfire risk, particularly around the foothills of the Otway Ranges e.g. Deans Marsh .
- Climate change impacts such as increased temperatures and reduced rainfall.
- Poor land management, contributing to impacts such as soil degradation; the spread of weeds, pest animals and disease; and vegetation clearing.
- Fragmentation of remnant patches of vegetation, due to agriculture and development.

Protection and enhancement of both remnant areas of vegetation and those areas that have been revegetated, is critical in supporting biodiversity and providing habitat for a range of endangered and threatened flora and fauna species. In addition to providing important ecological function, the biodiversity assets of the rural hinterland also contribute significantly to the amenity, landscape values and sense of place of the area.

Across the hinterland, there is an active and engaged community working to conserve and restore biodiversity values. A rural profiling study undertaken by the Corangamite CMA found that 48% of rural landholders in the Surf Coast Shire are either “very interested” or “quite interested” in natural resource management (NRM) activities; and 27% were directly involved with NRM activity⁵. It is important that the community remain supported, and that opportunities are made available to continue restoration work in the future, particularly through the provision of open space and agricultural land. This is supported in the local Environmental Management Policy (Clause 21.03), which states that planning policy will require: “*..the integration and connection of areas of natural value and habitat, including creeks and areas of remnant vegetation, within the open space networks, where appropriate*”.

Similarly, the Corangamite Catchment Management Authority identifies the following objective for native vegetation in their Regional Catchment Strategy 2013-2019: “*Halt the decline in quality*

⁵ Corangamite Catchment Management Authority (CCMA) (2013) *Rural Community and Land Use Profiling*. Report prepared by RMCG for the Corangamite CMA, Colac, Victoria.

(condition) and extent of high value native vegetation and enhance its connectivity”.

Increasing the connectivity of native vegetation across a landscape is particularly pertinent in the context of climate change.

Fragmentation and loss of migration corridors are two major threats impairing natural resilience to climate change. Connectivity of habitats offers ‘climate refugia’ (areas that will persist or develop as climate changes) and possible migration paths or stepping stones for vulnerable species to more suitable climatic conditions⁶.

Further, the local policy context is cognisant of protecting and enhancing local environmental values. The Environmental Management Policy identifies several risks and opportunities around environmental management and rural areas, including:

- Land management outcomes that assist in management of riparian and waterway areas, promote indigenous vegetation, and reduce pest plant and animals.
- Recognise risks such as salinity and integrated fire management and ensure land management is cognisant of these issues.

The Rural Strategy Review 2007 also noted that the protection of high quality agricultural land will be important in helping to manage climate change issues and that continued focus on land management and environmental outcomes in planning policy for rural areas is important.

Several planning overlays already exist in the local planning scheme that identify environmental assets and risks. The environmental policy and planning controls in the Surf Coast Planning Scheme will help direct where and how changes in the rural hinterland can occur.

In summary, the protection and enhancement of biodiversity assets will help retain the character, amenity and liveability of the hinterland; provide critical habitat for threatened and endangered flora and fauna species and support the provision of important ecosystem services, such as soil stability, water purification and clean air which will support diverse and productive agriculture.

⁶ RMCG (2016). *Corangamite and Colac Otway Biolink Plan*. Report prepared for Corangamite and Colac Otway Shires, Victoria.

Opportunities:

- Increased habitat connectivity across the landscape.
- Protection and enhancement of the landscape character, amenity and liveability that continues to attract residents and visitors.
- A landscape that supports nature-based commercial ventures.
- Sustainable farming enterprises that can market a “clean, green” product.

Water Assets

The rural hinterland occurs predominately within the Barwon River drainage basin, and to a lesser extent the Otway Coast basin. The Barwon River, and its tributaries, is the main river system to traverse the hinterland, and reaches of this waterway are identified as a priority by the Corangamite Catchment Management Authority (CCMA). Other creeks and tributaries extend across the hinterland, including Thompson Creek which is also identified as a priority waterway by the CCMA. The environmentally significant Karaaf Wetlands are connected to the Thompson Creek and these wetlands have reportedly been adversely affected by changes in stormwater, livestock manure, agricultural fertiliser runoff and the like.

Waterways across the hinterland are significant in providing habitat for a range of native flora and fauna species including known rare and threatened species; providing areas of drought refuge for native fauna; and in the case of the Barwon River, supplying urban and rural township water storages.

Figure 30 - Major Drainage Basins of the Corangamite Region⁷



Threatening processes such as livestock access to waterways, damage and removal of riparian vegetation, sedimentation and nutrient runoff and changes in flow regime all compromise the health of the waterways in rural landscapes. The CCMA rural profiling study is a survey of 611 rural landholders in the Corangamite region. The survey found that 39% of responders identified the degradation of rivers and creeks as a key environmental issue; second only to concerns about pest plant and animals (43%)⁸.

Over recent years, the CCMA, Surf Coast and Inland Plains Landcare Network and local Landcare groups have been actively working across the hinterland to restore waterway habitats. This has typically involved working on private land to fence waterways off from stock, install off-stream watering points for stock, remove weeds and restoration of riparian and in-stream habitat. It is important that this work continues, so that waterways across the hinterland can continue to support biodiversity, agriculture and communities.

⁷ Corangamite Catchment Management Authority (CCMA) (2014). *Corangamite Waterway Strategy 2014-2022*. Corangamite CMA, Colac, Victoria.

⁸ Corangamite Catchment Management Authority (CCMA) (2013) *Rural Community and Land Use Profiling*. Report prepared by RMCg for the Corangamite CMA, Colac, Victoria.

Water Supply

Barwon Water is the regional water corporation servicing the Surf Coast Shire. The Barwon river catchment is one of the main sources of the Geelong region's drinking water supply. The Wurdee Boluc reservoir, south of Winchelsea, stores water from the upper Barwon catchment.

Underground aquifers at Barwon Downs and Anglesea provide additional sources of water during periods of drought.

Recycled water offers another water source for the region. Currently, 17,873ML of Class C recycled water goes out to sea at Barwon Water's ocean outfall at the Black Rock Recycled Water Plant. This water has a particularly high salt content, due to sea water seeping into the pipes, however with management this water can be used for horticulture, floriculture and agriculture. A privately owned Class C water pipe from Black Rock provides Class C water into the Thompson Valley.

Barwon Water sells class C water for 20% of the price of potable water. Class C recycled water can be used for irrigating crops not supplied to consumers 'raw', e.g. barley, wheat and wine grapes; irrigating crops potentially supplied to consumers 'raw', e.g. carrots, strawberries, apples with management.

A large volume of Class C recycled water is produced at Winchelsea, which has a lower salt content than water from Black Rock. This facility has been highlighted by Barwon Water as having excess capacity, offering a potential source of water for agriculture and other commercial ventures through the provision of supporting infrastructure.

Water security is more concerning at Deans Marsh and Pennyroyal where Barwon Water has no infrastructure and both residential and commercial users rely upon rainwater and aquifers. Barwon Water has highlighted the relatively short distance from the Birregurra C Class recycled water facility to Deans Marsh and Pennyroyal. Seven kilometres of infrastructure would enable commercial use by irrigators in Deans Marsh and Pennyroyal, however Barwon Water have no plans to fund such a project.

Additionally, Black Rock produces Class A recycled water for the new residential developments in Armstrong Creek and North Torquay, via a purple pipe system. This water is currently unutilised by residents based on Barwon Water's initial modelling, and has been made

available to some commercial producers in Surf Coast's hinterland, albeit with strict limitations. Class A recycled water can be safely used for all edible plants. Barwon Water currently sells Class A water for 80% the price of potable water⁹.

Barwon water have indicated that if Class A recycled water continues to be underutilised by residents in the new developments, there may be some potential for further commercial use, if commercial ventures are willing to pay for the connecting infrastructure.

In summary, the protection of water assets in the region is central to supporting biodiversity, agriculture and communities. Opportunities to secure alternative sources of water, such as recycled water from Black Rock, will help alleviate the pressure on the catchments and support sustainable growth and production in the hinterland.

Opportunities:

- Access of Class C water from Winchelsea, and potentially Black Rock, to support agriculture and commercial ventures.
- Improve waterway health through the protection of riparian and in-stream habitat on private land.
- Encourage and support businesses wishing to access Class A recycled water for high value food production such as hydroponics, aquaponics, aquaculture and suitable processing activities.

Land Capability

Soils & Topography

The rural hinterland extends across two bioregions. The Otway Plains bioregion extends from the foothills of the Otway Ranges to the Princes Highway. This bioregion is characterised by foothills with river valleys and swamps in the lowlands. The soils associated with the upper terrain are texture contrast soils (Chromosols and Sodosols) and gradational texture soils (Dermosols) supporting Lowland Forest and Heathy Woodland ecosystems. The floodplains and swamps are earths and pale yellow and grey texture contrast soils (Hydrosols)

⁹ Barwon Water (2017) *Class A recycled water and your home*. URL: <https://www.barwonwater.vic.gov.au/vdl/A3299900/Fact%20sheet:%20Recycled%20water%20and%20your%20home.pdf> (Accessed 22 August 2017)

supporting predominantly Grassy Woodland and Plains Grassy Woodland ecosystems¹⁰.

The Victorian Volcanic Plains bioregion extends north of the Princes Highway and is dominated by Cainozoic volcanic deposits. It is characterised by flat to undulating basaltic plains with stony rises, old lava flows, numerous volcanic cones and old eruption points and is dotted with shallow freshwater and salt lakes. Soils in this area are generally shallow reddish-brown to black loams and clays. They are fertile and high in available phosphorous¹¹.

Agricultural Quality

The 1997 Shire Rural Land Use Strategy provides a classification of agricultural quality based on soil, climate and landscape attributes. The land was classed according to five definitions of agricultural quality and these areas mapped.

Table 26 - Classes of Agricultural Quality in the Surf Coast Shire¹²

Class	Definition
Class 1 or Very High	Agriculturally versatile land, with high inherent productive potential through possessing deep permeable and fertile soils, a flat to gently undulating land form, and a growing season of at least 7-8 months.
Class 2 of High	Agriculturally versatile, but requiring a higher level of inputs to achieve the same productivity as Class 1. Slope is greater, soils more variable, and the growing season is 7-8 months.
Class 3 or Average	Sound grazing land but limited in versatility. Generally unsuited to cropping either because of contour, lack of topsoil depth, or presence of rock. Fertility levels are moderate to low, growing season limited to 6-9 months depending on the rainfall. With high inputs, high productivity levels may be achieved.
Class 4 or Poor	Capable of growing under moderate to low stocking rates where clearing has occurred. Slopes are moderate to steep, with shallow, infertile soils, which need care in their management. Fertility levels are generally low. Erosion hazard high. Forest is often the best and most stable form of land use.

¹⁰ Department of Environment, Land, Water and Planning (DELWP) (2017). *Bioregions and EVC benchmarks*. Victorian State Government, Melbourne. URL: <https://www.environment.vic.gov.au/biodiversity/bioregions-and-evc-benchmarks>

¹¹ Ibid

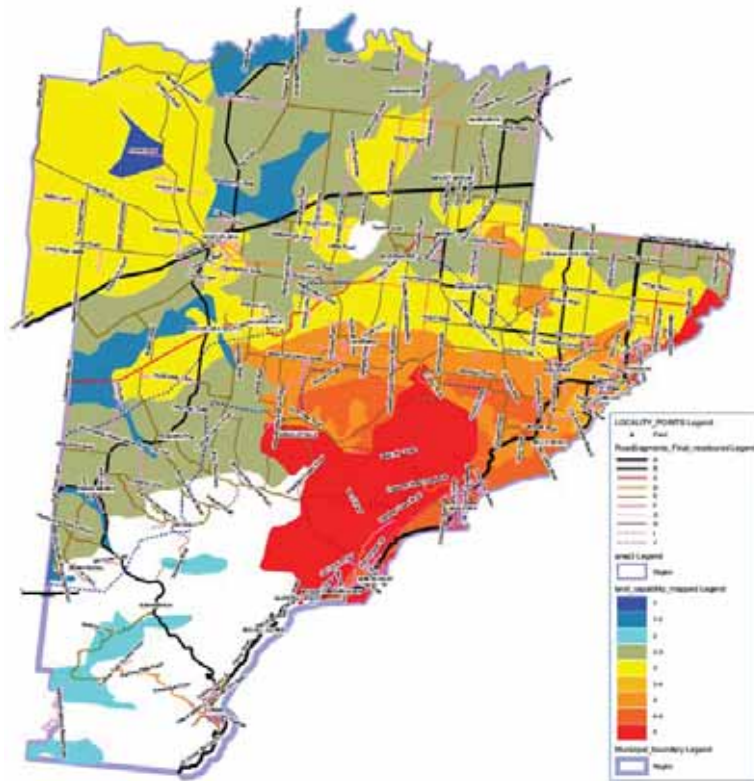
¹² Surf Coast Shire (2007). *Rural Strategy Review*. Report prepared by RMCG for Surf Coast Shire, Torquay, Victoria.

Class 5 or Very Poor

Land unsuited to agriculture. Constraints may be steepness of slope, shallow, sandy or rock soils, high erosion susceptibility. Environmental stability may be best achieved through isolating areas and strictly controlling or eliminating agricultural uses.

The agricultural quality mapping indicates that most of the land across the hinterland is generally classified as Class 2-3, or high to average agricultural quality suited to some cropping but mostly grazing.

Figure 31 - Agricultural Quality of the Surf Coast Shire¹³



The agricultural quality assessment and mapping is 20 years old, however it remains the best available information at present and provides a sound indication of land capability across the hinterland. It is important that areas with the greatest agricultural quality are protected so that sustainable and productive farming can continue in the future. This is implicit in a current State objective for agriculture,

¹³ Surf Coast Shire (2007). *Rural Strategy Review*. Report prepared by RMCG for Surf Coast Shire, Torquay, Victoria.

contained in Clause 14.01-1 of the State Planning Policy Framework, which states that: *“To protect productive farmland which is of strategic significance in the local or regional context”*.

In summary, the protection of areas of high land capability is central to ensuring that sustainable and productive agriculture can continue in the hinterland.

Opportunities:

- The identification and protection of areas of high land capability that will continue to support sustainable and productive agriculture
- Identification of areas that will support more intensive agricultural and horticultural development

Climate Change

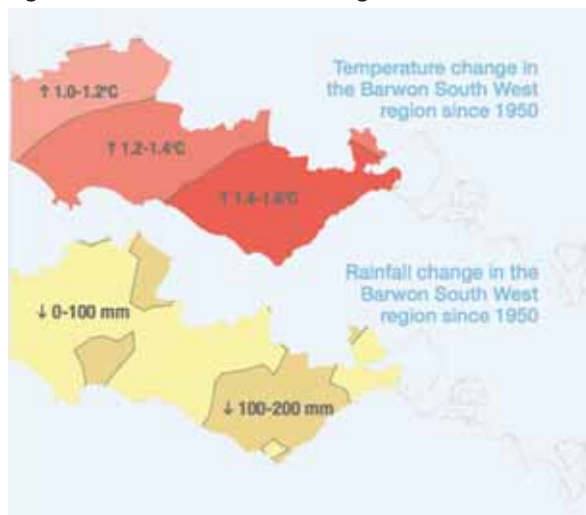
The Barwon South West region is getting warmer and drier. This is consistent with the trend that has been observed, and is forecast to continue, across most of southern Australia. On average, rainfall has decreased across the Barwon South West region since the 1950s and temperatures have increased. Across the region, the changes have been most pronounced in the east, including the Surf Coast Shire rural hinterland. In this part of the region, temperature has increased by 1.4 – 1.6°C and rainfall has decreased by 100-200mm.

The climate is projected to continue to change over the coming century. Climate projections have been forecast for the Barwon South West region, based on the most current climate science, coupled with past climate changes and climate modelling. The following projections are relevant to the Surf Coast hinterland.

- Average temperatures will continue to increase in all seasons. By 2030, warming is expected to be around 0.6 – 1.2°C above the climate of 1986-2005. By 2070, the projected range of warming is 1.1 – 2.9°C, depending on the extent of future emissions. As an example, by 2050, the climate of Colac will be more like the climate of Melbourne.
- There will be more hot days and warm spells. This will result in a substantial increase in the temperature reached on hot days and there will be more hot days (greater than 35°C) and warm spells that last longer. There will also be fewer frost days (less than 2°C).

- Less rainfall in winter and spring. By 2070, under a high emissions scenario, annual rainfall could decrease by 21% (based on 1986 – 2005 levels), with the greatest reductions in winter and spring rain.
- The trend is for an overall decrease in rainfall, however there is expected to be an increase in the frequency and intensity of extreme rainfall events.
- Time spent in drought is projected to increase over the course of the century.
- The frequency of very high and extreme fire danger days is projected to increase.

Figure 32 - Observed Climate Changes Since 1950¹⁴



¹⁴ Department of Environment, Land, Water & Planning (DELWP) (2015) *Climate-ready Victoria: Barwon South West*. Victorian State Government, Melbourne. URL: https://www.climatechange.vic.gov.au/__data/assets/pdf_file/0020/60743/Barwon-South-West.pdf

Figure 33 - Projected Annual Average Temperature Changes for the Barwon South West Region¹⁵

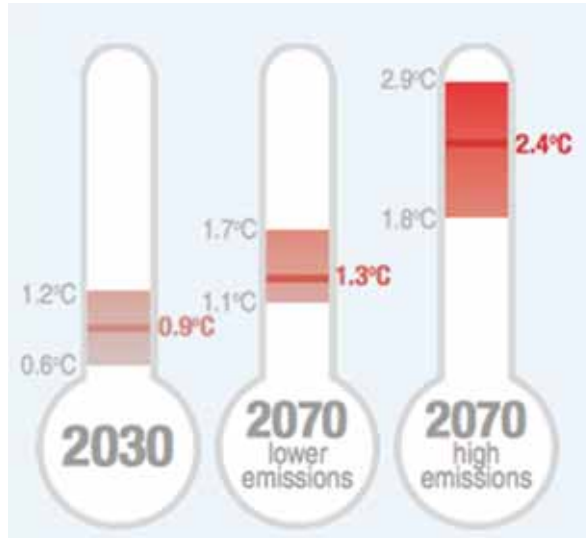
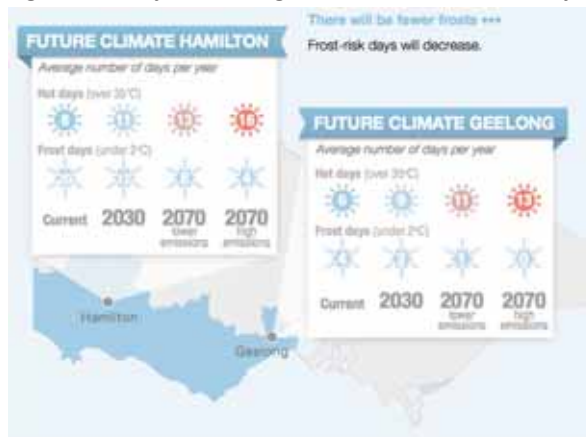


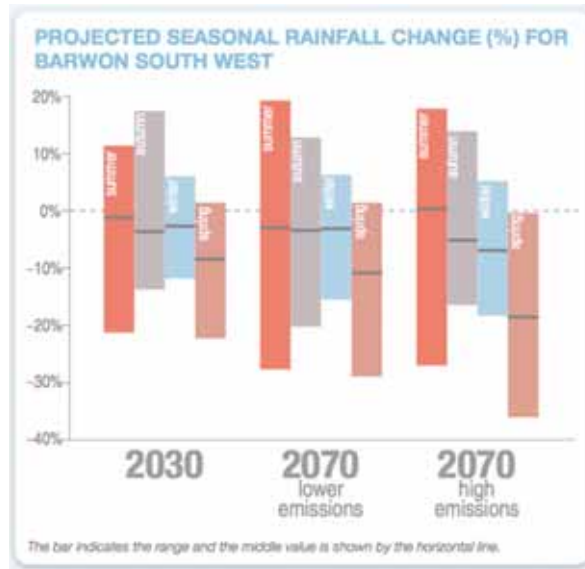
Figure 34 - Projected Changes in the Number of Hot Days and Frost Days¹⁶



¹⁵ Ibid

¹⁶ Ibid

Figure 35- Projected Changes in Seasonal Rainfall¹⁷



Compared to other regions in Victoria, the Barwon South West is likely to experience less variation in annual rainfall by 2070. Under a high emissions scenario, annual average rainfall for the Barwon South West region is projected to decrease by 21%; this is compared to a decrease of 22% in Gippsland, 24% in the Hume region, 28% for the Grampians region and 30% for the Loddon Mallee region.

Similarly, the number of hot days per year (>35°C) by 2070 is considerably less than that projected for areas of central and northern Victoria. For example, under a high emissions scenario, the number of hot days is expected to be 17 in Melbourne, 36 in Horsham, 37 in Shepparton, 47 in Wodonga and up to 66 in Mildura, compared to 13 in Geelong.

The predicted changes in other regions of Victoria may influence agricultural and horticultural enterprises operating in the northern regions to migrate south to the Surf Coast Shire region. The change in climate may also present opportunities for new types of production to occur in the rural hinterland. It is therefore important that the hinterland area is protected to accommodate future agricultural and horticultural enterprises.

In summary, the climate is getting warmer and drier. Climate change will create risks for primary production, infrastructure, tourism, health and the environment of the rural hinterland. It is important

¹⁷ Ibid

that future planning responds to the climate change projections and takes steps to support adaptation across all sectors. Climate change may also present opportunities, such as new agricultural enterprises suited to the climate and a more reliable rainfall compared to other regions.

Opportunities:

- Competitive advantages under climate change projections compared to other regions e.g. a more reliable rainfall and moderate temperature may attract new agricultural enterprises to the hinterland.
- Opportunities for potential renewable energy production e.g. wind and solar power.

Summary

The protection and enhancement of biodiversity assets will help retain the character, amenity and liveability of the hinterland and provide critical habitat and ecosystems for soil stability, water purification and clean air.

The protection of water assets in the region is central to supporting biodiversity, agriculture and communities.

Opportunities exist to secure alternative sources of water, such as recycled water, from Black Rock.

The protection of areas of high land capability is central to ensuring that sustainable and productive agriculture can continue in the hinterland.

Climate change will create risks for primary production, infrastructure and the environment of the rural hinterland but will also present opportunities for new agricultural enterprises.

7 TOURISM ACTIVITY AND OPPORTUNITIES ANALYSIS

Introduction

This section provides an analysis of tourism activities and subsequent opportunities for the Surf Coast Region (Region), including the rural hinterland area. This includes an audit of existing tourist product, supporting services and infrastructure as well as a comparative assessment of competing attractions.

Comparative Assessment

This section examines some of the existing tourism-based attractions within the Surf Coast Region, as well as a sample of attractions proximate to the Surf Coast (i.e. close enough for a day trip from the Surf Coast). The purpose of this is to demonstrate competing attractions throughout the local and regional areas, which are also competing with the hinterland for visitors.

The table below highlights five competing attractions and destinations within the Region. However, we are mindful that the majority of attractions within the Surf Coast are nature-based and difficult to quantify (e.g. Surf Coast Walk, Beaches and the like). Therefore, we focused on built attractions that provided more measurable data.

The table shows that there is a limited amount of built tourism products in the region, as the focus is, generally, on the natural assets such as beaches and forests. However, it is important to note that the newly opened GOR Chocolaterie & Ice Creamery, which is the second location of the successful Yarra Valley store, already attracts a large number of annual visitors.

Table 27 - Competitor Analysis, Surf Coast Region

Attraction	Location	Year opened	Free or Charged (or both)	Visitation	Visitation trends	Financials (CapEx costs, operating budget, profit/loss)	Staffing levels
Australian National Surfing Museum	Torquay		Charged	13,000 p.a.	Relatively stable over past few years		
Great Ocean Road Chocolaterie & Ice Creamery ¹⁸	Bellbrae	2016	Free	Over 500k p.a. (estimates)		Turnover estimates are around \$10m (estimates)	85 FTE (estimate)
Barwon Park Mansion	Winchelsea	1871	Charged	10,000 p.a.	Visitation doubled in 2016 due to film 'The Dressmaker'		
Tiger Moth World ¹⁹	Torquay	1989	Charged	Approx. 2,000 p.a.			
Great Ocean Road Heritage Centre ²⁰	Lorne	2014	Free	56,627	The Visitor Information Centre, which includes the Heritage space, has experienced downward trend in visitation by 7% since 2014-15	Marketing Budget of \$5k p.a.	1 f/t 3 p/t Casuals as required
Qdos Art Gallery ²¹	Lorne	2000	Free	Approx. 50,000 p.a. (including school groups)			4 FTE

Therefore, to accurately demonstrate the range of tourist attractions, the table below highlights some of the nature-based outdoor attractions within the Surf Coast that cannot be quantified in the table above.

¹⁸ <http://www.illawarramercury.com.au/story/4588356/how-one-couple-risked-everything-for-their-chocolate-dream/?cs=2452>

¹⁹ <http://tigermothworld.com.au/>

²⁰ Primary Research

²¹ Primary Research

Table 28 - Nature-Based Attractions within the Surf Coast²²

Town	Beaches	Walks	Other
Torquay	<ul style="list-style-type: none"> ▪ Bells Beach ▪ Fisherman’s Beach ▪ Point Danger 	<ul style="list-style-type: none"> ▪ Surf Coast Walk ▪ Foreshore Trail ▪ Surf Coast Historical Society Walk 	<ul style="list-style-type: none"> ▪ Shopping (surfing retail) ▪ Surfing tours/surf schools
Anglesea	<ul style="list-style-type: none"> ▪ Main beach ▪ Point Roadknight Beach 	<ul style="list-style-type: none"> ▪ Surf Coast Walk ▪ Anglesea Art Walk 	<ul style="list-style-type: none"> ▪ Surfing tours/surf schools ▪ Horse riding
Aireys Inlet	<ul style="list-style-type: none"> ▪ Sandy Gully and Step Beach ▪ Inlet Beach 	<ul style="list-style-type: none"> ▪ Surf Coast Walk ▪ Lighthouse Precinct Walk ▪ Cliff Top Walk 	<ul style="list-style-type: none"> ▪ Great Ocean Road Memorial Arch* ▪ Split Point Lighthouse
Lorne	<ul style="list-style-type: none"> ▪ Lorne Beach 	<ul style="list-style-type: none"> ▪ Erskine Falls ▪ Lorne Pier 	<ul style="list-style-type: none"> ▪ Horse-riding ▪ Fishing
Winchelsea	n/a	<ul style="list-style-type: none"> ▪ Marjorie Lawrence Trail ▪ Barwon River Lookout ▪ Winchelsea Heritage Walk 	<ul style="list-style-type: none"> ▪ Barwon River ▪ Trail bike riding

*Located at nearby Eastern View

Finally, the table below shows some 15 competing attractions and destinations from outside the Region. However, we are mindful that the majority of these attractions are small in scale – in terms of visitations and budget. As such, we note the following key findings:

- Visitation data was only available for 8 of the attractions, with visitation ranging from around 3,000 per annum to 340,000. As many museums are local and of reasonably small scale, visitation data was not available.
- Where visitation data (and trends) were available, attractions have generally experienced increases in visitation levels from previous years.
- Most of the analysis included attractions within the Greater Geelong Region, which we would expect as this has a larger population base. This also demonstrates the fact that there is a lack of built attractions/tourism products along the GOR (including the Surf Coast).
- Most of the built attractions are cultural/heritage facilities (e.g. museums/art galleries).

²² Surf Coast Shire Council, 2016

Table 29 - Competitor Analysis, Outside the Surf Coast Region

Attraction	Location	Year opened	Free or Charged (or both)	Visitation	Visitation trends	Financials (CapEx costs, operating budget, profit/loss)	Staffing levels
Cheeseworld & Museum	Allansford	1986	Free				
Warrnambool Art Gallery	Warrnambool	1886	Free			Operating budget \$2.1m (approx.)	
Ravens Creek Farm							
Adventure Park ²³	Wallington	1996	Charged	340k (estimated half-year attendance)	Increased from 240k (2014)	\$8.5m in capex for expansion in 2009 Approx. \$12m redevelopment costs (2015)	254 staff (f/t & p/t) (2014)
National Wool Museum ²⁴	Geelong	1988	Charged	Approx 18k for touring exhibitions (2014-15)	<ul style="list-style-type: none"> ■ Visitation increased by 16% from 2013-14 levels ■ Shop transactions increased by 24% 		65 staff

Supporting Facilities, Attractions & Services

In this section, we assess tourism-supporting facilities and attractors in the rural hinterland area (within the Surf Coast Region). The purpose of this is to understand the scale/type of product that already exists, in order to identify what additional products and services are required to support and attract visitors to the hinterland.

Accommodation

The table below shows the accommodation facilities within the hinterland area of the Surf Coast. Based on our research, we found 13 advertised accommodation facilities either within or on the edge of, the rural hinterland (noting that this may not include all farmstay rentals, holiday house rentals or 'Air BnBs').

This demonstrates that, in total, there is only enough advertised accommodation for around 226 people (in 54 different room types). For such a large area, which also receives a significant amount of annual visitation, this appears to be a relatively low level of accommodation provision. To overcome this, until accommodation provision increases, consideration could be given to attracting overnight visitors to the coastal areas (e.g. Lorne, Anglesea) as 'day trippers' to the hinterland.

²³ Panel Report, Greater Geelong Planning Scheme: Adventure Park Geelong, 2014

²⁴ City of Greater Geelong, Annual Report, 2014-15; Australian Museum, Annual Report, 2014-15

In addition, we also note a lack of designated camping facilities and caravan parks across the hinterland. These do exist throughout the Surf Coast (and GOR), however, they are typically located in coastal areas and away from the rural hinterland.

Table 30 - Accommodation Facilities in the Hinterland Region (within Surf Coast)²⁵

Accommodation	Location	Starting price (per night)	Rooms	Capacity
Pennyroyal Raspberry Farm & Cidery	Murroon	\$100	2 cabins	4 people
Otway Escapes Luxury Spa Accommodation	Pennyroyal	\$210	4 cottage types	8 people
Hidden Valley Cabins	Pennyroyal	\$90 (for 2 adults)	5 cabins	30 people
Pennyroyal Farm	Pennyroyal	\$200	10 rooms	40 people
King Parrot Cottages	Pennyroyal	\$250	6 rooms	24 people
Window on the Otways	Pennyroyal	\$300	2 rooms	10 people
The Nook Cottage	Pennyroyal	\$225	2 rooms	10 people
Countrywide Cottages	Winchelsea South	\$265	4 cottages	27 people
Roberta's Cottage	Winchelsea	\$125	2 rooms	4 people
Winchelsea Motel	Winchelsea	\$110	2 rooms	9 people
Ebony Quill Romantic Cottages	Mount Moriac	\$90	8 cottages	30 people
Freshwater Creek Cottages	Freshwater Creek	\$205	5 cottages	26 people
Mayfair Park Farmstay	Freshwater Creek	\$230	2 rooms	4 people

Regional Events

This section highlights some of the upcoming regional attractors and events to be held on the Surf Coast, which can be exploited to help stimulate visitation to the hinterland area. The table below shows the upcoming regional events to be held throughout Surf Coast.

²⁵ <https://www.visitgreatoceanroad.org.au/accommodation/>; Primary Research

Table 31 - Regional Events in the Surf Coast Region²⁶

Event	Location	Date/s	Description	Other information (visitation)
Heydey 20th Century Fashion	Winchelsea	January-March 2018	A fashion exhibition at Barwon Park Mansion	
Bells Beach Cliff Run	Jan Juc	5 January 2018	An 8km fun run or 4km run/walk from Jan Juc Surf Life Saving Club along the cliff tops to Bells Beach and back.	
Danger Ocean Swim	Torquay	6 January 2018	Open water swim covering 500m, 1.5km and 2.5km	In 2016 there were 2,000 competitors (ranging from 9-75 years old)
Cadel Evans Great Ocean Road Race	Geelong-Barwon Heads-Torquay	25-28 January 2018	An annual professional one-day road bicycle race for both men (174km) and women (113km) starting and finishing in Geelong and routed along the Great Ocean Road. The first race was held in 2015.	Around 100,000 spectators line the race roads
Mountain to Surf Run	Lorne	12 January 2018	An 8km fun run starting in Lorne and continuing through the forest and then along the Great Ocean Road and finishing at the Lorne Surf Life Saving Club.	
Pier to Pub Ocean Swim	Lorne	13 January 2018	The Lorne Pier to Pub is the largest open water swim in the world and is organised and run by volunteers from Lorne Surf Life Saving Club.	Up to 4,000 competitors
Lorne Sculpture Biennale	Lorne	17 March - 2 April 2018	A festival of art and events celebrating the best of Australian and International sculpture.	
Great Ocean & Otway Classic Ride	Great Ocean Road	18 March 2017	The 145km ride features over 90km of road closures through the picturesque farmlands of the Otway ranges to Lorne and then back along the famous Great Ocean Road to Torquay.	
Kids Adventure Outdoors Anglesea	Anglesea	8-9 April 2018	An adventure festival designed especially for kids and families	
Rip Curl Pro	Bells Beach	12-24 April 2017	The longest running surf competition in the world, celebrating its 56th event this year.	Around 300 surfers compete per annum
Surf Coast Century	Anglesea	9-10 September 2017	A 50km and 100km ultramarathon along Victoria's Surf Coast and wildflower hinterland.	
Falls Music & Arts Festival	Lorne	28 December 2016 to 1 January 2018	A boutique music festival with local and international artists	Capacity of up to 17,500 people on site

²⁶ <https://www.surfcoast.vic.gov.au/Tourism/Events>

From this analysis, we can glean several insights.

- There are a number of upcoming events held in the Surf Coast throughout the year, attracting – in some cases – thousands of visitors.
- Some of these events attract a large amount of publicity, particularly the Rip Curl Pro and Lorne Pier to Pub Ocean Swim.
- Majority of events are outdoor/exercise-based, with some connection to the natural environment. In addition, some of the events – such as the ‘fun runs’ – traverse through the hinterland area.
- These events can be used as an opportunity to increase visitation to the hinterland, by:
 - Attracting visitors/competitors to the area as an ‘add-on’ to the existing event
 - Introducing new outdoor/nature-based events that are located in the hinterland
 - Relocating existing events to be located within the hinterland, or to pass through the area

Product Assessment – Food Trails

A tourism product that is increasingly being used to attract visitors to regional areas is the food and wine trail. These initiatives are not only designed to increase visitation and improve the visitor economy, but they also serve a marketing function by branding a particular region as a ‘foodie’/wine destination.

While this tourism product has been used with some success in the Surf Coast hinterland, the table below provides some examples of successful food & wine trails across other parts of Regional Victoria, highlighting a number of trail options and common factors shared amongst the different trails. This research provides useful insights into some common factors evident in food & wine trails.

- The primary mode of transport is generally via car (although it must be noted that some cycle-based trails exist, where the focus is on the natural environment as much as it is on food).
- Many trails provided multiple routes. For example, the various Mornington Peninsula trails are segmented by its focus on food type, wine/cellar doors.
- All trails focus on the importance of fresh, local food/wine that is grown in the region, which provides a unique selling point and

also supports local industry. As such, each trail we have researched has a farmgate / farm shop or local market where visitors can purchase local produce and local wine. Another important element attributed to all trails is the focus on artisan goods, be it Providores, chocolateries or the like, that are high-quality and cannot generally be purchased elsewhere.

- The provision of restaurants is also a common factor as it provides an opportunity for visitors to rest, partake in local produce and, importantly, spend.
- All trails also include a combination of wineries and cellar doors, which is usually the focal point of many of these destinations.
- Finally, most trails provide some forms of accommodation in order to attract overnight visitation to the region, which is important in generating higher visitor yield and stimulating the visitor economy.

Table 32 - Comparative Examples of Regional Food & Wine Trails²⁷

Trail	Number of routes/maps	Primary transport	Farm shops/markets	Wineries/cellar doors	Restaurants	Accommodation	Events/tours	Art galleries	Picnic spots	Fruit picking
Otway Harvest Trail	1	Car	✓	✓	✓	✓	✓	x	x	x
12 Apostles Gourmet Trail	1	Car	✓	✓	✓	x	x	x	x	✓
Bellarine Taste Trail	4	Car	✓	✓	✓	✓	✓	x	x	x
Mornington Peninsula Wine Food Farm Gate Trail	13	Car	✓	✓	✓	✓	✓	x	x	x
Yarra Valley Trail	9	Car	✓	✓	✓	x	x	✓	✓	✓
Tasty Little Tourism Map	5	Car	✓	✓	✓	✓	x	x	x	x

Visitor Market Analysis

This section examines the existing visitor market to the Surf Coast, in the context of its position within the Great Ocean Road (GOR) and as the regional catchment for the hinterland area. Understanding the visitor market is an important element of this assessment, as it

²⁷ www.visitvictoria.com

demonstrates the estimated number of visitors who are currently travelling to the region (and potentially the rural hinterland), as well as attributes about the various market segments.

Total Visitation

The figure below provides a summary of visitation to the Surf Coast Region from 2012-13 to 2016-17²⁸. In 2016-17, total visitation was estimated at 2.3m, with the majority of visitors being domestic day trippers (60%), followed by domestic overnight (38%) with the remainder (2%) being international visitors. These ratios have remained relatively constant over time.

Over the past five years, visitation to the Surf Coast has significantly increased by some 61%, comprising:

- 81% increase in domestic day trippers
- 36% increase in domestic overnight visitors
- 81% international overnight

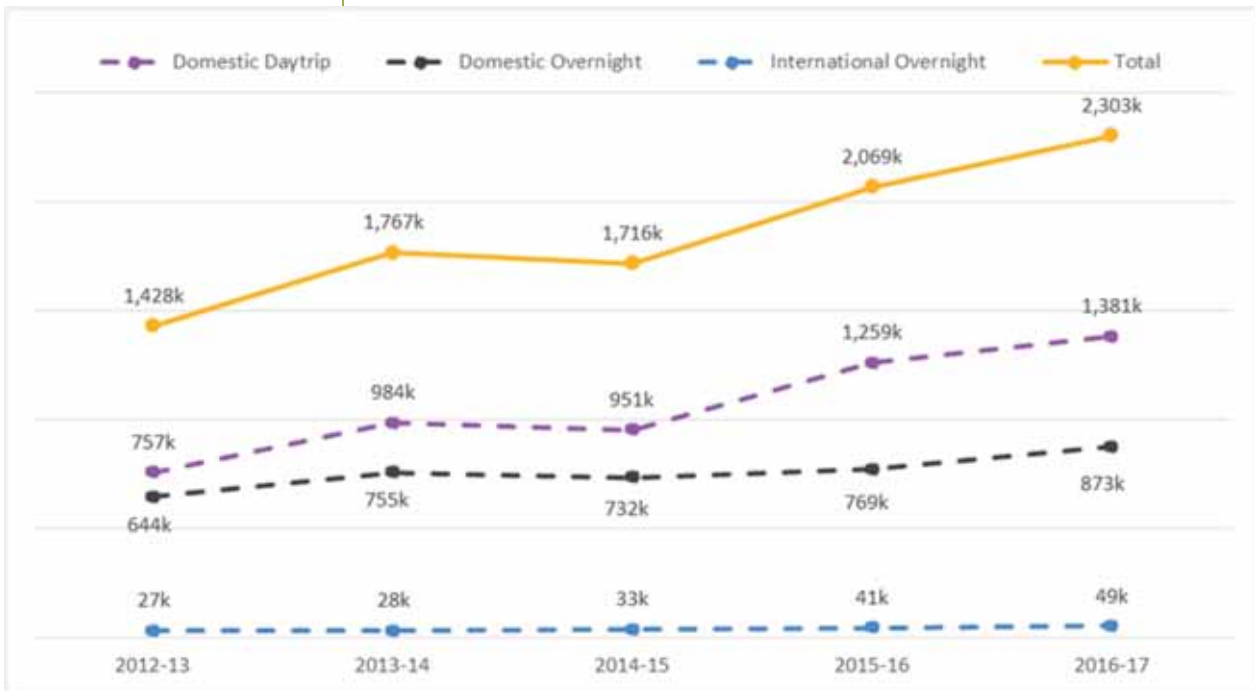
These visitation levels make the Surf Coast Region the most popular sub-region for visitors to the GOR²⁹. In 2016-17 alone, 45% of all visitors to the GOR – totalling 5.1m – were visiting the Surf Coast, including 47% of total domestic day trippers, 44% of total domestic overnight visitors and 22% of all international visitors.

Clearly, the Surf Coast Region is an increasingly popular destination for visitors travelling to the GOR, particularly domestic tourists.

²⁸ Note: Unless otherwise indicated, data reflects YE March.

²⁹ According to the Great Ocean Road Regional Tourism body, the Surf Coast is a sub-region of the GOR.

Figure 36 - Visitation to the Surf Coast Region³⁰



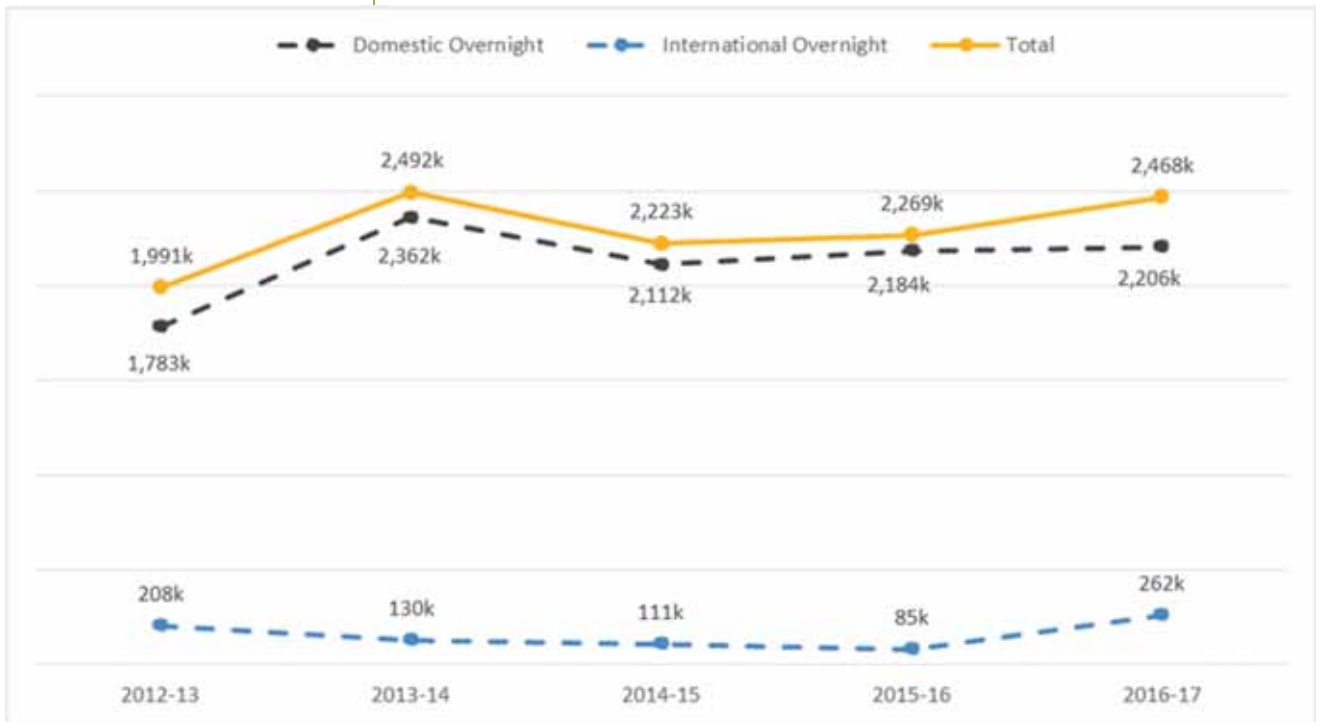
Visitor Nights

The figure below illustrates visitor nights spent in the Surf Coast Region over the past five years. In 2016-17, a total of 2.5m visitor nights were spent in the region, the majority of which were undertaken by domestic overnight visitors (89% in 2016-17). In line with the trend of increasing visitation, total visitor nights have also increased over time, by some 24% since 2012-13, driven by increases in both domestic overnight visitors (24%) and international visitors (26%).

Again, the largest number of visitor nights to the GOR is spent on the Surf Coast, which comprises 38% of total visitor nights, including 40% of domestic and 25% of international nights.

³⁰ Great Ocean Road Regional Tourism, Travel to Great Ocean Road, 2017.

Figure 37 - Visitor Nights in the Surf Coast Region³¹

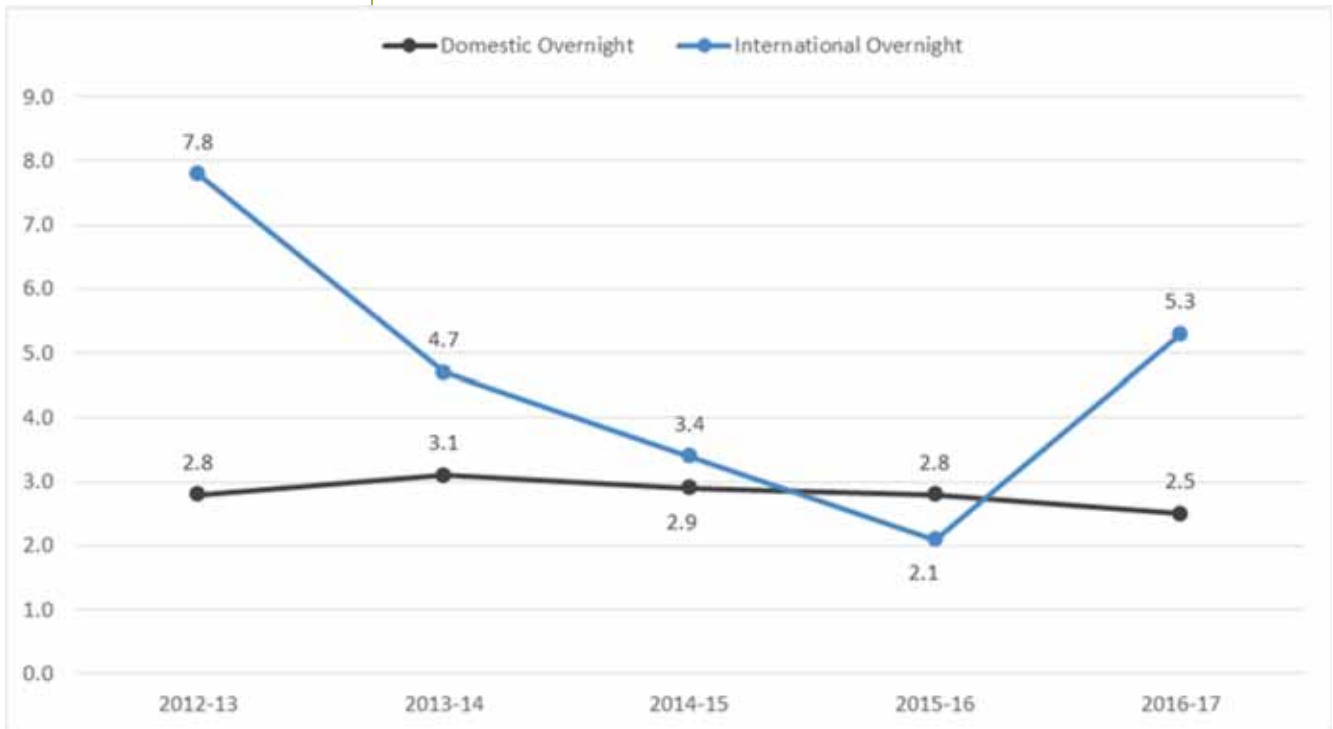


Average Length of Stay

An important element of visitor nights is the average length of stay (ALOS), which is illustrated in the figure below. As is generally the case, ALOS for international visitors (5.3 in 2016-17) is higher than domestic (2.5), while both have also experienced a decline over the past five years. In addition, these figures are broadly in line with the ALOS averages for the GOR of 2.8 for domestic and 4.8 for international visitors.

³¹ Great Ocean Road Regional Tourism, Travel to Great Ocean Road, 2017.

Figure 38 - Average Length of Stay in the Surf Coast Region³²

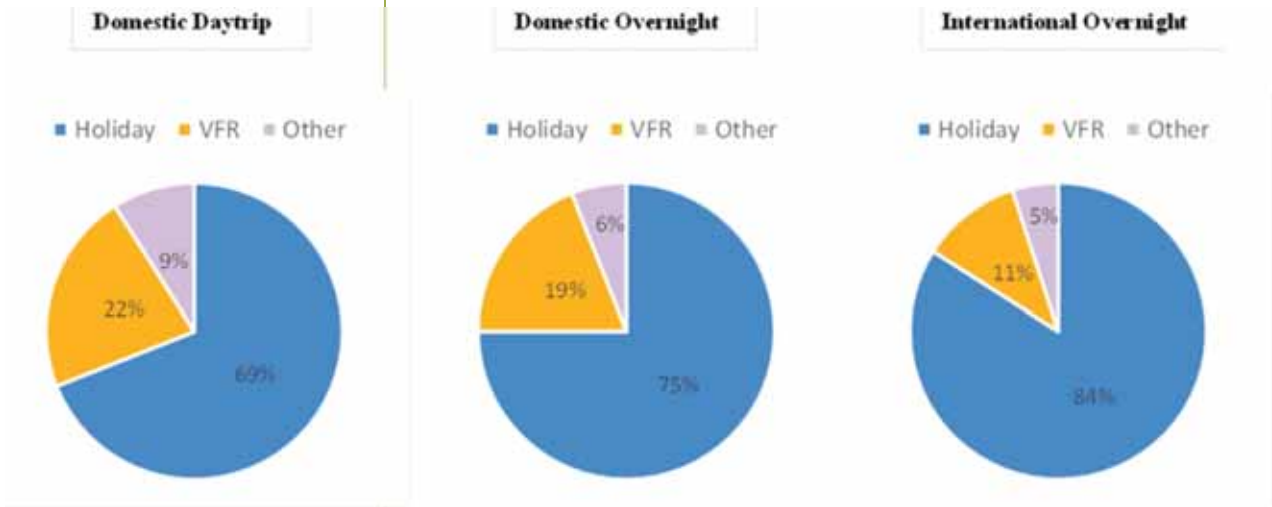


Purpose of Visit

The figure below provides a summary of the purpose of visit by international, domestic overnight and domestic day visitors to the Surf Coast Region. It demonstrates that for all visitor types, holiday-based travel is the primary purpose of visit (total average of 72% across visitor types), followed by Visiting Friends or Relatives – VFR – (20%) and ‘other’ purposes (8%). Note ‘other’ includes ‘business purposes’.

³² Great Ocean Road Regional Tourism, Travel to Great Ocean Road, 2017; International visitor data from 2012-13 to 2015-16 are estimates only.

Figure 39 – Purpose of Visit to Surf Coast Region³³

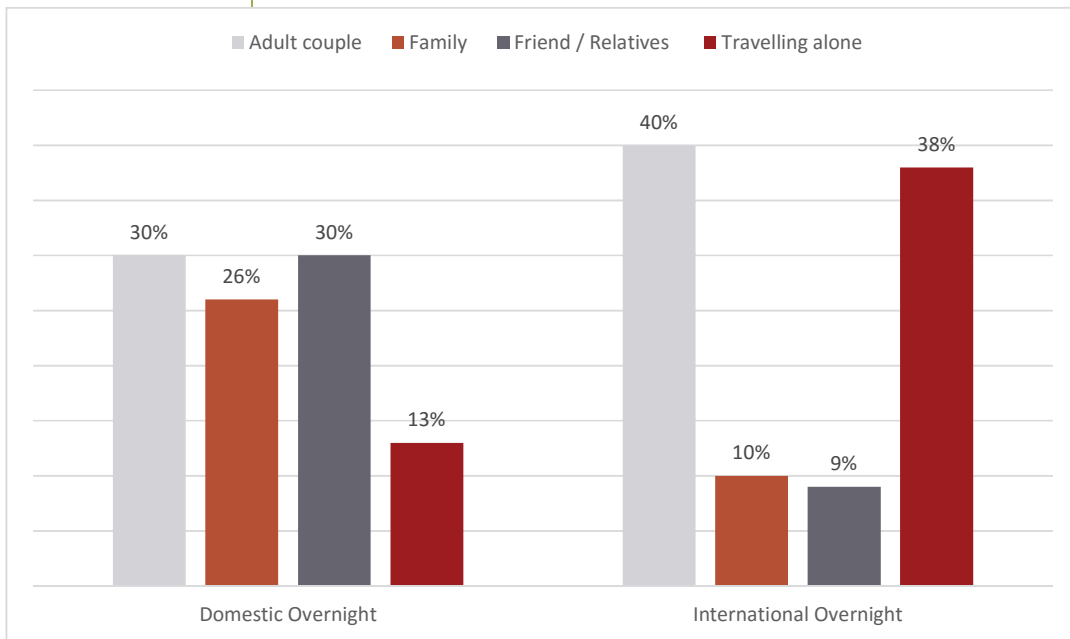


Travel Party Type

The figure below illustrates the type of visitor, by travel party, to the Surf Coast Region (for both domestic and international overnight visitors). The spread of domestic visitors is relatively even, driven by adult couples (30%), friends/relatives travelling together (30%) and families (26%). Conversely, there are two dominant travel party types for international visitors – adult couple (40%) and lone travellers (38%).

³³ Tourism Research Australia, NVS, 2015

Figure 40 - Visitation to the Surf Coast Region by Travel Party (2015)³⁴



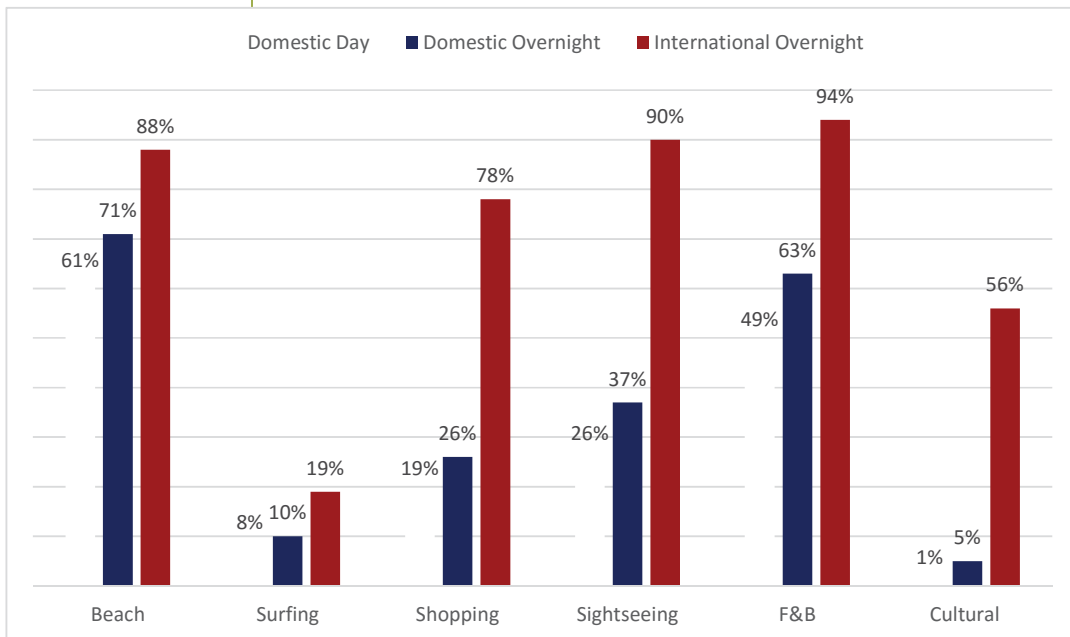
Key Activities by Visitors

Understanding the key activities undertaken by visitors helps identify why visitors are attracted to the region. The figure below shows the key activities undertaken by domestic day trippers and domestic and international overnight visitors. As would be expected, visitors predominantly participate in nature-based activities, particularly beach-related activities and sightseeing. While a large proportion of visitors also partake in food & beverage experiences.

Interestingly, there is some contrast in the activities undertaken by domestic visitors versus international visitors. For example, international visitors have a higher propensity to shop, sightsee and participate in cultural activities. In fact, the cultural market is almost exclusively dominated by international visitors, with domestic visitors preferring outdoor, nature-based activities, shopping or food & beverage.

³⁴ Tourism Research Australia, NVS, 2015

Figure 41 - Key Activities by Visitors to the Surf Coast Region (2015)³⁵



Note: The total proportions for each activity can exceed 100%, as visitors can select multiple activities.

Visitor Spend

The table below indicates the most recent level of visitor spend in the Surf Coast for 2015 for all visitor types. Total spend in the region of \$375m was primarily driven by domestic overnight visitors (74% of total spend), followed by domestic day trippers (22%) and international visitors (4%). However, on a spend by trip basis, the highest amount of spending was undertaken by international (\$459 per trip) and domestic (\$380) overnight visitors, which reflects a greater level of spend for accommodation and food.

From this, we understand that both domestic and overnight visitors spend is, on average, around five times greater than the level of spending of a domestic day visitor.

³⁵ Tourism Research Australia, National Visitor Survey 2015; Australian National Surfing Museum: Strategic Assessment & Future Options, June 2016

Table 33 - Visitor Spend in the Surf Coast Region (2015)³⁶

Traveler Type	Total spend (\$m)	Ave spend per trip (\$)	Ave spend per night (\$)
Domestic Daytrip	\$81m	\$87	na
Domestic Overnight	\$279m	\$380	\$120
International Overnight	\$15m	\$459	\$95
Total	\$375m	\$221	\$119

Key Findings

The analysis of the Surf Coast visitor market provides some useful insights.

- Visitation to the region has significantly increased over the past five years, contributing to the status of the Surf Coast as the most popular visitor destination ‘sub-region’ within the GOR.
- While all visitor types have experienced an increase, the area is best served by domestic visitors, particularly domestic day trippers. From previous research, we also understand this market is dominated by visitors from intrastate, particularly the Greater Melbourne market.
- The overnight visitor has the greatest appeal to the region due to the high-yielding nature of this market, typified by the higher proportion of visitor spend from both domestic and international overnight visitors.
- The ‘holiday’ visitor, by the purpose of visit, is most attracted to the region. This is of great benefit to the region as, traditionally, holiday visitors are higher-yielding (than, say, VFR visitors).
- The biggest appeal to the region is the natural environment, specifically beaches and sightseeing. The sightseeing elements would be of particular interest for the rural hinterland as an attractor for visitors, who would be drawn to its natural assets including lookouts, forests, significant landscapes, waterfalls and walking trails.

Opportunities

The above research and analysis is synthesised into the following key findings.

- Visitation to the Surf Coast Region is strong and has been increasing over time, particularly for domestic visitors. As such,

³⁶ TRA, NVS, 2016

opportunities to capture these tourists and direct them to the hinterland area need to be explored, noting that any intensification should respect the qualities and attributes of the hinterland area that are currently valued.

- Other than natural assets, such as walking trails and sightseeing, there are a limited number of 'attractors' and tourism products across the hinterland. Therefore, consideration must be directed on how to appeal to visitors – by either providing new product in the hinterland; or increasing marketing and the promotion of the area.
- There is also a limited number of supporting accommodation facilities, which constrains the number of high-yielding overnight visitors. Therefore, unless more facilities are provided, the focus could be on attracting day visitors from across the Surf Coast / GOR 'coastal' areas.

Some successful examples of tourism initiatives that potentially could drive visitation to regional areas include food & wine trails, which successfully utilise existing road / cycle networks, have the potential to attract more visitors to the hinterland area, promote it as a 'must-do' destination and increase visitor spend.

As such, we have identified some potential tourism products / clusters that could potentially be enhanced across the hinterland area.

Facilitating Food Hub Tourism

The introduction and early success of the Chocolaterie & Ice Creamery near Bellbrae demonstrates that food destinations could thrive in the region.

In particular, attracting established food destination brands and working in collaboration with other destinations can lead to the further development of a regional food hub. Ideally, this food hub would work in conjunction with the local surroundings, improve the interpretation of the area and provide an improved sense of place for the hinterland. This could build on the existing food trails in the region.

Facilitating Arts & Crafts and Cultural Trail Tourism

The Winchelsea area is a cultural and heritage focal point of the hinterland. This is demonstrated by a number of cultural and heritage events and activities held across the town. Winchelsea

offers echoes of 'Fine Living' Heritage within a peaceful country environment that includes a collection of elegant establishments.

From this, Winchelsea could be a focal point of an Artisan Trail that incorporates the local arts & crafts scene and provides a cultural offering for visitors. Visitors could be guided through exhibition spaces and galleries throughout the area, as well as local markets, which would provide insights into local culture and be tied into the surrounding environment of the hinterland.

This could have the added benefit of growing the arts scene and attracting local and regional artists to the area.

Facilitating High Quality Accommodation Facilities

To attract higher yielding overnight visitors, high quality accommodation is needed. The quality needs to be exceptional to offer a point of difference in the market and for the facilities to become destinations in their own right.

The hinterland could avoid adding generic accommodation capacity and focus only on quality destination accommodation.

Destination Making

An opportunity exists to build on the strengths of the hinterland and its towns as 'destinations', based on the provision of a specific product or service to attract visitors. For example, Deans Marsh could be promoted as a focal point for the hinterland. The key is to offer a suitable product that attracts visitors. This could involve a range of experiences and activities, each offering a different interpretation of the area and town, including linkages with the Otway Harvest Trail or a purpose-built attraction that focuses on the connections with nature and the local environment.

Developing Tourism Product Clusters

Tourism product clusters, if introduced correctly, could potentially complement each other so that visitors would be able to experience all three – food, arts, destinations - during their trip (either a day trip or overnight). As a result, visitors would be directed to the main areas of the hinterland, which would increase visitation, improve their knowledge and engagement with the area and help stimulate the visitor economy.

Summary

Other than natural assets, such as walking trails and sightseeing, and an emerging cluster of food trail operations, there are a limited number of 'attractors' and tourism products across the hinterland.

There is also a limited number of supporting accommodation facilities, which constrains the number of high-yielding overnight visitors.

Despite this, visitation to the Surf Coast is strong and has been increasing over time, particularly for domestic day trip visitors visiting the coast, Great Ocean Road and Great Otway National Park. As such, opportunities exist to capture tourists and direct them to the hinterland area.

The key opportunities for tourism in the hinterland are as follows:

- Facilitating food hub tourism;
- Facilitating arts & crafts and cultural trail tourism;
- Facilitating high quality accommodation facilities;
- Destination making; and
- Developing tourism product clusters.

8 AGRIBUSINESS ACTIVITY AND OPPORTUNITIES ANALYSIS

Introduction

This section provides an analysis of agriculture business opportunities and broader issues relating to rural land use and development in the hinterland. The information is based on the role of the area within the G21 Region.

Agribusiness in the G21 Region Economy

The recently completed G21 Agribusiness Strategy³⁷ showed how significant agribusiness³⁸ is to the G21 Region economy with production of \$1,091 million of value-add and direct employment of 8,600 people across the supply chain, representing between 8.4% and 8.7% of the G21 regional economy.

Table 34 - Agribusiness Value-Add and Jobs by Sector in the G21 Region

Sector	Value-add	Jobs
Inputs	\$326m	2,400
Farming	\$338m	2,800
Processing	\$371m	2,900
Wholesale	\$56m	500
Total Agribusiness	\$1,091m	8,600
% of G21 Region	8.4%	8.7%

Importantly, \$753 million of this value-add and 5,800 of the jobs are generated beyond the farm gate. This data does not include agribusiness' contribution to the visitor economy and other service sectors, e.g. finance and insurance.

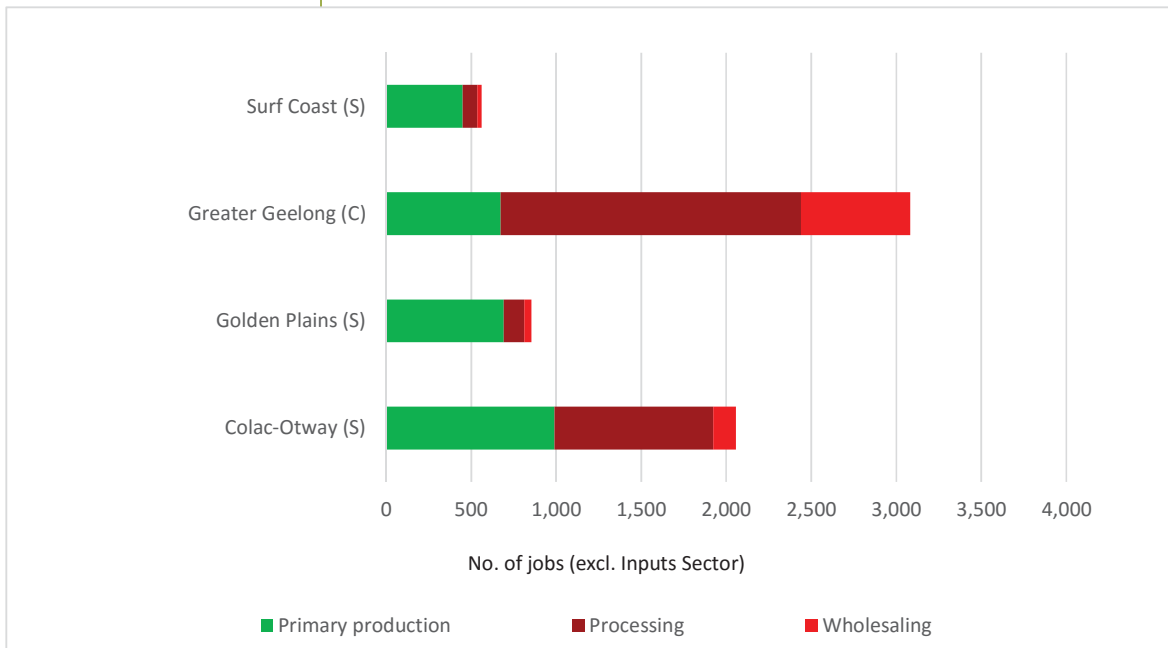
It is important to note that agribusiness is also a significant contributor to the visitor economy, with the rural landscapes, wineries, harvest trails, farmers' markets and small scale food producers contributing enormously to the attraction of the region to the large number of domestic and international visitors.

³⁷ City of Greater Geelong (2017) Sustainable Agribusiness Strategy for the G21 Region, 2017 – 2022.

³⁸ The strategy defined agribusiness as more than just farming. It includes inputs into agriculture, primary production (including farming, forestry, aquaculture and fisheries), manufacturing and wholesaling.

Agribusiness jobs (excluding inputs³⁹) by each of the local government areas within the G21 Region are presented in the figure below.

Figure 42 - Agribusiness Jobs by Sector (excl. inputs) by Local Government Area in the G21 Region



This figure shows that agribusiness processing in the G21 Region is largely based in the urban areas of Geelong and Colac. Processing and wholesaling dominates (approx. 78%) agribusiness employment in the City of Greater Geelong, whilst the split between pre- farm-gate (48%) and post farm-gate (52%) in Colac-Otway Shire is much more even. There is only a small amount of processing and wholesaling in Surf Coast and Golden Plains Shires and, as a result, the total number of jobs in agribusiness is far less, and dominated by primary production. Thus, it is important to recognise that the economic contribution of agribusiness to the G21 Region is largely from the urban-based post farm-gate sector of the industry.

The figure also shows that Surf Coast Shire has the smallest employment in agribusiness within the region with the actual number of jobs totalling 561, or 6.5% of the region’s agribusiness

³⁹ The method used to calculate the number of jobs in the input sector is unable to be applied at a local government area level.

jobs. The agribusiness jobs in Surf Coast Shire are split between the sectors as follows:

- 450 = primary production
- 84 = processing
- 27 = wholesaling

Thus, agribusiness in the Surf Coast Shire economy is dominated by primary production, rather than the post farm-gate sector. However, this does not include the contribution of primary production to the visitor economy, via farm gate sales and landscape management, which is immeasurable but significant.

Agribusiness in the Surf Coast Hinterland⁴⁰

The type of farms, their number and the value of production produced by these farms in the Surf Coast hinterland is presented in the table below. The value of production is presented by commodity, but the number of farms is presented by industry, as each farm is grouped to a specific industry based on its sources of income.⁴¹ The relevant groupings are:

- Livestock = cattle and sheep
- Sheep = wool and lambs
- Cropping = crop and mixed farms
- Intensive animals = pigs, chicken meat and eggs

⁴⁰ The agricultural data presented in this section is based on the Winchelsea statistical local area, as the boundaries of the Surf Coast hinterland, as defined for this study, approximate its boundaries.

⁴¹ Industry codes classify farms by income, e.g. a farm which receives more than 80% of its income from cropping and less than 20% from livestock is a "crop" farm, whilst the reverse allocation would make it a "livestock" farm. Farms where no one commodity represents >80% of the income are mixed farms.

Table 35 - Gross Value of Production and Number of Farms by Commodity in the Surf Coast Hinterland⁴²

Commodity	GVP (\$ million)	% of GVP	No. of farms	% of farms
Cattle	\$7.4	9.5%	180	60.2%
Sheep	\$18.8	24.2%		
Cropping	\$15.8	20.4%	54	18.1%
Dairy	\$6.1	7.8%	11	3.7%
Horticulture	\$1.0	1.3%	22	7.4%
Pigs	\$5.0	6.4%	10	3.3%
Eggs	\$0.1	0.1%		
Chicken meat	\$23.5	30.3%		
Other ⁴³	n.a.	n.a.	22	7.4%
TOTAL	\$77.6	100%	299	100%

The Gross Value of Agricultural Production in the Surf Coast hinterland was \$77.6 million in 2011. The three largest commodities by value were Chicken meat, sheep and cropping, which together account for almost 75% (74.9%) of this value.

There were 299 farms in the Surf Coast hinterland in 2011, of which 180 or 60.2% were livestock farms. The next largest category was cropping farms (including mixed farms), of which there were 54 farms or 18.1%.

The combination of gross value of production and the number of farms by industry or commodity indicates the economic size of these farms. The data shows that the 60.2% (180) of farms that are livestock farms only account for 33.7% of the gross value of production, whilst 3.3% (10) of the farms that are intensives livestock farms account for 36.8% of the gross value of production. Thus, there are a large number of small livestock farms and a small number of large intensive farms in the Surf Coast hinterland.

The differences in farm size in the district are highlighted again in the figure below, which shows the number of farms and value of production by business scale, as measured by turnover.

⁴² Source – ABS Agricultural Census 2011

⁴³ Other includes such things as horses, deer, bees, alpacas and a range of other livestock.

Figure 43 - Number of Farms and Value of Production by Business Scale in the Surf Coast Hinterland



The data presented in the figure shows that there is a wide divergence in farm business scale within the district. In fact, the data shows that:

- 57% (169) of farms in the district have a turnover less than \$50,000 and produce 6% (\$3.5 million) of the value of agricultural production at an average of \$20,459 each, whilst
- 4% (11) of farms in the district have a turnover greater than \$1 million and produce 61% (\$36.8 million) of the value of agricultural production at an average of \$3,347,121 each.

If the data is divided into two groupings only, i.e. turnover above or below \$350,000, then it shows that:

- 93% (279) of farms produce 30% (\$17.8 million) of the value at an average of \$63,831 each; and
- 7% (20) of farms produce 70% (\$42.3 million) of the value at an average of \$2,114,266 each.

Thus, agribusiness in the Surf Coast hinterland is typified by a large number of small farms (predominantly livestock farms) and a small number of large farms (predominantly intensive animal farms). The total amount of income generated by the small farms is significant,

however the amount generated by each farm is small. Thus, it is highly likely that the majority of these farms are a secondary source of income for farm owner.

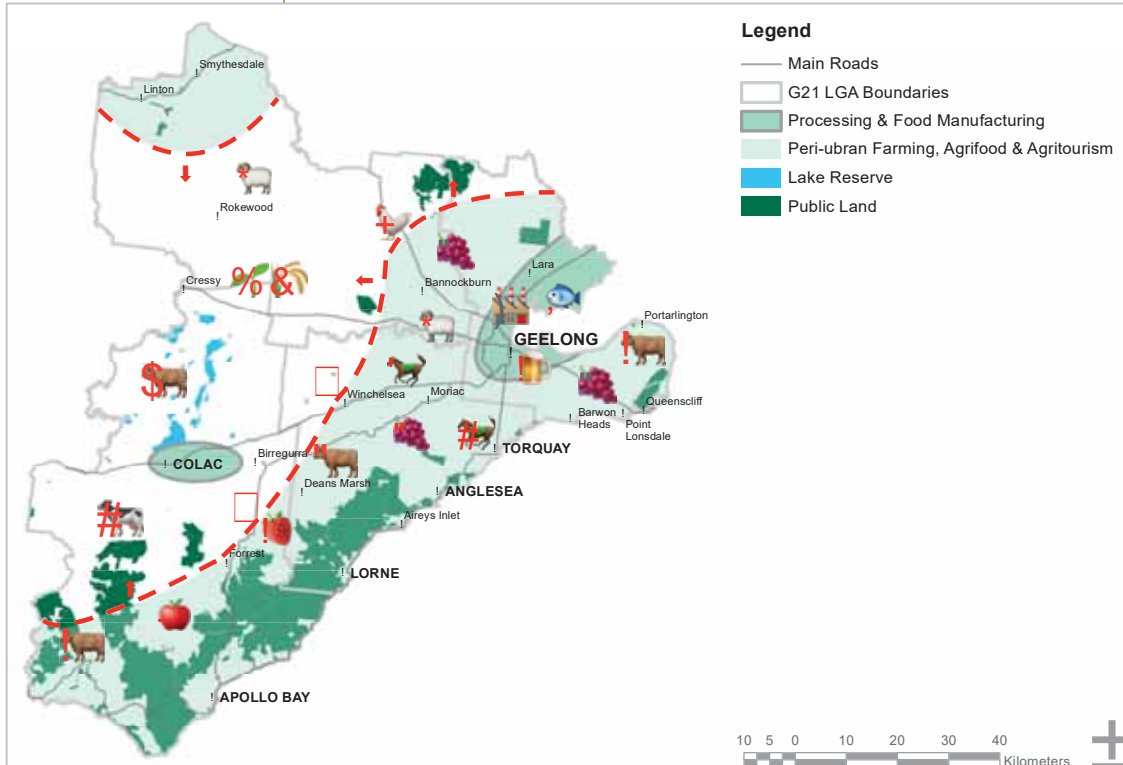
This divergence in farm business scale and type is important, as the two very different types of farmers will have very different needs and aspirations.

The Agricultural Landscape

The G21 Region Agribusiness Strategy included the following figure to provide a conceptual picture of the agricultural landscape in the region. It concluded that the Bellarine Peninsula and the hinterland of the Surf Coast and Otway Ranges are predominantly occupied by lifestyle farms and small agrifood or agritourism businesses, whilst production agriculture is largely confined to a shrinking area in the west of the region. The processing and wholesaling sectors of agribusiness are largely located within the urban areas of Geelong and Colac.

This is consistent with the analysis presented above and shows that only a small proportion of the Surf Coast hinterland in the north-west of the Shire is predominantly used for traditional broad acre commercial agriculture. There are exceptions to this rule, but the conceptual picture indicates the ongoing changes that are occurring in the agricultural landscape of the region.

Figure 44 - A Conceptual Picture of the Agricultural Landscape in the G21 Region



Relevant Policy and Strategy Context

Relevant policies and strategies for the agricultural sector include:

- Victorian Food and Fibre Sector Strategy (2016);
- Sustainable Agribusiness Strategy for the G21 Region, 2017 – 2022 (2017); and
- Thompson Valley Irrigated Agricultural Project (2010).

Key Issues and Opportunities

An “Explosion” of Small Agrifood Businesses

The growth in the number of small agrifood businesses is not well represented by the official statistics, as in many cases the collection of the statistics pre-dates the establishment of the business or the official recording of the business is hidden in a number of other categories, such as retail trade or accommodation and food services.

The G21 Agribusiness Forum “Roadmap” project has described the growth in these businesses as an “explosion”. This is because the supply chains that are currently being mapped by this project is

discovering that most of the businesses involved in these supply chains did not exist ten years ago when the supply chains were last mapped.

An indication of the number of such businesses has been derived from an examination of the membership of the three “taste trails” in the region. They show the following membership:

- Bellarine Taste Trail = 41
- Moorabool Valley Taste Trail = 25
- Otway Harvest Trail = 61

It is critically important to note that the harvest trail groups are membership organisations and their membership numbers may be a gross under-estimate of the number of these businesses in the region. Many of these small (often “micro”) agrifood businesses do not have farm gate sales and, as such, are not members of a harvest trail, whilst some businesses that do have farm gate sales choose not to join.

The businesses’ farm gate sales are a combination of agribusiness and tourism, as they thrive off the visitor economy and its demand for a local food and wine experience. Similarly, those without farm gate sales operations often contribute to this sector via wholesaling their products to these retail outlets or to similar outlets outside of the region.

Many in this sector are keen to see support for increased visitation to the region and the development of opportunities for visitors to stay for longer periods.

Therefore, the issues these group of businesses often face relate to business development and marketing, such as:

- How do we effectively work together to maximise the opportunity for all?
- How do we develop our business and marketing skills to take better advantage of our production?
- How do we better leverage the visitor economy, e.g. visitation along the Great Ocean Road?
- How do we work better with government to ensure compliance and regulation that is appropriate and manageable for our scale of business?

They also impact on local infrastructure, as an increase in visitation to these largely rural areas increases the demand for public facilities

and the vehicle movements on rural roads, which may not have been designed for such traffic volumes.

Peri-Urban Farming

The growth of lifestyle farms or “hobby farms” has accelerated in recent years too, as initially “sea-changers” and then “tree-changers” migrated to the region from urban areas. The attractiveness of the region as a lifestyle destination has driven this growth, and the rapid increase in coastal real estate prices has also driven many recent arrivals and the children of earlier arrivals to settle in the hinterland.

Lifestyle farms are differentiated from small agrifood businesses based on the intended purpose of the land use, that is, lifestyle farms are primarily used as a place of residence, as opposed to a place of business. Whilst both can occur at the same location, e.g. larger scale commercial farms, or small scale agrifood businesses, lifestyle farmers primarily retain “the farm” because they enjoy the space, the landscape and the opportunity to dabble in rural pursuits outside of their work time, which is usually conducted elsewhere.

The delineation between lifestyle farms and small agrifood businesses can also be blurred, as often small agrifood businesses start out as a lifestyle farm, but develop into a business as their owners seek a means by which to produce an income from their land, or to pursue an income from a particular farm related passion or opportunity.

It is critical to recognise that not all peri-urban farms are lifestyle blocks or small agrifood businesses. There are still a number of medium to large scale commercial farms in the peri-urban environment. Often, they have existed in the location for many years, even generations, before the large-scale development of lifestyle farms in their area.

The interaction of lifestyle farms with these larger commercial farms can sometimes be problematic. People who live in a location for primarily lifestyle reasons, as opposed to commercial reasons, may not be fully aware or understand the needs of commercial farmers and vice versa. Land use conflict can occur around such things as:

- The management of pest plants and animals, including domestic dogs.
- Farm practices, which may lead to increased noise, such as calf weaning, tractor operations, scare guns in orchards or vineyards.

- The application of chemicals and fertilizers to crops and pastures, or the burning of stubbles.
- The use of rural roads to move livestock, farm machinery and farm freight.

Whilst the focus in such land use conflicts is often placed on the practices of the commercial farms, the land and animal management practices of the lifestyle farmers can also be a concern to the community and a threat to pre-existing businesses. Many lifestyle farms choose to keep livestock on their farms for amenity, recreational and/or commercial reasons. When these operators do not have the required skills, experience or understanding to manage these livestock in a way that is consistent with community standards (e.g. animal health and welfare) and or industry practices (e.g. biosecurity), there are threats to the wider agricultural community.

The failure of peri-urban farmers, whether lifestyle or commercial, to manage their land and livestock in a way that is consistent with community standards and industry practices can also be a threat to the visitor economy and the “explosion” in small agrifood businesses. Visitors to our region who are seeking a local food and wine experience also visit the region to experience its natural and rural landscapes. Therefore, poor management of these landscapes can be a threat to visitation and the businesses that depend on it.

Therefore, the major issues generated by this group of agribusinesses is:

- Appropriate land use planning and regulation, and the enforcement of those regulations.
- Education and training to increase the understanding of accepted community standards and industry practices and provide the management skills necessary to comply.

A Pause in the Growth of the Intensives?

The growth of the intensive animal industries in the region has been the most noticeable change in the agribusiness landscape in the last decade and a half. These industries include, but are not confined to the chicken meat, egg, pork and goat dairy industries.

The chicken meat industry, in particular, has seen multi-million dollar investment in new farms and is almost solely responsible for the growth in the number of large farms that dominate our agricultural production economy.

Recent developments in the industry has seen Baiada close its processing plant at Laverton and consolidate to two potentially lower cost sites in NSW. This has left their growers without a contract and reduced the number of broiler farms in the G21 Region. This closure comes on top of significant new investment in the broiler industry into South Australia because of the additional compliance cost of establishing new broiler farms in Victoria.

Chicken meat consumption in Australia is steadily growing at 4% per year. Production must grow at the same rate, as consumption is sourced entirely from within Australia. However, the continual rationalisation of the industry and the additional compliance costs of establishing new broiler farms in Victoria (estimated by industry sources as about \$400k-\$500k and a two-year delay to get through VCAT) could result in the state, and especially the G21 Region, missing out on this new investment.

The growing demand for all products from our intensive animal industries will mean that the existing processing facilities will soon reach capacity and ageing infrastructure will need to be replaced and expanded to be cost competitive with new green field investments in other locations. Some producers will also be looking for new and different ways to get their product to market, which may create opportunities for further new investment in processing capacity in Geelong.

The growth of the intensive animal industries provides a real opportunity for continued investment and job creation in the region because of our labour supply, access to land and infrastructure, however the threats of prohibitive compliance costs and ageing processing capacity, which needs to be replaced, could deter investors unless government and industry can work together to resolve these complex and difficult issues.

A real opportunity exists for a collaborative approach between industry and government to secure future investment that balances the needs of industry to grow and be cost competitive, whilst meeting community standards about where and how these businesses should operate.

An Untapped, But Expensive, Resource?

Recycled water has long been identified as an untapped resource within the region and elsewhere. The Black Rock Water Treatment Plant pumps approximately 17,500 megalitres of treated water into

the ocean each year. Some of this (approximately 10%) has been used for irrigated agriculture in the Torquay North area for many years, but work undertaken for the Surf Coast Shire in 2010⁴⁴ showed that there was limited opportunity for expanding this economically due to the quality of the water, the quality of the soil and the cost of the water.

The recently released Geelong Economic Futures Report⁴⁵ also identified the opportunity for a project based on securing high-value farming and food services through delivering low-cost and reliable water supplies. According to the report, the current lack of high-security, low-cost water is limiting the growth of high-value agriculture in the Geelong region. The Geelong-Melbourne water pipeline provides access to the wider State water network, including the north-south pipeline and the desalination plant at Wonthaggi, however the price function in this water grid means that in times of scarcity, agriculture in the region remains at risk of being 'priced out' of water.

Through this project, recycled water resources are intended to be secured via strategic pipeline (from Werribee and/or Black Rock) and water treatment investments for farming of more profitable, export-focused crops such as fruit and vegetables, nuts, as well as value-adding food services for export could be made.

There is no doubt that recycled water from Black Rock and Werribee are largely untapped resources, which could be utilised to expand our agribusiness industry. However, recycled water is expensive. This is the primary reason it remains untapped. It is used extensively in inland areas where there are no alternative disposal options and the water authorities sell it to producers at very low prices, as this is still their cheapest disposal option, however disposal at sea in coastal areas is a very cheap option.

Desalinating water and pumping to a suitable area for use is very expensive, as water is heavy and desalination is energy intensive. Thus, it is not unreasonable to expect that the full economic cost of using recycled water in our region may well exceed the cost of potable water. Therefore, this is an untapped, but expensive, resource.

⁴⁴ RMCG and Parsons Brinckerhoff Australia (2010) Thompson Valley Irrigated Agricultural Project.

⁴⁵ Deakin University Centre for Regional and Rural Futures (2017) Geelong Economic Futures.

The cost of recycled water will only reduce if the community determines that disposal at sea is no longer acceptable and is prepared to pay for the cost of treatment and pumping, i.e. subsidise its use for broader community benefits. In the meantime, the cost of this resource means that it will only be tapped if we can identify high value agribusiness that can absorb these high costs, whilst remaining cost competitive in the international market.

Summary

Businesses that operate within the hinterland's farming areas include small agrifood businesses. Some of these have farm gate sales and some are in the three food trails in the region (Otway Harvest Trail (61 businesses), Bellarine Taste Trail (41) and Moorabool Valley Taste Trail (25)). Businesses with farm gate sales are a combination of agribusiness and tourism, as they thrive off the visitor economy and its demand for a local food and wine experience.

Some small businesses do not have farm gate sales, but do have supply chain linkages across the region and beyond.

Intensive animal industries are also located in the area. This includes the chicken meat, egg, pork and goat dairy industry sectors. The area has an existing supply of labour for this sector and has access to land and infrastructure. However, recent developments in the industry include increases in compliance costs in Victoria and investment inter-state which could result in the region missing out on new investment.

The attractiveness of the region as a lifestyle destination has driven growth in hobby or lifestyle farms. Lifestyle farms are differentiated from small agrifood businesses based on the intended primary purpose of the land as a place of residence as opposed to a place of business. Lifestyle lots influence land value and therefore viable agribusiness locations.

Key opportunities for the hinterland include:

- Facilitating small agrifood businesses;
- Facilitating intensive animal industries in appropriate locations;
- Exploring opportunities to utilise recycled water for agribusiness purposes;
- Facilitating hobby farms on unproductive farmland; and
- Managing land use conflicts.

9 CONCLUSION

The research and analysis shown in this report is used to inform a separate Issues and Opportunities Report.

The separate Issues and Opportunities Report is used to inform a consultation process prior to the preparation of the Hinterland Futures Strategy.



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