



LIVEABLE YARRA

Better planning for people and places



BACKGROUND PAPER Business and Employment

JULY 2015

Business and employment background paper

The purpose of this paper is to provide an overview of some of the key land use planning issues associated with Yarra's business and employment — its economic development — to stimulate and inform the Liveable Yarra People's Panel discussions.

The People's Panel will meet in August and September 2015 and be hosted by Yarra City Council to discuss, deliberate on and make recommendations about key planning matters facing Yarra. These recommendations will ultimately inform a rewrite of Yarra's planning scheme.

This paper is not intended to be a comprehensive discussion of all things business and employment. It captures key information, trends, issues, and challenges, and presents these as a starting point for discussion.

To have informed and in-depth discussions about addressing the challenges of urban planning and development, it is important to understand that these outcomes are influenced by many factors, and Council cannot control or influence all of them.

Some factors are external, for example, major shifts in technology have resulted in changes to the way people shop (online, undertaking research before visiting a store) as well as the way people work and communicate (video conferencing, sourcing overseas suppliers). Similarly, the macro-economic policies of the Victorian and Australia Governments have had a significant influence on Yarra's economy, for example through trade policy and taxation. These factors affect the location and nature of business that develop, irrespective of the planning policies in place. Equally, some planning and land use decisions, for example enabling housing to be developed in a particular area, can affect the local economy, in this example by possibly forcing businesses to locate elsewhere. The People's Panel deliberative forums are an opportunity to consider a range of challenges, issues and opportunities, and to provide advice to Council on key planning issues.

This paper provides a brief overview of the key economic forces that have shaped Yarra's economy since the mid-nineteenth century, and identifies some of the key challenges facing Yarra's economy now and in the future. The role of state and local governments in urban planning is also referenced.

Evolution of Yarra's businesses and employment

1830–1850: First steps

The Wurundjeri people, the traditional owners of land in Yarra, used the natural resources in Yarra for camping, hunting and visiting sacred sites well before white settlement. In the 1830s, the profile of activity underwent major transformation with the imported technologies and ideas of the first European settlement¹.

Australia was not then particularly wealthy, and the economy was dominated by the basics of life — food, clothing and housing. At the time, transport costs were high, so much of what the citizens of Melbourne consumed was made in the city.

The area now making up the City of Yarra was the obvious location for industries because they used the Yarra River — a key natural resource. The first industries were abattoirs, tanneries,

¹ Fitzgerald, E and Ducrou, D. *Welcome to Wurundjeri country: the Wurundjeri history of Yarra*; Yarra City Council 2014

wool-washing, and tallow manufacture, and later there were flour-milling and other food-processing facilities.

Yarra's street grids were laid out in this period, providing addresses for the first local retailers and pubs, and helped workers move between home and employment.

1850–1890: A sudden burst — Marvellous Melbourne

The Gold Rush brought wealth to Melbourne and changed the way of life for all Melburnians. It also sparked investment in major infrastructure.

Retailing became an important part of the economy. During the 1860s, Smith Street became a major shopping strip, important within the local area, and by the 1880s it was considered to be an important retail centre for metropolitan Melbourne. Johnston Street, which had begun to establish itself as early as 1857, was one of Collingwood's earliest civic and commercial centres, with a cable tram running along it to the river. Brunswick Street and Bridge Road were also major retail locations in the late 1800s.

Figure 1: Early Johnston Street



Source: Yarra City Council, 2014, originally from State Library of Victoria

By the 1880s, some of the earliest industries in Yarra such as fell-mongering had closed or moved due to environmental impacts², and higher value manufacturing industries, like boot-making, arrived.

State and local governments were founded in this period, building local governance. This governance enabled policy-makers in local councils to drive economic development throughout the period of the Gold Rush. This was achieved via investment in infrastructure like drainage and the telegraph. These initiatives provided direct employment opportunities and made it easier for businesses to operate.

² <http://www.emelbourne.net.au/biogs/EM00896b.htm>

1890–1910: New ways of doing business

Infrastructure led to economic expansion, and the construction of the tram network after 1890 helped determine the key economic centres of Yarra. In particular, the presence of tram lines on many main streets established those streets as key shopping and business destinations.

This was a time of innovation. In the 1890s, a Smith Street-based draper named Foy imported the concept of the department store from Paris. Within a decade, his department store Foy and Gibson was booming and was joined by others — Paterson's and Henry Ackman. The *MacRobertson's Steam Confectionary Works* was established in Fitzroy, inventing the long-standing products Cherry Ripe, Crunchie and Freddo Frog, and bringing fairy floss and chewing gum to Australia³. New ways of doing business would be important time and again in the history of Yarra.

In 1893, St Vincent's Hospital opened in Fitzroy, serving the relatively poor population of the local area.

1910–1960: Industrial boom

During the first decades of last century, Melbourne's economy industrialised quickly. Yarra's economy was focused on factories, making boots, hats, hardware, furniture, clothes and beer. During this period a number iconic brands were established in Yarra including Rosella, Skipping Girl vinegar and Yorkshire Brewing, later bought by Carlton & United Breweries.

The factories needed workers and limited transport options meant workers generally lived nearby. Many lived in Abbotsford, Collingwood, Richmond and Fitzroy.

This population influx boosted industries that served the locals including pubs and football clubs; the industrial era saw the rise of the VFL teams based in the City of Yarra — Richmond, Collingwood and Fitzroy. This was an entertainment industry of sorts; although players were not paid, clubs could charge for tickets.

Infrastructure continued to influence the spatial economic profile of the area; for example, the tram that ran along Johnston Street ceased operation in 1939 and the street experienced a significant decline in activity.

Manufacturing continued to expand from the mid-1930s, accelerating after World War II, making the higher-value goods that some families could now afford. Typical households now had things like refrigerators, cars, washing machines and vacuum cleaners. The manufacturing industries were strong and became the backbone of Melbourne's and Yarra's economy.

Migrants provided labour that supported the growth of the manufacturing industry. These migrants, many from Greece and Italy, founded the trend for cafés and restaurants in Yarra, which have gone on to become a significant sector in Yarra's economy.

³ <http://adb.anu.edu.au/biography/robertson-sir-macpherson-8237>

Figure 2: Iconic signs of former factory businesses, a legacy of Yarra’s industrial past



Source: online images

1960–1990: Major transition

Major economic changes occurred in Australia, Melbourne and Yarra during this period.

New manufacturing technologies like forklifts and pallets increased demand for larger factories. However, there were few new industrial sites available in Yarra, land prices were rising, and traffic congestion had increased in inner Melbourne. These factors combined so that other areas surpassed Yarra as prime industrial locations in Melbourne.

Many industries moved to the large open spaces of Bayswater, Clayton and Moorabbin and many workers followed these jobs to the suburbs. Retailing, entertainment and other activities also refocused on the suburbs, exemplified by Chadstone Shopping Centre (which opened in 1960) and Waverley Park (which opened in 1970).

Government policy also changed, accelerating the economic changes in the inner city. The removal of tariffs began in the 1970s, and in 1983 the floating of the Australian dollar exposed the manufacturing industry to strong international competition. This had a profound impact on the textile, clothing and footwear manufacturing sector, which, with a combination of relatively low overheads and high labour inputs, was particularly susceptible to competition from cheaper overseas locations. The concentration of this sector in Yarra meant that the municipality was particularly heavily impacted, as illustrated in the table below.

Table 1: Proportion of workforce in manufacturing

Location	1971	2001
Melbourne	31%	16%
Inner Melbourne (Statistical Subdivision)	28%	8.5%
Collingwood	47.5%	9.6%

Source: Dingle, T and O’Hanlon, S (2009) From manufacturing zone to lifestyle precinct: economic restructuring and social change in inner Melbourne, 1971-2001 *Australian Economic History Review* 49 (1): 52-69

Some industry did remain in Yarra: major businesses included the Amcor paper factory, Carlton & United Breweries and the malting complex in Cremorne.

The hospitality industry also saw some transition in this era with the end of what was known as the '6 o'clock swill' permitting night time operations for the first time in 50 years. This paved the way for significant changes to the restaurant and café industry in the decades ahead. In Yarra, this change coincided with the influence of post-war migration from southern Europe and South East Asia to alter the commercial and street life of many suburbs. Immigration and new trading laws brought new foods and languages to Yarra, as well as espresso bars, cabarets and gambling clubs, particularly on Brunswick Street and Gertrude Street from the mid-1950s to the 1970s.

The departure of people, businesses and activity in the early part of this period provided an opportunity for a new wave of growth and change in the inner parts of the city. Students, artists and migrants capitalised on the cheaper rents and available buildings in former industrial areas and began to again change the face of the inner city. Broader technological changes, government investment in central city infrastructure and the shift towards a more knowledge intensive economy supported the beginnings of the inner city renaissance.

1990s – present

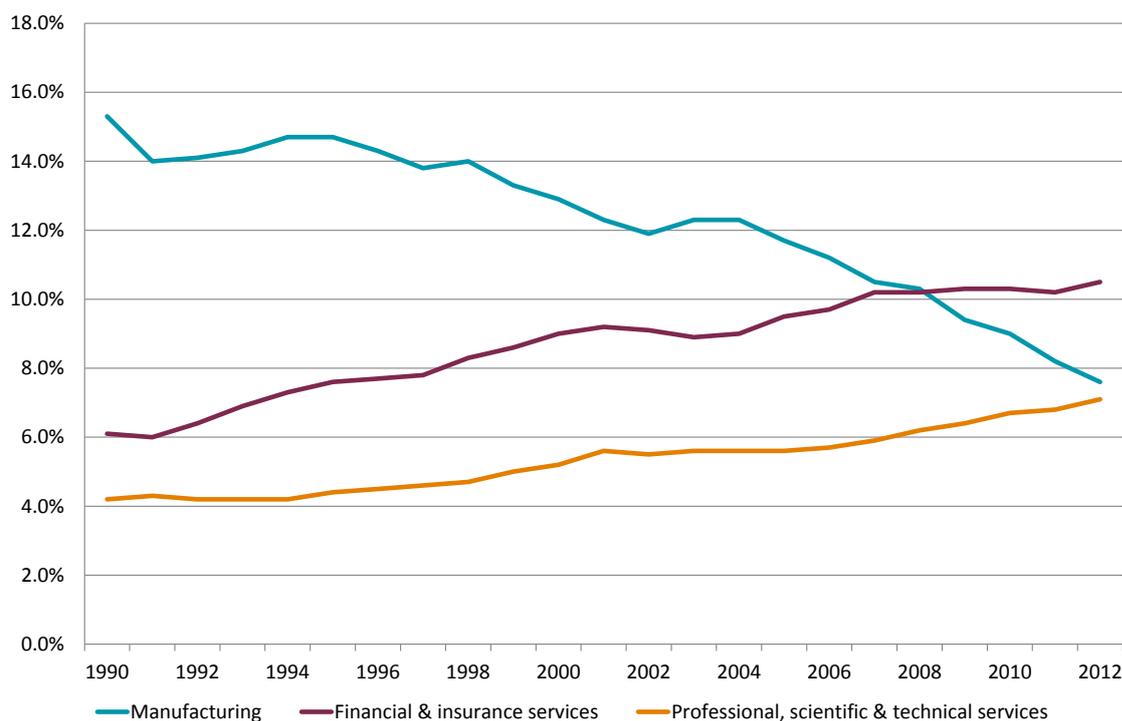
The scale and timing of the changing economic structure for Australia is illustrated in Figure 1. These structural economic changes flowed through to the Yarra economy, which is also transitioning to be more knowledge intensive and service driven. This, combined with the gentrification of inner areas, has resulted in Yarra's workforce increasing in skill level.

The key changes in Yarra's employment profile between 1996 and 2011 include the following.

- The health care industry replaced manufacturing as the largest employer in Yarra in the late 1990s. Both the decline in manufacturing and growth in the health sector were a result of macro-economic trends. Related industrial-based sectors such as wholesale trade and logistics have provided reasonably stable numbers of jobs over this period.
- Finance and professional services along with construction and real estate services have increased their presence in the Yarra economy. The growth in construction and real estate services has been driven by significant residential development, which is likely to continue into the future. Real estate services tend to occupy retail strip centres, while construction sites change regularly, so this employment sector has limited spatial significance.
- Strong growth in financial and professional services sectors are a reflection of the shift to a knowledge-based economy and Yarra's strong spatial competitive advantage from a metropolitan perspective, as reflected above by the effective job density map. Professional services is now the second largest employing industry in Yarra, with financial services also growing quickly.
- Retail has also contributed 20% of employment growth with accommodation and food services having added a further 10%.

The implications of this for the role, function and spatial profile of the Yarra economy are examined further in the following sections.

Figure 1: Share of GDP for Selected Industries, Australia



Source: Australian Bureau of Statistics – National Accounts (SGS Economics and Planning)

Recent and current profile of Yarra’s economy

These historic trends and patterns of development have influenced Yarra’s current economic structure. The municipality is estimated to accommodate approximately 85,000⁴ jobs in the following sectors:

- health care (18%)
- professional services (14%)
- retail (12%)
- construction (8%)
- accommodation and food (7%)
- manufacturing (6%) and
- finance (6%).

These jobs are undertaken by a combination of Yarra residents (14%) and those living outside Yarra (86%)⁵. Yarra’s residents also work in the City of Melbourne (approximately 40% of Yarra’s workforce), neighbouring LGAs (13%) and other locations across Melbourne (21%).

Yarra’s Strategic Context

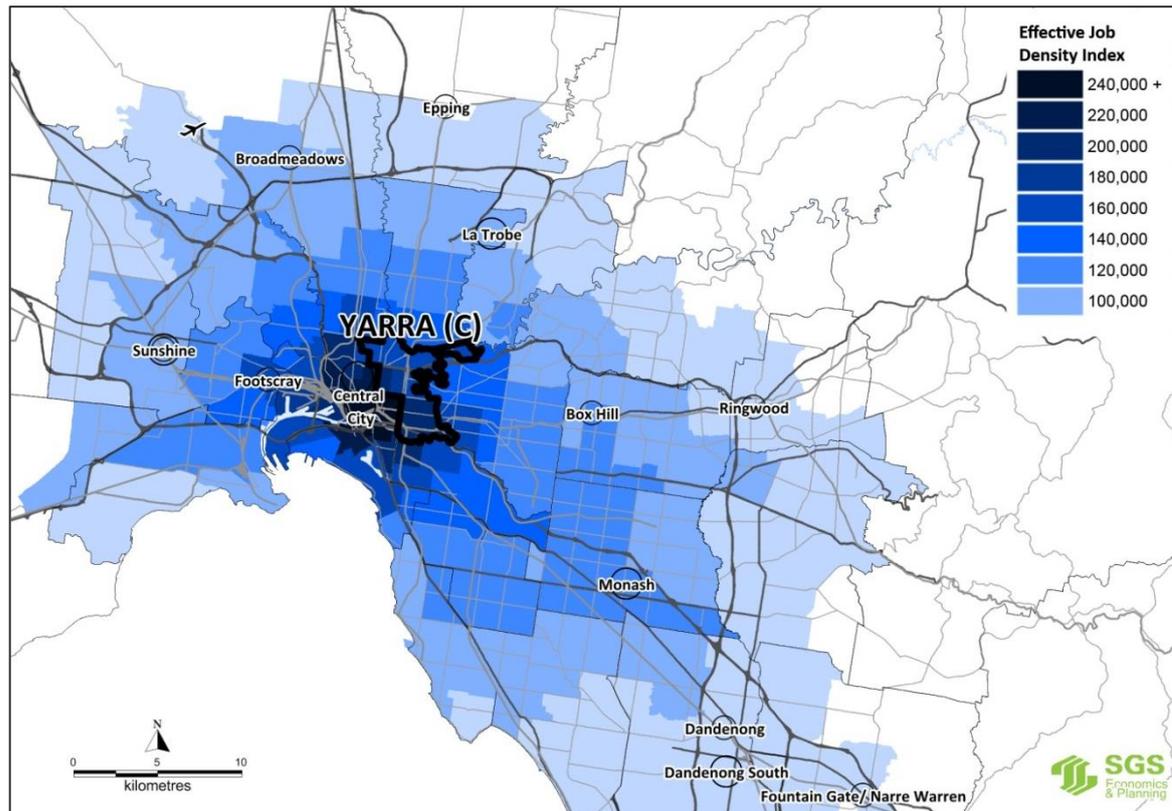
The City of Yarra’s economy plays an important role a metropolitan Melbourne context, and its structure and function cannot be uncoupled from metropolitan dynamics.

⁴ Data for 2011: SGS Economics and Planning derived from ABS Census and other public datasets for the City of Yarra (2015)

⁵ ABS Census of population and Housing 2011

The density of economic activity in Yarra compared to other parts of metropolitan Melbourne is illustrated in Figure 3. This map uses the term 'effective job density' which refers to an area's actual density of jobs as well as how connected those jobs are. The map shows that Yarra is a particularly dense (and well-connected) part of Melbourne for economic activity, and also highlights the monocentric nature of Melbourne. This concept is particularly important for knowledge and service industries (a key growth sector for Yarra) as they rely heavily on proximity to other jobs.

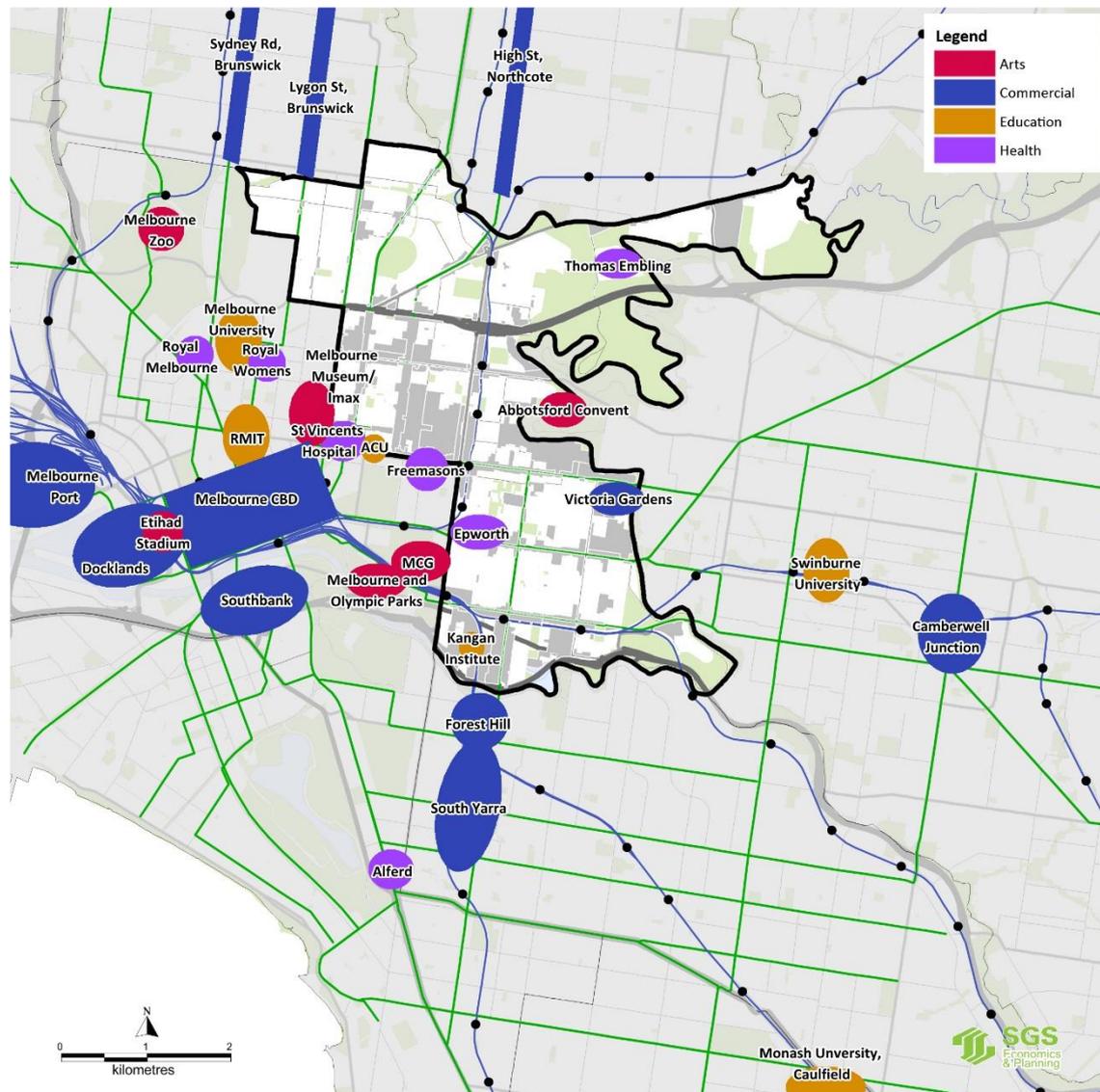
Figure 3: Effective Job Density



Source: SGS Economics and Planning, for the City of Yarra (2015)

Yarra's role as a key inner city location, providing access to a range of facilities, services and employment is further illustrated by the following map.

Figure 4 Key Institutions, assets and activity centres



Source: SGS Economics and Planning, for the City of Yarra (2015)

The presence of these institutions and assets, combined with the structural economic changes has driven the recent trends in the employment structure of Yarra.

Yarra’s economic structure

The dynamics and key influences of the key sectors are further discussed following an overview of the spatial profile of activity in Yarra.

Table 2: 2011 Estimated employment structure in Yarra

Sector	Number	Proportion
Health Care and Social Assistance Jobs	15,280	17.7
Professional, Scientific and Technical Services Jobs	11,840	13.7
Retail Trade Jobs	10,130	11.8
Accommodation and Food Services Jobs	5,940	6.9
Construction Jobs	6,640	7.7
Wholesale Trade Jobs	4,500	5.2
Manufacturing Jobs	5,250	6.1
Financial and Insurance Services Jobs	5,310	6.2
Education and Training Jobs	3,620	4.2
Other Services Jobs	3,140	3.6
Administrative and Support Services Jobs	3,070	3.6
Information Media and Telecommunications Jobs	2,910	3.4
Public Administration and Safety Jobs	2,120	2.5
Rental, Hiring and Real Estate Services Jobs	1,990	2.3
Arts and Recreation Services Jobs	1,390	1.6
Transport, Postal and Warehousing Jobs	1,980	2.3
Electricity, Gas, Water and Waste Services Jobs	880	1.0
Agriculture, Forestry and Fishing Jobs	110	0.1
Mining Jobs	50	0.1
Total	86,150	

Source: SGS Economics and Planning for the City of Yarra 2015, based on 2011 ABS Census data

Spatial profile of activity

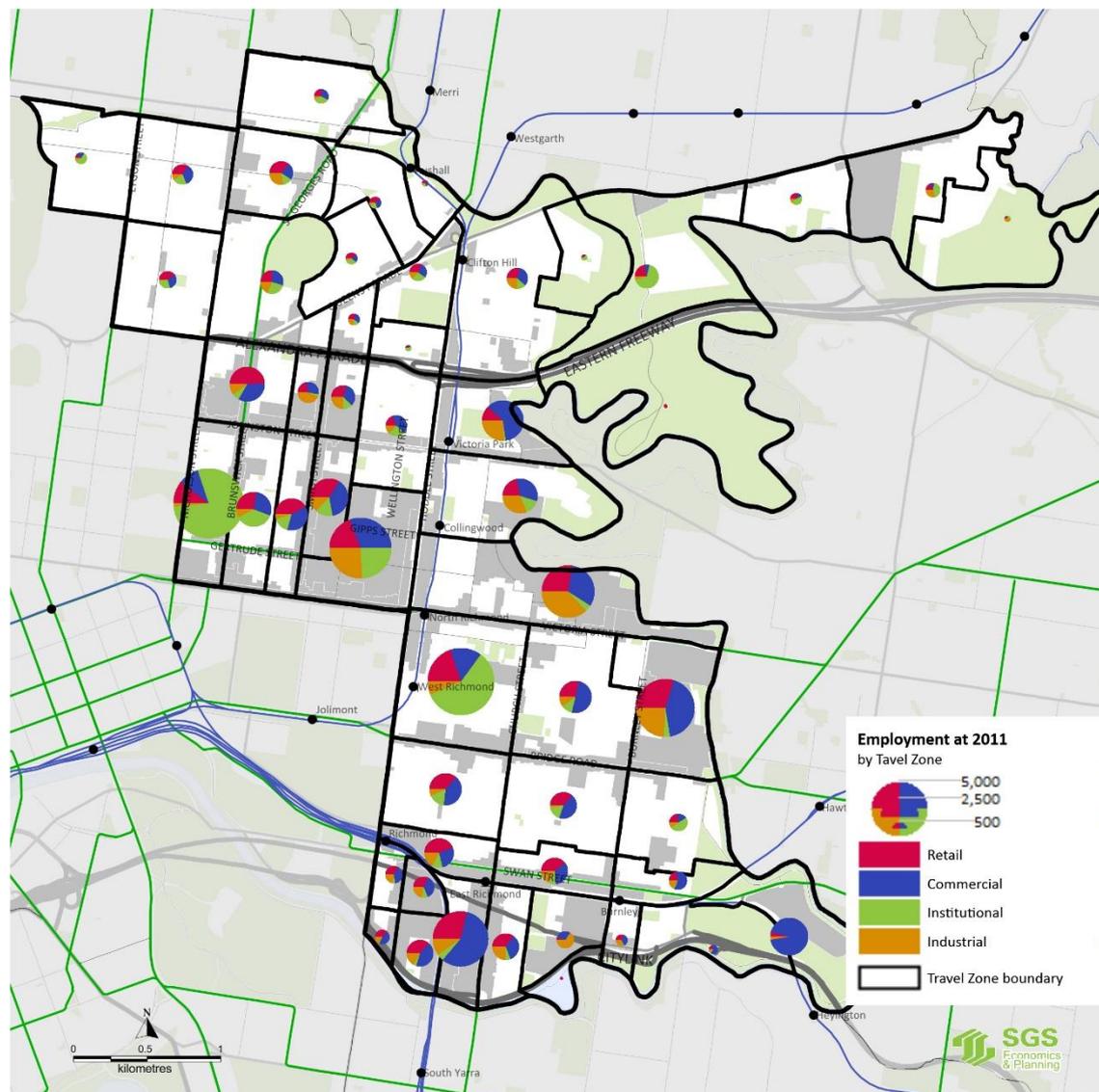
The spatial profile of economic activity within Yarra is also important. Figure 5 provides an indication of both the scale of employment and the broad type: retail (including accommodation and food services and other services), commercial (including most office activity), institutional (health and education) and industrial (manufacturing and wholesale trade). It indicates that:

- The **Fitzroy/Collingwood** area has the largest employment concentration; 31% of total employment. A significant portion of this employment is located in health sector as well as the commercial sector (Gipps Street, Cambridge Street and Easey Street behind Smith Street, and the Kerr Street precinct behind Brunswick Street) and retail (the north end of Brunswick Street and the southern/middle parts of Smith Street in particular)
- The **Abbotsford area** contains the largest industrial cluster in the municipality (includes Carlton & United Breweries). There is also a significant amount of commercial employment, around Johnson Street.
- **Around Richmond** there is a large concentration of employment in the north east, comprising both the Victoria Gardens and Hive shopping centres and Richmond East light industrial node. Another concentration in the west of this area is linked to the Epworth Hospital and associated health sector employment. In the south a clear cluster of

employment focuses around Cremorne and the southern end of Church Street is evident. This area while sizable has a diverse mix of retail, industrial and commercial employment.

- The north of the municipality including **Clifton Hill and North Fitzroy** accommodates a much smaller concentrations of employment. There is some institutional activity in Clifton Hill and along Heidelberg Road, complemented by retail and some commercial activity.

Figure 5: Employment by broad industry by small area, 2011



Source: SGS Economics and Planning, derived from ABS Census and other public datasets, for the City of Yarra (2015)

Institutional uses – health care

The health sector is the City of Yarra’s largest employing industry. It is anchored by two major hospitals that serve the metropolitan area: the Epworth and St Vincent’s (including St Vincent’s private hospital). The hospitals alone directly employ over 5,800 people (around a third of employment in this sector in Yarra) and are a key feature in Yarra’s economic landscape.

The location of major hospitals is important as they are used by the city as a whole so they need to be accessible from far away and by the infirm. Major hospitals also function as ‘anchors’ for

other medical specialists and health services. These activities often cluster together as they also serve large populations and derive other operational benefits from co-locating.

Specialisation and innovation in this sector will continue; as the population grows and ages and technology continues to advance, there will be growth in the number and diversity of medical specialists as well as hospital operations and functions.

Not every location has the capacity to accommodate growth in this sector; the presence of existing major institutions is a key factor in driving the location of additional medical specialists. Indeed, expansion and refurbishment of existing hospitals is the main approach to manage the demand generated by Melbourne's growing and ageing population.

A challenge will be finding space close to existing urban hospitals to expand medical services.

General practitioners (GPs) are the other end of the health industry spectrum. They are privately operated and tend to locate near residential areas. They do not need to be near other health services and in fact tend to spread out. GPs are also anticipated to increase to serve Yarra's growing population.

While education is a growing sector, it remains small from an employment perspective.

Commercial uses –professional and creative services

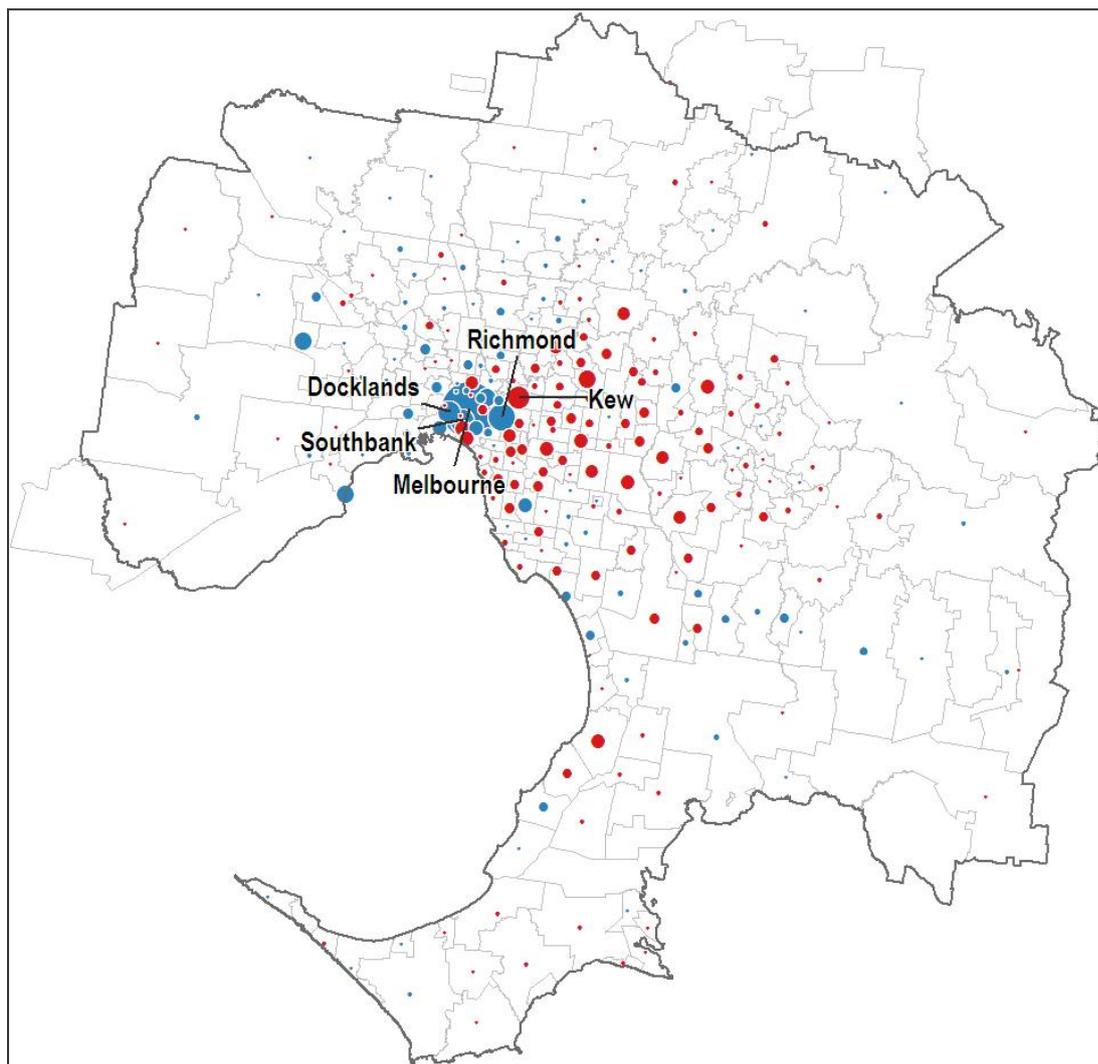
Finance, insurance, tourism and education are good examples of the sectors experiencing growth in Australia as part of the broader shift towards a services based economy. Professional services — those which typically service other businesses like design, recruitment, lawyers, consultancy and architecture — are a feature of the modern economy. A key reason there are more of these professional services is that businesses no longer do everything in-house; communication technologies mean it is cheaper and easier to ask an expert firm to do things like accounting and design.

While increases to technology now enables large volumes of information to be exchanged quickly, proximity to clients and collaborators is still important for this sector and many professional services businesses have a particular desire to locate in central areas. This provides them with opportunities to establish and maintain face to face relationships with clients and colleagues, helping people stay up to date, share ideas and work collaboratively⁶. A central location also provides good access for a highly skilled workforce; a key input for a successful business.

The rise of these 'knowledge economy' businesses helps explain why there has been such strong jobs growth in the inner city. The effect is illustrated in Figure 6.

⁶ This is often referred to as 'agglomeration economies'

Figure 6: Net change in professional services business establishments by postcode, 2001–2011



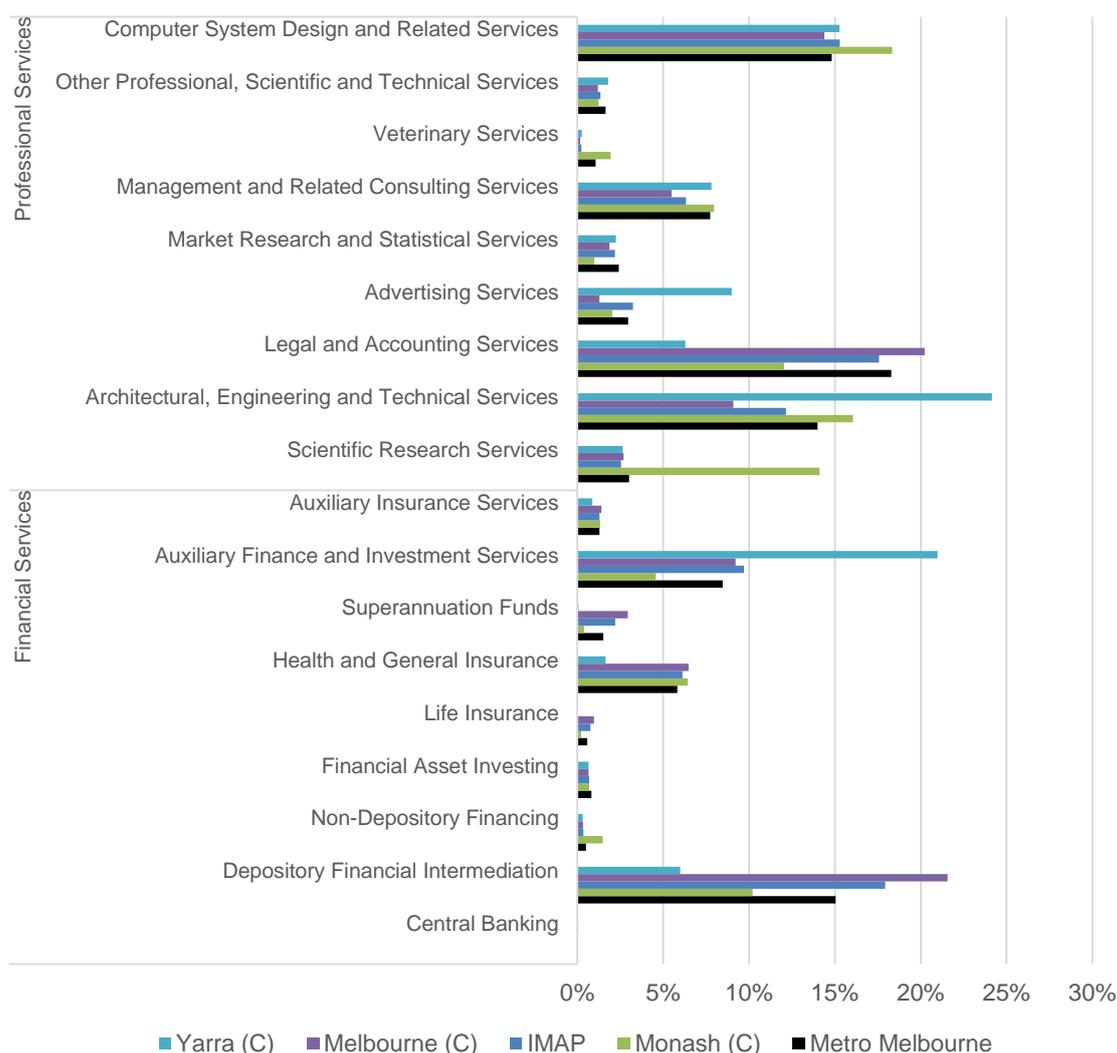
Source: Department of State Development, Business and Innovation – Industry Atlas of Victoria 2013

The red dots represent a net loss of businesses from a particular area, while blue dots represent net increases. The size of each dot represents the relative magnitude of change, with larger dots signalling a large increase/decrease in number of businesses.

Yarra occupies a strategic location in the inner Melbourne context: it provides the benefit of good access to the CBD and inner Melbourne economy, access to the skilled workforce in other inner areas and Melbourne's south east, without CBD level commercial rents. This was highlighted in Figure 3.

As well as these factors, business and jobs growth in some professional services, such as graphic designers, architects and IT firms, has been attracted to the 'brand' of Yarra's neighbourhoods: innovative, edgy and interesting. This is illustrated in Figure 7. The presence of relatively inexpensive and unique buildings (e.g. those previously used as factories and warehouses that are a legacy of Yarra's manufacturing past) have attracted many small and creative firms to Yarra.

Figure 7: Proportion of Professional and Financial Services employment of various areas



Source: ABS Census of Population and Housing 2011: SGS Economics and Planning for the City of Yarra 2015

These sectors often gain significant advantages from highly fluid knowledge exchanges that can happen in the innovative working environments provided by warehouses converted to ‘collaborative workspaces’ — places where ideas can go from concept, to design and production all in one space.

The ethos of the collaborative workspaces is one based on ideas of the ‘shared economy’. The costs of establishment and ongoing operational costs can be minimised and it is very flexible, with people able to move in and out with only one month’s notice — an important feature given the increasingly dynamic nature of business innovation within the broader economy. There are at least 14 such places in Yarra, and these, together with other formats of workspaces — home offices, small offices, small workspaces will continue to be important given small business is a key characteristic of Yarra’s economy⁷.

⁷ Of the approximately 1,700 additional businesses registered in Yarra between 2009 and 2012, 95% were either non-employing or employing less than four workers. The professional, scientific and technical services

Overall, the relatively cheap rent, large warehouse type floorspace, and metropolitan connections to skilled labour, clients and other firms in this sector have attracted major investment to Yarra's commercial areas.

However, over time locations outside of Yarra (such as Northcote, Brunswick, and Flemington) with similar attributes could become equally desirable. This, combined with pressure on commercial areas for housing development, may place the economic role of these places in Yarra at risk.

At the other end of the scale, there are businesses in Yarra that prefer bigger offices. Most major commercial floorspace is at the southern end of Yarra in Richmond (27%) and Cremorne (26%), where retail empire, the Just Group, has its head office. This is consistent with one of the key drivers of commercial office markets: transport access. Cremorne and Richmond have direct access to CityLink and the Monash Freeway and these benefits are capitalised by office users and developers alike.

Industrial uses – manufacturing and industrial activity

There are some remnants of major manufacturing activity in Yarra, with Carlton & United Breweries being the most obvious large-scale industry that maintains a large-scale plant in Abbotsford. The clothing wholesale sector (traditionally linked to the textile industry) also maintains a presence in Yarra; there are three times more clothing wholesale jobs (1,500) in Yarra than any other municipality in Victoria. These businesses are largely in Gipps Street in Collingwood and Victoria Crescent, Abbotsford.

Other industrial uses that remain in Yarra are generally small-scale, niche manufacturing in sectors such as food product, clothing, bespoke furniture, and printing.

These sectors rely more on knowledge than historic manufacturing, generally deliver custom-made products that require the input of specialised designers or artisans, and may also interact with overseas suppliers and purchasers. These businesses operate in a new economy that is heavily focussed on innovation and getting new ideas to market rapidly, so there are links between small-scale manufacturing and creative businesses in the professional services sector (e.g. graphic designers, architects, industrial designers). In some cases, these small businesses are hybrid entities — providing both goods and services through the bespoke design process.

They are typically highly specialised businesses often start as a very small business (one or two people), but in some instances have grown to be much bigger. Examples include Keep Cup, which grew from a small operation in Yarra, and Compumedics, a major producer of medical equipment. Small manufacturers are the focus of a shared research project currently being undertaken by the Melbourne's inner city councils and the University of Melbourne.

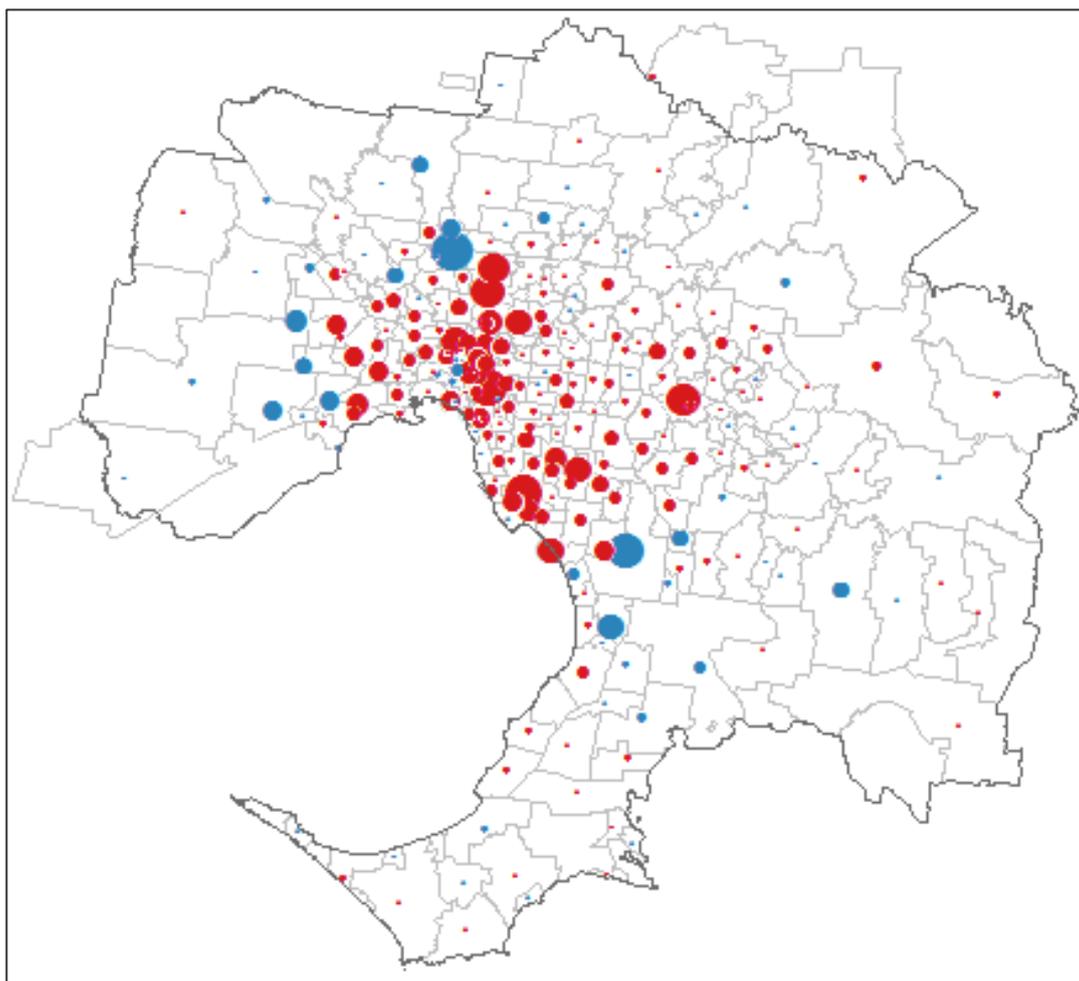
Such manufacturing activities often add significant value to the local economy and, as with the commercial sector, draw significant benefits from locating in the inner city, in particular proximity to clients and collaborators to share ideas and gain knowledge and insights.

Yarra's innovative culture is also demonstrated by the presence of Tesla Motors which has its Melbourne showroom and service centre in Yarra.

However, as with the professional services sector, some businesses (particularly smaller ones) face challenges to remain in Yarra, in particular the high property values generated by the demand for residential development.

industry experienced the strongest growth (Source: City of Yarra Economic Development Strategy 2015-2020 using ABS Counts of Australian Businesses Cat 8165.0 2009 & 2012)

Figure 8: Net change in manufacturing business establishments by postcode, 2001-2011



Source: Department of State Development, Business and Innovation – Industry Atlas of Victoria 2013

Retail uses – retail, hospitality and accommodation

Retail and hospitality businesses are among the biggest employers in Yarra, collectively employing over 16,000 people (2011). These sectors have a metropolitan role, meaning their customers come from all over Melbourne, in addition to serving the local community.

Yarra's hospitality sector underwent significant change as a result of changes to liquor licensing laws in the mid-1990s, which allowed small bars and the serving of alcohol without food. Bars and cafés flourished in central Melbourne, and the cosmopolitan streets and activity centres of Yarra have also proven popular locations for many of these businesses, which are now a destination for people across Melbourne to visit for dining and entertainment. The presence of these activities in all activity centres is also a significant drawcard for those moving to Yarra, and it is anticipated that the hospitality sector will continue to develop, growing in new locations and evolving with dining trends.

As well as hospitality, Yarra's major retail shopping strips accommodate significant retail activity with the majority clustered along Brunswick Street, Smith Street, Victoria Street, Bridge Road and Swan Street. Johnson Street and Church Street also accommodate some major retail activity. Although less of a feature of Yarra's retail landscape, there are several indoor shopping centres

located along the major shopping strips, namely, Victoria Gardens (including IKEA), the Hive on Victoria Street, and Richmond Plaza.

Many of these centres perform a combination of local, sub-regional and metropolitan retail roles. The local role includes providing supermarkets, specialty food outlets and hospitality, and Yarra's centres deliver this while also attracting customers from greater Melbourne (particularly the south-east) who are drawn to the concentrations of specialist retailers like homewares, furniture and motor vehicle showrooms, clothing, and restaurants and cafés.

A number of neighbourhood centres, such as Carlton North and Fitzroy North, provide access to local services and as well as cafés and hospitality.

While the local retail sector will continue to be supported by population growth, some of the more specialised precincts, which compete in a different environment, face broader changes.

Online retailing has been considered a potential threat to high street centres, however the last few years have seen retailers combining physical and online retail into an integrated service. This could involve a customer finding the store online and downloading the store's app. The customer then visits the store, tries on and then purchases the product and with a 10% discount coupon from the app. In the process, the store receives data about how the customer found the store and their preference. This feeds future research to deliver a more targeted product and service offer. The converse may also be impacting retail stores, with customers examining or trying on goods in store and then sourcing competitive prices and purchasing online.

These examples of multi-channel distribution and marketing strategy show why delineating between online and bricks-and-mortar retail expenditure is unlikely to be necessary in the future. In fact, many clothing and personal item retailers may integrate both; whether customer spending occurs online or in-store is irrelevant — ultimately the physical store is still necessary, as it can facilitate important points of difference in the business model.

Another trend to affect the retail sector includes the major investment in CBD retail premises (e.g. Emporium, Melbourne Central and major department store renovations) as well as CBD and suburban DFO developments. These have created increased competition for many clothing and apparel retailers, particularly those along the western end of Bridge Road.

Spending on household goods has grown rapidly over the past decades, fuelled by some major new retail environments in the form of warehouse retailing and homemaker centres. These large format stores, often located in industrial areas, took advantage of lower overheads and provided vast ranges of goods in a single location. As this sector matures, it is anticipated that the growth in household expenditure in this category will slow, although there will still be demand for higher-end stores and products, particularly in wealthy neighbourhoods.

Overall, it is anticipated that any net growth in retail premises will be incremental. Some locations or sectors (e.g. supermarkets) may experience an increase in demand (associated with an increased local population) and the way retail space is used may change.

The future of Yarra's economy



Past



Present



Future...

Context for future growth

There are many external factors that shape the local economy and most of the economic forces that shape the City of Yarra are beyond Council's control. Changing consumer preferences, innovation in global business models, and variation in the Australian dollar have all had big impacts on Yarra. The economy we see in Yarra today — a mix of health, retail, hospitality, manufacturing and professional services — will continue to evolve, driven largely by global and national trends as well as state government policies and investment decisions.

Economic change is hard to predict but can come from many sources:

- major infrastructure investment e.g. the possible construction of the National Broadband Network or the building of Melbourne Metro
- change in technology e.g. online shopping leading to much stronger logistics and delivery businesses
- change in relative prices e.g. an increase to the price of petrol making public transport and cycling more popular
- change in exchange rate e.g. the rise in the Australian dollar making local clothing manufacturing less competitive
- change in government policy e.g. rules about the rights of live music venues to make noise
- change in consumer preferences e.g. espresso's rise and tap beer's decline
- change in global business practice e.g. the tendency to locate call centres offshore
- change in wealth e.g. the rising affluence of the City of Yarra has changed the mix of retail and hospitality
- change in skills e.g. the rising education levels of Yarra residents attract different sorts of businesses now than in 1970.

The role of Council is to work with the changes as they happen so that the residents, business owners and workers of Yarra can thrive.

Growth projections

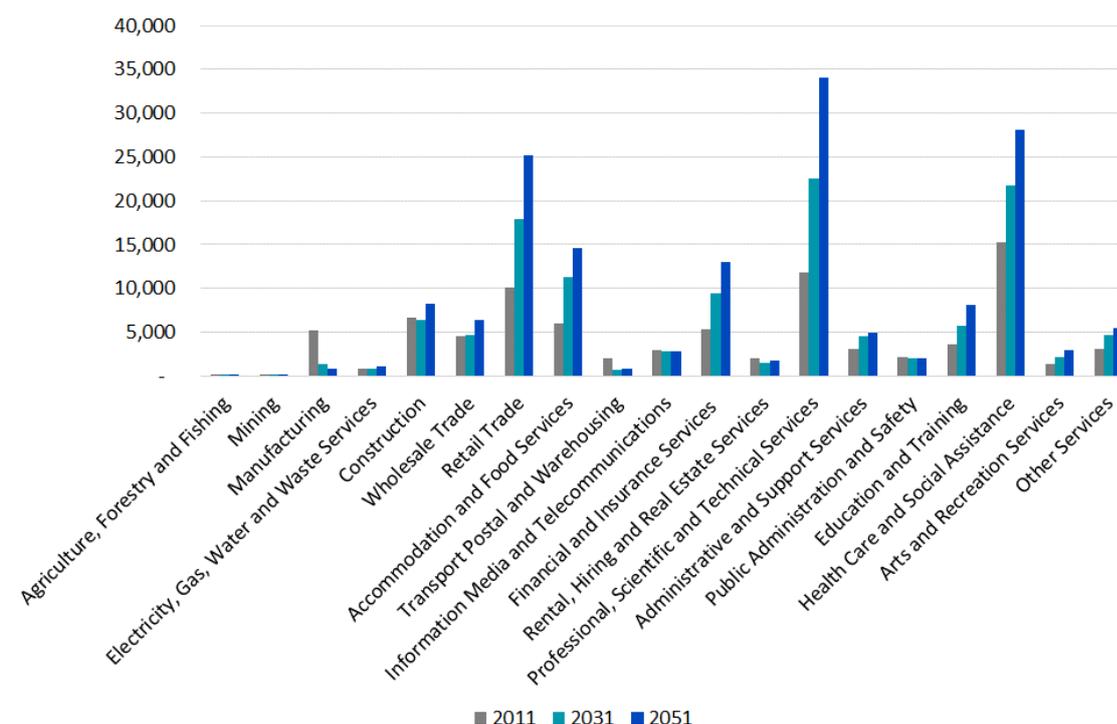
Notwithstanding uncertainty about the impacts of major trends, employment projections have been prepared for Yarra based on likely economic changes, Yarra's existing economic profile and assets, and anticipated future economic conditions. These projections provide an indication of the scale of future growth that should be planned for, rather than guaranteed future outcomes.

The realisation of these projections will depend on policy decisions and careful planning. Council's major challenge will be to accommodate the significant projected employment growth.

The projections indicate that overall, the picture for Yarra is bright: the municipality is well-placed to make the most of the broader economic changes that are occurring and has significant existing infrastructure assets that will continue to support economic growth in to the future.

The projected growth will not be evenly spread across industries, as indicated in Figure 9.

Figure 9: Yarra employment projections 2011-2031-2051 (number of jobs)



Source: SGS Economics and Planning Employment Projections for the City of Yarra 2015

The projections show that the numbers of jobs in the professional services and health sectors are expected to grow to about the same level by 2031, but that after this the professional services sector will grow faster. Both will significantly outstrip growth in the retail and hospitality sectors.

These employment projections, combined with the preceding sections of this paper, provide the basis for the key factors that will influence the future economy of Yarra.

Key challenges and opportunities

The following key factors are likely to affect future of Yarra's economic places. It will be important to understand the challenges, opportunities and Council's potential role in influencing outcomes associated with each.

A rapidly growing health sector

The health sector is projected to experience significant growth in Melbourne. Some of this will comprise local health workers, that is, GPs and allied health workers whose location in the metropolitan area is aligned with population growth.

Specialised medical activities and hospitals are more discerning in their locational decisions, and are largely influenced by the presence of existing major institutions. There is therefore an opportunity to plan for Yarra's two major hospital precincts to accommodate additional hospital services as well as medical specialists such as pathology, dental, imaging services (e.g. x-ray) and other health services that also want to be near major hospitals. Up to 90% of these existing services in Yarra that are not yet co-located in the hospital precincts would be interested in locating closer to the major institutions.

Yarra's two major hospitals, and the areas around them, therefore represent an opportunity to attract growth in this sector to Yarra. This would result in a number of skilled jobs being located in Yarra, broaden the scope of health services available to Yarra residents, and additional health workers also support the local retail and hospitality sector.

Additional capacity around the two hospitals would be beneficial for this sector and consideration should be given to how these hospital precincts could evolve into broader health precincts.

An established niche in the fast growing creative and professional services sector

Professional services and high-value knowledge-based firms will be key growth sectors of Melbourne's economy. Yarra occupies a strategic location between the CBD and south eastern suburbs which offers good accessibility to clients, other firms, colleagues and a skilled workforce, combined with relatively affordable commercial rents and the unique identity and amenity of Yarra's neighbourhoods. These attributes make it an attractive location for many creative and professional services firms.

In particular, there are clusters of creative and innovative businesses currently located in ex-industrial precincts such as Cremorne, Gipps Street and Abbotsford. These clusters are somewhat unique in a metropolitan context, and contribute to the eclectic retail and hospitality offer in Yarra's activity centres.

As these sectors are projected to continue to grow, capitalising on Yarra's assets to attract these types of firms could contribute to more local employment opportunities in a diversity of sectors, support local identity and the broader arts and creative sector and contribute to a more resilient local economy.

Rising land values is a particular challenge that this sector will face as demand for residential development increases.

The evolution of Yarra's industrial legacy

The decline of major manufacturing neatly dovetailed into the rise of professional services firms as well as the shift of manufacturing to more niche and knowledge intensive activities. The creation of bespoke and innovative products still requires space to occupy, but in a largely different format to previous manufacturing activities.

Opportunities to turn old manufacturing spaces and warehouses into offices and smaller workspaces has enabled creative and small manufacturing businesses to occupy collaborative, relatively inexpensive and flexible working environments.

These businesses are attracted to Yarra's neighbourhoods, and contribute to the interesting character that brings both other businesses as well as residential development.

As the spaces used historically for industry shift to other uses, the supply of spaces for this sector will become more limited. The management of this issue in a market-led environment, where there is demand for residential development, is a challenge.

Continued pressure from a strong residential market

The same characteristics that attract businesses to Yarra's neighbourhoods also attract people and demand for inner city living will continue. Yarra's neighbourhoods will continue to provide many of the elements which are desirable: access to transport, nightlife, jobs and an engaging local culture. These factors will continue to drive demand for residential development in and around activity centres as well as some older industrial areas. Determining the appropriate mix of uses for various locations, and the tools to achieve these outcomes, are challenges for Yarra.

The future of the retail and hospitality sector

Retail and hospitality will continue to grow and evolve; there are numerous sub-sectors, which each experience different drivers of growth. Retail is generally a dynamic industry that thrives on innovation and needs to respond quickly to changes to consumer preferences and technological change.

Yarra's activity centres have a variety of retail, housing and hospitality (including night time economy) roles, attracting visitors from across Melbourne and the south-east. Most of Yarra's centres are thriving, having established their niches within an inner city context, but centres face challenges. The activity centres are also proving to be attractive locations for residential development and fulfil an important community role by providing places to meet and socialise, and reflecting local community identity such as with their heritage character.

Clear and agreed policy is required to direct the future of housing and economic growth in these centres.

Working with market realities

The market realities of delivering additional commercial floorspace are an important consideration for policy development. The private sector is the major deliverer of new buildings and commercial spaces. While land use and development is guided by policy, its role is to manage and regulate the outcomes, rather than to generate the activity. If we want to see changes to precincts, the policies that guide their development need to consider these factors.

Conclusion

Realising Yarra's opportunities for economic growth would result in a vibrant local economy, providing jobs and services to local residents, and maintaining Yarra's position in Melbourne as a pre-eminent local economy.

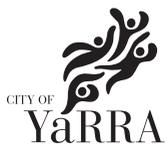
Yarra needs a clear strategy for accommodating economic growth as well as practicable land use strategies for managing this change. In particular, the major economic precincts, including activity centres and older industrial areas, require a coordinated set of policies to ensure consistent decision-making on land use change, development, and Council investment.

Summary: where to from here and Liveable Yarra

Yarra has experienced significant change to become the place it is today. Yarra has adapted to influences and it has evolved, and it will continue to do so.

This paper raises a number of issues and questions for the People's Panel to consider. New technologies and ways of doing business, changing workforces, a changing macro-economic landscape, and competing land uses, are all significant considerations in planning for the future of business and employment in Yarra.

As is evident in this paper, urban planning cannot control all factors influencing development. For the People's Panel to be successful it will be important to focus discussions on the factors that Council's urban planning can influence. Ultimately the greatest impact will be achieved by addressing issues within Council's influence and control.



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