

Doing Business in Regional Victoria: Perceptions of VACC members

Report prepared for the

Victorian Automobile Chamber of Commerce (VACC),

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Synopsis

This report outlines the results of a series of qualitative research activities undertaken by the Centre for Change Management, Deakin University on behalf of the Victorian Automobile Chamber of Commerce (VACC). The project investigated the behaviours and attitudes of regional VACC members, particularly concerning the difficulties they experience in operating businesses in regional areas. Twelve focus groups were conducted with a range of VACC members in regional areas throughout Victoria. A wide cross-section of members was invited to attend these sessions in order to solicit a broad spectrum of views. In total, 88 people participated in the focus group sessions, providing a comprehensive review of the issues facing VACC members throughout Victoria's regional communities. This report outlines the aggregated results of those sessions, identifying common issues across all regional communities.

The results show that there are many burdens and difficulties facing regional business operators in Victoria. Of primary concern is the increased costs borne by business owners who operate outside metropolitan areas. These costs, in the form of increased fuel costs, freight charges and telephone rates, make it difficult to be competitive with metropolitan businesses. Whilst customers recognise the convenience value of using local businesses, their price sensitivity is thought to be increasing, encouraging them to travel to the city or delay costly repairs. It was widely suggested that both State and Federal governments take remedial action to balance these cost inequalities. Without appropriate government intervention, regional VACC members will increasingly struggle to compete with their metropolitan counterparts.

Added to these long-term structural costs are problems caused by changes to industry legislation and business regulations. The onerous obligations associated with the introduction of the G.S.T., and the growing complexity of Work Care, Superannuation legislation requirements and apprenticeship schemes were all perceived to have affected regional businesses more negatively than their metropolitan equivalents. Members reported that most regional businesses are small and often family-operated, making any increased administration a substantial burden. Members are forced to spend increasing amounts of time on administration and less working on the core activities of their businesses. This coupled with the substantial difficulties in attracting and keeping apprentices means that working hours have increased noticeably, just to maintain income levels.

Members highlighted a number of key social changes affecting the nature of regional communities, which in turn have had a significant impact upon their businesses. Some of these changes like increased tourism and the introduction of government programs to support living and working in these regional communities have had a strong positive effect on business activities. However, other changes, such as the widespread introduction of poker machines, the ageing of regional populations and the level of 'hard-core' structural unemployment in some areas were identified as having large negative impacts upon members' businesses. Factors such as the widespread acceptance of the Internet, and better roads and

travel options between regional centres and major cities (eg. improved rail links), have contributed to increased customer price sensitivity. Consumers are more prepared than ever to shop around, principally on the basis of price rather than quality. It was felt that these trends could not be reversed easily and were well beyond the control of individual businesses. Instead they required intervention at a political level.

Several issues were identified as critical to the success of regional automotive businesses. The lack of suitable apprentices and skilled labour, the poor image of industry members and advancements in vehicle manufacturing and technology were all seen to be serious threats to the long-term survival of the member's businesses. It was demonstrated that, as a result of both physical isolation and a smaller pool of both labour and customers, regional businesses are more strongly affected than metropolitan businesses by these changes.

In conclusion, whilst there were some advantages to operating a regional business, such as customer loyalty and reduced competition, members consistently reported that it was becoming increasingly difficult. The advantages of being regionally based are rapidly being eroded by price sensitivity and metropolitan rivalry. The principle concern is that as regional populations decline and the barriers to undertaking business outside the community continue to fall, regional business will simply not be able to compete against those in metropolitan areas. Nevertheless, members provided clear directions for the future; actions they believed would help reverse these trends.

The overall promotion of regional areas as places to live, places to visit and places to do business was seen as a key initiative that has delivered positive results. Communities where campaigns have been run to increase tourism and to encourage the establishment of industry were applauded by members, who recognised the indirect benefits their businesses gained from the success of these campaigns. Promoting the image of the automotive industry and workers in general was also seen as essential to combating consumer price sensitivity (once people understood more about the work) and to help attract suitable apprentices. This promotional activity would also help reduce the impact of "backyard" operators, as consumers are educated to understand more of the risks associated with unlicensed practitioners.

Finally the members felt that regional operators needed greater training and support to handle legislative and taxation changes. In regional areas, members felt that limited options for soliciting casual advice and support existed. In trying to deal with what was seen to be the growing complexity of modern automotive businesses, members felt unsupported.

These solutions had been undertaken in some communities with great success, and underline to members the importance of treating businesses in regional communities differently from those in major metropolitan areas. The importance of government intervention in correcting the imbalances that burden regional VACC members, however, should not be underestimated.

Table of Contents

Background	5
Objectives	6
Methodology.....	6
Introduction	8
Results	9
Structural Cost Inequities.....	9
Fuel Costs	9
Freight Costs.....	10
Telephone Costs	11
Opportunity Costs.....	11
Industry Legislation and Administration Burdens.....	12
GST Complications	12
Work Care.....	13
Superannuation / Labour Costs / Unfair Dismissal	13
Skilled Labour	14
Apprenticeships	15
Social Issues	16
Poker Machines.....	16
Credit.....	17
Internet Use.....	17
Youth	18
Declining population and changing demographics.....	19
Structural unemployment.....	20
General Regional Business Issues	21
Government assistance for regional small business.....	21
Customer Loyalty.....	21

Economic outlook	22
Promotion.....	22
Banking	23
Government Understanding	23
Seasonality.....	25
Infrastructure	25
Industry.....	25
Automotive Industry Changes	26
The Impact of Modern Car Manufacturing and Marketing Practices	26
Industry Protection.....	28
Roadworthy certificates.....	28
Strategies For Improving Business in Regional Areas	29
Promoting the Regional Victoria Lifestyle	29
Developing Tourism	29
Attracting Industry.....	30
Attracting and Keeping Apprentices.....	32
Equalisation with Large Cities.....	32
Promotion of the Automotive Industry	32
Conclusions	33
Sources	34
Appendix One - Focus Group Questions.....	35

Background

This research was commissioned by the Victorian Automobile Chamber of Commerce (VACC) in order to obtain detailed knowledge about their regional members, and in particular the difficulties specific to running regional automotive businesses.

The VACC's June quarter Economic Survey indicated that members of the retail automotive industry in Victoria continued to be pessimistic with regard to the performance of the national and state economies. Seventy percent of respondents expected no improvement in the national or state economies in the next quarter, and more than seventy percent of respondents believed the performance of the automotive industry would remain unchanged or weaken.

Rural and regional Victoria, which has traditionally borne the brunt of economic declines, has suffered profound change in recent years. The effects of privatisation, the departure and downsizing of industry, increased competition and a declining population have placed continuing pressure on the financial viability of Victorian regional small business, particularly in the automotive trade. The VACC's June quarter Economic Survey indicated that the chief concerns for small automotive businesses in regional Victoria were taxes, competitive discounting, shortages of skilled labour, government regulation and petrol prices.

The population of regional Victoria is aging and unemployment rates in regional centres were generally higher compared to Melbourne (ABS Regional Statistics, 1999). Regional communities were feeling increasingly marginalised and disenfranchised by government policy and economic conditions. For a summary of regional conditions refer to Appendix 2 (VACC Regional Focus Groups Discussion Paper).

The research was carried out over a four-week period at locations including Warrnambool, Mildura Horsham, Wangaratta and Wodonga. Research was conducted by staff of the Centre for Change Management, Deakin University, led by Julian Vieceli.

Presented here is a summary of the findings of that research.

Objectives

The overall goal was to develop an understanding of the attitudes and opinions of regional VACC members. The following objectives were developed in conjunction with VACC management to act as guidelines for the research:

This research sought to identify:

- 1) The issues currently affecting the running of regional automotive business throughout Victoria,
- 2) Likely future issues that will have either a negative or positive impact on these businesses
- 3) The issues specific to local area (discussed in separate region reports)
- 4) Directions for future policies and actions to assist regional members with the running of their businesses

Methodology

In order to obtain rich information on consumer motivations and perceptions, qualitative research techniques were used. The main qualitative method used in this research was Focus Groups.

Focus Groups were chosen as the methodology most suited to achieving the objectives, since the research needed to cover a wide range of difficult issues including business strategies, member lifestyles and perceptions of change. Focus Groups provide a forum for a group of between 6 and 12 consumers to engage in open and honest discussions about issues such as these. Each focus group ran for approximately 90 minutes with proceedings being audio taped (with the respondents' permission) to allow for an accurate account of the findings and comments of participants.

Twelve focus groups were held with VACC members as shown in Table One. In total 88 people attended. The group locations were chosen based on the number of active VACC members in that region, and were selected to maximise the opportunity that members had to attend.

Location	Date Held
Geelong	30 th August (Thurs)
Wodonga	3 rd September (Mon)
Mildura	3 rd September (Mon)
Horsham	4 th September (Tues)
Bendigo	5 th September (Wed)
Ballarat	6 th September (Tues)
Wangaratta	10 th September (Mon)
Shepparton	11 th September (Tues)
Bairnsdale	17 th September (Mon)
Traralgon	18 th September (Tues)
Hamilton	24 th September (Mon)
Warrnambool	25 th September (Tues)

The focus groups each covered similar material. In order to achieve the objectives, the research focused on three areas, each of which is related.

1. Firstly members were encouraged to talk in general about the issues, positive and negative that affect the way in which they run their businesses. These issues were then narrowed down to focus on those that were specific to running business in a *regional* area.
2. In order to gain insight into future issues, members were then asked to speculate on what trends they saw, and what new issues may arise out of those trends.

Finally respondents were asked to think about examples of action they have either seen taken, or would like to see taken to improve business opportunities in regional areas. The full sequence of questions is shown in *Appendix One* in addition to the preparatory documentation circulated to members prior to focus groups, to allow replication if desired.

Introduction

There is a large amount of economic and demographic data that could be used to give an overview of conditions in regional Victoria. This data though, does not tell the full story. Regional business people often claim to feel disadvantaged and pessimistic about their futures. Such feelings cannot be fully explained through statistical analysis, and yet they are persistent enough to warrant investigation. The research presented here was undertaken in order to gain a deeper understanding of the challenges facing VACC member-related regional businesses. It aims to determine whether legitimate inequities exist between regional and metro areas, and to gain some insight into how they may be best overcome.

There are some obvious fundamental differences between doing business in a regional area, and operating in a metropolitan one. The key issues affecting regional small business in Victoria fall into two related categories: isolation and cost. Isolation is felt in many ways by Victorian regional small business in terms of both physical separation from other people and businesses, and in terms of feeling distanced from the decision makers at the State and Federal levels. The physical isolation also directly impacts upon the costs affecting regional small business operators. Regional small business values their distance from major city centres, but also feel that their isolation is a serious disadvantage in various ways.

Running a regional business is said by owners to be becoming more complex and the nature of regional consumers is also believed to be changing. Adapting to such changes is obviously difficult for regional businesses, which are often small in terms of staffing and turnover.

Overall, it is perceived that the economies of regional Victorian centres are improving, largely due to the improvement and diversification of primary industries. Regional VACC members also perceive that the current state government is attempting to bolster regional areas, but know that this is likely to be a slow process. The attitude of these regional business people is perhaps best described as “resilient”. They are prepared to meet the changes and adapt, but wish for greater recognition of the inequities they often face as a result of competing from a regional area.

This report outlines the findings of the 12 focus group sessions that dealt with the unique difficulties managers of regional businesses face. The report makes a contribution to our understanding of regional communities, and can help guide the actions taken to improve the competitiveness of regional business.

Results

The results comprise responses to the inter-linking lines of enquiry. Firstly, the current and future issues identified by members as having the most impact on regional businesses are discussed. These issues are summarised into five key headings Structural Cost Inequities, Legislative and Administration Burdens, Social Changes, General Regional Business Issues and Automotive Industry Changes. Secondly, respondent suggestions on what can be, or has been, done to improve regional business opportunities are outlined.

Results reported here are aggregated across the various groups examined, except where differences exist that warrant specific discussion.

Structural Cost Inequities

The general perception of regional small business members is that costs are increasing at a rapid rate whilst returns are diminishing. These costs were considered to be either unique to regional businesses or more onerous on regional than metropolitan businesses. Following is a detailed discussion of the costs that members perceive are affecting small automotive businesses in regional Victoria.

Fuel Costs

The main inequitable cost for regional small business is the increased price of fuel and unpredictability of rising fuel costs. The unpredictability of rises in fuel costs make budgeting difficult and caused problems when it can time to incorporate fuel costs into the costs of specific jobs.

"Petrol costs generally affect freight costs. GST is a big problem with everything. Petrol changes so much on a weekly basis you can't predict it. With the higher fuel costs, people won't travel as much, do fewer kilometres and won't wear out their tyres. It affects what people buy, they look for smaller, more fuel efficient cars and if you have big cars you lose it. It is impossible to pass the costs on, you are delving into your profit all the time and regional customers want you to cover the freight costs or they will buy from major centres."

With cases of up to a seven-cent disparity in fuel prices between towns that are only separated by 70 kilometres, the inconsistency in costs was also a cause of frustration and alarm;

"Why are people in Melbourne paying 83 cents a litre and we pay 97 cents? And it is not a distance thing because I went to Lakes Entrance recently and it was cheaper in Baimsdale than it was here, it is not a freight issue. Morwell is dearer than Churchill or Traralgon; we are 20 kilometres from each other. What is the watchdog doing? Petrol is cheaper in Mildura than it is here."

Fuel price was also perceived to flow on to other areas of industry which eventually feedback to the motor industry with long-term ramifications. In other words, the need for parity in fuel pricing is considered critical to the ongoing viability of regional businesses, and should be tackled as a priority in any regional reform programs.

“While petrol prices have increased, the throughput of tourists has decreased. Melbourne to Adelaide tourism via the Great Ocean Road has suffered as a result.”

Fuel costs also have an indirect effect on the volume of business for automotive repairers. Increased fuel costs, coupled with a slowing economy results in lower use of vehicles by customers and therefore a decreased need for regular servicing.

“We’ve got a young family and we used to go for drives for the day. We don’t do that anymore as it costs too much with fuel and food, people don’t do drives anymore, they use their cars less and so we do less work on them. There is a magical line on the way to Melbourne where the price of petrol drops 10 cents.”

Regional Victorians report that because distances travelled are greater in country areas, and due to less available discretionary income, customers are taking fewer trips for recreational purposes. The perception among members is that customers wait until they have driven the allocated number of kilometres for the next designated service instead of coming in for regular services, and with less travel being undertaken, services are spaced further apart. This has ramifications for all areas of the automotive industry in regional Victoria.

Freight Costs

Arising out of fuel costs are the increased freight charges that small automotive business must bear. The perception in regional Victoria is that fuel price uncertainty leads to an increase in charges by freight companies. Regional Victoria is heavily reliant on freight companies for parts and vehicles so that they can supply a timely service to customers. The inequity between regional areas and Melbourne for freight costs is due to the added costs of getting freight delivered regularly. Members perceive that metropolitan businesses can receive up to three freight deliveries per day whereas regional areas receive one and only if they have managed to meet the deadline for the order. In many cases, businesses have no option but to keep their customers waiting for 24 or 48 hours.

“We pass freight costs on to customers, we tell them that if they want the part today it is x amount plus freight and if they want it they will pay it. People don’t carry the stock they used to. But people are so accustomed to getting freight overnight that paying \$10-\$12 for a parcel is not a problem. I do earth moving stuff or farm machinery – the customer needs the machine and will pay what it takes to get their machine back on the road.”

Regional small business also reported an inability to carry the volumes of freight required to service the broad range of vehicles that they deal with and, as a result remain even more vulnerable to limited delivery windows and are even more reliant on freight than their metropolitan competitors.

“Extra freight means extra GST – we pay \$10 plus extra GST so it is \$13, which means we have to pass it on to our customers to cover it. We can’t order small parts for customers, as we then have to charge them \$13.66 for freight, so they go to Melbourne for the part.”

Telephone Costs

A further cost to regional business, perceived to be inequitable, is that of telephony. There are two areas of concern with regard to telephone costs. Primarily, regional Victorian businesses suffer from what they perceive as an inequity with STD charges. Regional small businesses perceive the majority of their telephone usage is STD based, contacting suppliers and dealers in metropolitan Melbourne. Another added cost burden of conducting a responsive business in regional Victoria. The secondary issue with telephone costs is in regard to mobile telephone calls. It is perceived that every customer has a mobile phone and whilst this is acknowledged as convenient, it has resulted in a marked increase in telephone costs. Telephones are a necessity for regional small business as they are the link between regional and metropolitan areas, and in particular, between suppliers and small business.

“Our phone costs are much higher relative to a Melbourne business. It seems that every call we have to make is to an STD number, and for the volume of business that we do, it is a ridiculous amount. Our phone costs are around \$13,000 per month and I don’t see how we can reduce that.”

Regional members consider the inequity to be an injustice, as their costs are proportionally higher than metropolitan businesses. This means that in order to stay in touch with their suppliers and conduct business with comparable levels of customer service to their metropolitan counterparts, they must pay the STD rate for telephone calls.

“Our telecommunication costs are way above the benchmark for the industry...it runs at about 1% and we’re at about 2.5% because of STD.”

Opportunity Costs

Members also perceived that they were spending more time doing administration work and filling out paperwork to meet the new compliance standards for GST and Work Care. The result is that they have less time on the shop floor and, as a consequence, fewer completed jobs. Regional small businesses tend to be family operations, which means that the responsibility is with the owner to complete the paperwork.

"Too much paperwork chews up time and that affect our business. I now employ people to do my paperwork. It is not just your dailies but all the other stuff, GST, wages, work cover, superannuation."

"What we used to earn in 8 hours a day now we earn in 12 hours a day, it is the same problem for small business everywhere, it is about costs."

Many regional small businesses felt that they required an extra person to undertake the administration but could not afford to hire an additional employee;

"The size of business in the metropolitan area versus the size of a country business is important. Trying to comply with OH&S, it is simple in a larger organisation where you can appoint an OH&S person but we can't do that. It is just beyond me how you are expected to comply with everything. You have to be an accountant, OH&S officer, salesperson, mechanic etc. There will be no small businesses left; it will just be big business. We went through unfair dismissal, now OH&S (Work Care). Especially the manslaughter rules, where if someone has an accident on your property you are up for manslaughter. It is also the paperwork that you have to do; one person can't do everything. What will happen is profits have to increase and you have to hire people. At the moment I am doing all of these jobs."

Industry Legislation and Administration Burdens

GST Complications

Regional small business members appreciate GST and believe that it is beneficial in reducing the number of "backyarders" and tax "dodgers" as well as giving business owners an idea of their financial position at the end of every month. GST does, however, impose an added burden. The negative effect of GST is compliance and the amount of time regional small business owners spend filling out paperwork, or acting as tax collectors for the government is significant, which inevitably detracts from their core business activities. The general affect of the GST on regional small business is perceived to be an increase in administration loads, with a general perception that small business owners are now required to undertake the role of accountants. Whilst members reported that they are coming to terms with GST, reporting is still seen as a burden, and in general is only of benefit to the accounting industry.

"I spend a lot more time at work and it is just filling out paperwork. When I am doing the paperwork it means that I am not working on a car, so I am not making money. I would like to pay someone to take care of it for me but I can't afford to, as it is my accountant makes \$360 off me four times a year."

Many business owners are therefore compelled to work longer hours into the evening in order to comply with their accounting and employment obligations, in order to simply maintain revenue. Some members anticipate that any further legislative pressures will force them to re-evaluate the viability of operating a business.

"I've got to pay GST, the customer has to pay GST and then we claim it back. Plus on top of that I pay \$340 to get my BAS done every quarter, which all adds up. It helps the accountants make more money."

A further flow on effect of GST is felt by the LPG sector of the industry, which has been affected by the GST to a much greater degree than most other industry sectors. LPG conversions, equipment and LPG fuel were all tax-free prior to the introduction of GST. Since GST, these are all taxed and so LPG has become a much less attractive option for many people, especially in the fleet car industry. It was perceived that with a more rapid turnover of fleet vehicles and the loss of tax-free status, combined with the production of more fuel-efficient cars, the LPG industry is dying.

Work Care

A further cost to small business in regional Victoria is Work Care compliance. In particular, the new manslaughter legislation that has entered the industry has caused both increasing costs and uncertainty within the membership. The perception of the groups was that under the new legislation, they are responsible for anyone injured whilst they are on their premises, and a fatality may result in the business owner being charged with manslaughter. There is also a general lack of knowledge about compliance with the new Work Care legislation and a general feeling in the community of a need for more education and training seminars in relation to proper compliance. Few issues elicited such an alarmed response. Members were uncertain about their obligations and the limited direction they had received led them to consider the legislation potentially unfair to employers.

Superannuation / Labour Costs / Unfair Dismissal

Compulsory superannuation is seen as another cost to business that did not previously exist. Whereas superannuation was previously used to lure employees and keep them loyal, the new compulsory superannuation contribution by employers on behalf of employees is now the industry standard and is another competitive advantage that has been lost to regional small business in maintaining quality employees. The increased cost of compulsory superannuation is felt in both the bottom line and the lack of loyalty that a superannuation program had once gained from employees. Members indicated that compulsory superannuation is valuable for the long-term future of their employees but is also another cost that is eroding margins. Employees are also seen to value superannuation less now that it is compulsory. Members feel that making employees contribute to the superannuation scheme will increase the employee's ownership and understanding of superannuation and make them feel more responsible for their own future.

"Compulsory super across the board, staff just expects it. One solution to combat the rising cost of superannuation is that employees contribute to their superannuation an amount equal to that of employer contributions."

In addition to Work Care and superannuation, members believe that unfair dismissal laws are unduly imbalanced in favour of the employee. While not all members had been forced to terminate employees, almost all had experiences where irresponsible and exploitive employees had manipulated the system and law to their advantage. Members remain exceedingly wary of unfair dismissal laws and lobbied vigorously to recommend their immediate modification.

Some costs of operating a regional small business are perceived to be lower; the value of property and rentals are seen to be lower, as are wage costs. The perception was, however, that these savings are being offset by telephony, Internet, freight and fuel costs, so they now break even with the initial cost savings of operating in a regional area. In addition, the lower wage costs cause problems as labour is attracted to metropolitan areas or indeed to other industries by the lure of higher wages. Members also perceive inequity of cost structures between regional and metropolitan small business due to the isolation of regional businesses.

Skilled Labour

Members perceived that there is a general lack of skilled labour in regional areas. A general perception is that young people are not interested in entering the trade, as the level of wages is not sufficiently attractive. Members also perceive that they are losing staff to other industries such as truck driving and general labouring, where remuneration standards are higher. The dearth of skilled labour in regional Victoria is felt in many ways. Many small businesses reported difficulty in replacing experienced staff, resulting in waiting times of up to several months to gain an employee who has a similar skills base. Indeed, many members observed that the search for competent staff was a never-ending burden. The costs associated with training new staff were also acknowledged as a disadvantage.

"I have lost two mechanics in the last couple of years. One guy went off to drive trucks and the other is sweeping the floors at the SPC factory. They both earn more money than they could with us."

"We applied for a mechanic a year ago and had three applicants. One bloke asked what the wage was and when I told him he said he could get twice as much in Melbourne."

Members also indicated that the government is not providing enough support to automotive small business to enable them to retain skilled labour. The exodus of youth from regional areas is also a problem, as it is becoming harder to attract enough people to the industry so as to maintain the skills base for the future.

"Skilled labour is the single biggest issue out here, getting skilled labour. As a rule we take on 2 new apprentices each year and try and retain the good ones at the end of term. But as a rule we lose 80% who go to Melbourne to earn more money. It is very hard to keep a skilled workforce."

"Trained workforce is hard to get in the country – qualified technicians and salespeople are really hard to get. The other problem is you train apprentices then the lure of the big smoke gets them and they're gone."

"I lost a mechanic 18 months ago, he left to go truck driving. It took me 3 ½ months to replace him. They go to truck driving as they think it is more money and an easier life. I registered with all the normal employment people. You give them the criteria of what you want and run ads in all the papers, and not one applicant. So they say you are asking too much, you are frightening people off. So you cut the ad down and still no good. So I said it has to be a fully qualified diesel mechanic and they sent me someone doing diesel repair at night school. That is all he is doing, just theory. From word-of-mouth some guy eventually came in, he stayed 9 months."

A 'Return of service' scheme was proposed to combat apprentices leaving once they were trained. The scheme would consist of apprentices signing up for a period of service with the employer once they had finished their apprenticeship.

"The thing that annoys me the most about motor trade is that a tradesman can stack boxes at SPC and get more money doing that than I can afford to pay them and I can't charge more because consumers can't pay"

It was believed such a scheme would enable the employer to recoup some of the costs of an apprenticeship as well as maintaining skilled labour in regional areas, allowing a skill base to build in regional areas.

Apprenticeships

Another perception is that young people do not want to stay in regional areas, instead preferring to go to Melbourne and earn more money. There is a wage disparity between what regional small business can afford to pay and what workers are paid in the city. The perception among members is that regional small business cannot charge the same amount for their services as their metropolitan colleagues. This results in an inability to match wages with metropolitan businesses and the result is a defection of workers from regional areas to Melbourne, seeking higher wages.

"Every time there is an election they talk about bonus schemes for apprentices. We don't put people on to get the bonus we put them on for training. But the amount of paperwork to get the bonus is a nightmare and then you are taxed on the bonus. The scheme needs simplification"

All regional areas had stories of apprentices who finished their apprenticeship and went off to Melbourne to earn a higher wage. The apprenticeship schemes designed by the government are seen to be too unwieldy to comply with and although apprentices are viewed as the lifeblood of the industry, the compensation for training an apprentice was inadequate. Members indicated that training apprentices was both time consuming and expensive and did not show returns until the apprentice gained enough skills to operate independently.

"We are still producing a huge number of apprentices. It's the blokes with 10-15 years experience that we're losing."

"To train a first year apprentice it costs you double his wages. At the end of training you are doing slightly better than breaking even. It takes more than six years, by the seventh year they are OK, finally in the eighth year it clicks. Then they start their own business."

The compensation scheme for training apprentices was seen as too time consuming to comply with and was not seen to offer a reimbursement commensurate with the investment of the employer.

Social Issues

Poker Machines

A major social issue in all regional areas is the introduction and subsequent economic effects of poker machines. Poker machines are perceived to be responsible for reducing the average disposable income of regional community members, as well as the rise of bad debt, bankruptcy and marriage break-ups in regional Victoria. The general perception of members is that in rural communities, people are spending money on gambling that was previously spent on living expenses for the family. This, in turn, places pressure on relationships and also causes less cash to flow through regional economies, as money spent on gambling is not being put through local business.

"Pokies take \$8 million out of this town, which you won't get back and it is money that people could spend on other things. People use their money for gambling and don't spend it at local small businesses; they will put off a car service and blow the money on the pokies. I know people who couldn't afford to buy an \$5,000 car for their son to go to University as they had spent it on the pokies."

A second issue with regard to poker machines is the disbursement of funds from gambling taxes. There is a perceived inequity of gambling funds disbursement, with the feeling that regional areas should receive back an amount proportional to the tax gained from the regional area. Currently the feeling is that metropolitan areas are the main beneficiaries of funds from gambling taxes.

"Pokies mean that people have less money and they use their money to gamble instead of spending it on local business. This leads to problems with families and then when they do get repairs done they have no money to pay for it. Everyone suffers from pokies."

"People are happy to waste their money on poker machines but deliberately will not pay their car payments or repair bills."

Regional small businesses believe that the revenue raised from gambling should be used to help regional areas, and also be used to bolster sporting facilities and entertainment venues that do not have access to poker machines.

Credit

The perception among members in regional Victoria is that consumers are becoming more educated about their credit rights and opportunities, and use this to their full advantage at the expense of small business cash flow. With tighter economic conditions, the general feeling is that people will get work done and then reveal an inability to pay. They then arrange to either pay off the work over a period of time or declare themselves bankrupt, using the laws and the court system to their benefit.

"Bankruptcy is a major problem. We lose out because they go into bankruptcy and there is a flow on to us. You do thousands of dollars worth of work and they take the easy way out which is bankruptcy or get ordered to pay of \$20 a week. They do that for a couple of weeks and then don't worry about it anymore.

Members perceive that consumer protection is at a very high level but the same protection is not afforded to small business. This has a detrimental affect on small business with members reporting a rise in the level of bad debts. In most instances members felt that the cost of pursuing debt recovery was greater than the amount to be recovered.

"It is getting tighter for all businesses. Credit terms have been stretched from 30 to 90 days, and this means that we can't pay our suppliers because we don't have the cash flow."

"You can't charge more because people don't have money. Employment is not good out in the regional areas and there are a lot of retired people and so they chase up a cheap job. It makes things difficult, they want cheap good jobs and then they don't pay you. We don't have the same protection the public has. We have to do everything right, or they sue you, but if they don't pay us it is bad luck. No one wants to hear about it if people don't pay."

Internet Use

The growth of technology and the Internet is seen to be good for regional business as it allows access to parts and supplier information very quickly. Members reported that the Internet allows them to source parts from all over Australia rapidly and with much more detailed and updated price lists than were previously available. Members reported a greater flow of information from suppliers either via the Internet or on CD-ROM and felt that being Internet capable was no longer a matter of choice, but a necessity. The Internet was also seen to be important as a means of reducing the isolation from Melbourne for regional areas; Melbourne is now only a mouse click away.

"It is not a decision whether the Internet is good or bad for your business. You can't get parts or price lists without it and all of your customers use it. You don't get paper anymore it is all email."

Disadvantages with regard to the Internet are the increased costs of purchasing hardware and software to utilise the Internet. Members reported the need for multiple workstations throughout the workplace to allow staff easy access to information. Secondly, operating computers was seen to be a time consuming activity, due to the need to clean up before using the computer and the amount of time spent searching for information on the Internet. Finally, the Internet also allows local customers to access prices from metropolitan regions, subsequently increasing competition artificially;

"We have to be on the Internet. All our links with our manufacturers and suppliers are through the Internet. It brings in more business through prospecting but also means that our costs go up as we have to buy computers and then find the time to use them."

"We are at a greater disadvantage than ever with media and communication. Everything is just a couple of mouse clicks away on the Internet. They shop around and find they can buy a part for so much in Melbourne and that is what they expect. They forget things like freight costs."

In general, however, the Internet is making regional small business less isolated, more accessible, information rich but time poor.

Youth

There is a perception that regional Victorian youths are leaving the country to seek opportunities in the larger cities. The larger cities present opportunities in both work and social life that regional areas cannot hope to match. Members understand the need for young people to travel and gain life experience but feel that this causes a demographic anomaly, as young people tend not to return until they have a family of their own.

"You could build the best Universities in the world in the country and the young people would still go off to the city to see what it was all about."

Another issue to do with the youth is the break-up of families in regional Victoria, with many families disadvantaged by having children dispersed all over Australia. There is an expectation held by members that their children will leave for the big cities and may only return later in life to raise a family themselves. The result is a skewed age of the population in regional Victoria, with a paucity of people aged 18-35.

"I have children in Melbourne, Perth and Sydney and that is common out here. Most of us have kids that have left home and gone a long way away. It happens to country people."

"Country people suffer as regional people scatter all over Australia. It breaks up our families and they are scattered everywhere as they try to get an education or get a job"

Declining population and changing demographics

The general perception among members is that country areas have a declining population and those regional areas that are growing question the demographic composition of the growth. There is a general perception that regional areas are composed of an aging population, as evidenced by the growth of aged care facilities throughout regional Victoria. The feeling among members is that the retired population are being affected by the current low interest rates, which reduce returns on their savings. The net result is decreased spending power in this section of the community.

Another perception of population growth in regional Victoria is that the state government is using regional areas as a “dumping ground” for either undesirables or the underprivileged. This perception stems from the view that the government offered incentives to paroled prisoners to move to regional areas to decrease criminal opportunities, reassess their lives or to gain a fresh start. This scheme affects community in terms of morale and also economic prosperity. As a result members feel that regional Victoria is losing its image as a safe place to raise a family, as the crime rate is perceived to be rising and the number of unemployed people is on the increase. The government is seen to take action only when the public outcry is too great and then they merely move the relocation scheme to another regional area.

“The government has been relocating suburban dropkicks, criminals out here. We’re the end of the line, they come out of Pentridge and if they come here they get a better deal so the government gives them a one way ticket. If they are a career criminal they get a more lenient sentence if they come out here, they send them here more than anywhere else. The problem was in Seymour and when they got media coverage they sent them here. They send them to country areas to reassess their lives. We have got some bad people here courtesy of Melbourne.”

Members also perceive that the government is relocating single mothers to regional areas to capitalise on inexpensive housing and land. This was seen as detrimental to the overall economic well being of regional areas, as single mothers do not have a high disposable income. A secondary problem with this scheme is the perceived lack of facilities for young people in regional areas, which leads to boredom and an increase in youth crime.

“Our population is growing but that is only because the government is relocating single mothers out here. The government ship them out here and give them housing. These people don’t have money to spend on cars or anything really.”

“The Human Service Department ships single mothers out here and they don’t have any money to spend. The only place growing is the human services department itself.”

Structural unemployment

Compounding the loss of industry in regional areas is the structural unemployment that is rising in areas such as the La Trobe Valley and Wangaratta. The downsizing of industries such as the SEC and the mines has led to a highly trained group of unemployed people who have recently been made redundant. Members perceive this as a problem, as the local council is alleged to turn a blind eye when the unemployed set up as "backyarders", as it is seen to reduce unemployment. With further planned cut backs in industries, the problem of structural unemployment in these areas is anticipated to be on the rise.

"With the Morwell mine, Silco have just lost the contract. In order for ABD to come in they have undercut Silco considerably and to do this they have to shed 100 jobs. In the SEC days there used to be 70 electricians at the mine, but that was too many, we recognise that. Then they got it down to 30, which was comfortable, with Silco it was 8 and now they are cutting it to 5. This increases unemployment and people hold on to their money and don't do anything. Eventually these guys set up as backyarders and the council turns a blind eye as at least it reduces unemployment in the area."

A suggestion that arose from the groups regarding the loss of industries in the country areas was the capping of tenders to a baseline bid. Members perceived that putting a lower limit on a tender bid would assist in both increasing safety standards in industry and also maintaining a workforce in the area. Members believe that putting a baseline on tenders would allow companies to maintain a higher number of staff, and in particular maintenance staff, which would decrease the probability of a major industrial accident.

"The government needs to step in and say this is the bottom line on the quote and you can't go under it. Sixty percent of the workforce is casual and they have work for four months of the year and nothing for the rest and that is because these companies have come in and undercut the contracts. So the government needs to cap the quotes."

There is also a problem with hidden unemployment in the areas that have lost industries, where workers who have taken a redundancy package are not seen to be unemployed. Members perceive that this hurts the bottom line of the economy in the region.

"The tendering process needs to be controlled, put a bottom line figure, realistic that they can't go under. Loy Yang is up again in March and Fleur Daniels have said they won't get it, someone will come in underneath and more jobs will be lost. It is a recipe for disaster. There will be accidents because they aren't doing the maintenance, and we are all at risk here because they are not keeping the work up. Our friends are scared from what they see every day, does Longford have to happen here before we do something and will it just be a bandaid solution. We need down to earth people to get through to the decision makers. Power station owners have been screwed on amount they paid for business and what they can charge."

General Regional Business Issues

Government assistance for regional small business

The perception amongst members was that the government did have programs available to assist small regional business but did not promote the schemes heavily enough. Many members were unaware of any specific schemes in place to assist small businesses in regional areas and reported that they were too busy to conduct extensive searches for assistance schemes.

"The state government has a plan in place for the Gippsland region at the moment. If you put a plan to them to start a new business they will make a contribution. Then again it doesn't suit or appeal to small business as I am probably the only one here who knows about it or has the time and people to fill in all the paperwork to make it happen. It is a huge submission but they will give you funding and they are worth it. They come to the party on new business capital injection."

With higher workloads, members also believed that they did not have the time or energy required to apply for the schemes or keep up with the paperwork if they were successful. Members indicated that the government should offer training or assistance in applying for small business grants to enable a higher uptake of the schemes.

"Maybe we need more info from the government on how to fill out these training schemes, we need the money or assistance to progress. Local and state governments know how to do this but they don't publicise it widely. It gets back to us being little businesses, we are too tired at the end of the day and I couldn't be bothered."

Customer Loyalty

A perception exists that customers in regional Victoria are more loyal, but word-of-mouth in regional Victoria can also determine the fate of a business. Members felt that their customers will continue to come back because of the higher degree of personalised service they receive in regional areas, but a result of loyalty is that one bad experience will have a detrimental effect on business, with the whole town finding out very quickly. This was seen to be an issue that affected regional business more than their metropolitan counterparts.

"In the country people come back to you time and again – repeat business is what keeps us alive in the country. In Melbourne if someone is dissatisfied with your business it doesn't matter as someone will come your way next month who is dissatisfied with another business. Out here if they are dissatisfied with you they tell everyone."

Regional members perceived that the volume of passing traffic in Melbourne meant that metropolitan automotive businesses did not need to retain a large proportion of existing customers, as there would always be a flow of new customers.

"We have to rely on service retention. That's why it is so difficult to lift prices by 50% because we're telling someone a technician is working on their car and not a grease monkey." "All of this gets back to what we can charge, we have to charge less as people here have less money and also it is a numbers game. In Melbourne if you lose a customer another will come along. Out here we don't have the volume and if you lose a customer it will hurt as they talk. At Melbourne they have five people come through in an hour; here we have one. In Melbourne, most people are booked out a week in advance."

Regional areas not only had less passing trade but believed the only way they survived was by gaining repeat business and from the positive word-of-mouth spread by satisfied customers.

Economic outlook

Regional Victorian members perceive that the economy is improving and attribute this to record prices for primary products and increased tourism. Disposable income, however, is still perceived to be depressed with a consensus that customers shop around for the best deal, and are unwilling to pay high rates in regional areas.

"You can't charge more because people don't have the money. Employment is not good out in the regional areas and there are a lot of retired people and so they chase up a cheap job. It makes things difficult, they want cheap jobs and then they don't pay you."

"The perception in the country is that everything is cheaper and better in Melbourne."

Regional customers are also perceived to be more cautious with spending because of the belief that hard economic times may return.

"Interest rates are a two-edged sword. It is good for us as we have an overdraft, and if there were a big increase it would hurt a lot of small businesses. I think a lot of small businesses are still open only because interest rates are low. On the other hand there are a lot of retirees who are suffering because interest rates are so low and they are getting no returns on their money."

The terrorist attacks of September 11th 2001 are also having an impact on the regional economy with a perception that Australia is waiting to go to war.

Promotion

Regional areas are perceived to be very dependent on industry and, in particular, the fate of primary industry. One of the major factors affecting all regional areas is the loss of key industries and the paring back of government departments in regional areas. The loss of industries such as Telstra, SEC and major government departments in regional Victoria has not only had the short term effect of job losses, but leaves emotional scars, with regional members wondering if more industries will abandon regional areas.

"What affects the car side are the scares and the losses of industries. The average person has to be careful about buying a car because they might lose their job soon. This means that they don't spend on new cars or on servicing their existing cars and they lose out. I know people, whose second car has broken down, and because they can't afford to get it fixed it sits out in the shed."

Members also perceive that if there is a scare that a regional area will lose an industry or if there is a rumour about downsizing, the economy tightens. The result is regional customers reduce spending on non-necessity items, which inevitably means they cut back on servicing of vehicles. Members suggested the need for more positive reporting of issues in the country by both the media and the politicians, who are too focussed on negative issues when reporting on regional conditions.

"Every time something good happens out here, the next day they mention Pyramid or HIH and the economy stops, the money dries up like it is happening all over again."

"We need to fast track positive ideas. Negative press can hurt all of the positives built up by the government and media, and regional papers just love the negatives."

Banking

Regional areas saw banking as a problem with banks either closing regional branches or delegating all decisions to major metropolitan centres. The impact of the closure of regional branches, coupled with the use of 131 numbers to contact banks is seen to be devastating to regional business. The perception is that bank managers do not know them anymore or understand their unique situations; all decisions are based on formulae at head offices, resulting in the perception that banking is a faceless industry. Members perceived this as detrimental to regional small businesses who had previously relied on strong relationships with the banking sector to gain funding in order to survive.

"I went to see my bank manager, and the person I had built up a relationship with was gone and replaced by a 17 year old who wasn't allowed to make any decisions. They have to send everything to Melbourne and they don't know me or my business and the result is that I didn't get the loan."

Government Understanding

There is a general perception that governments do not understand what is happening in regional Victoria, and local members who do are powerless to take any action to benefit their constituents. A feeling among members was that political parties had become too homogeneous, with few discernable differences between the two major parties at either state or federal level.

"With party policy as it is these days, parliamentarians have to toe the party line, they aren't allowed to cross the floor. Rural areas suffered really badly and our rural blokes have to vote for the party line or they don't get preselected. They want to represent us but they can't under party rules."

A further complication was seen to be the battle for preselection of politicians, with regional members being forced to comply with party policy on issues, therefore regional areas felt that they had lost an effective voice, with politicians unwilling to cross the floor or go against party lines. There is also a perception that the government is full of rhetoric and is only interested in regional Victoria in the lead up to an election.

"How can a parliamentarian understand what we are going through earning \$25,000 a year?"

"Government doesn't understand regional business or help it. It is interesting with Ansett everyone is saying that the government has to bail them out. I would love the government to bail me out. The government take what they can and give nothing back."

The current state government is, however, perceived to be looking after the country more than the predecessor, but this is limited to a few key regional areas, which contain marginal seats. The feeling among members is that the current state government was elected on the promise that it would give regional areas a greater voice but this is not being supported by action, especially in the areas of infrastructure and union control.

"Bracks has done good for Victoria and I am not a Labour voter."

"The government is not really looking after the regionals, they stopped spending in Melbourne but increased in Ballarat and marginal seats, that is politics."

"I feel more confident with Bracks that he is not lining the pockets of his mates; I believe he is trustworthy and honest. He is closer to the general public. Kennet was very arrogant; Bracks can be trusted."

Finally it is seen that politicians need to talk up regional areas and not just take interest in them prior to an election or when something negative happens.

Seasonality

Due to the high reliance of regional areas on primary industry, there is seasonality to work and a heavy dependence on external factors such as beef, wool and grain prices. The result is a flow on effect that impacts the automotive industry. When farmers get paid they will pay their bills, but for the rest of the year they rely on credit. This seasonality appears to be offset by farmers diversifying their crops and also becoming “smarter” business people. The general perception is that to be a farmer you need to be more of a businessperson than a “cocky”. A perception also exists that farming in Australia is a dying industry. Children of farmers are not willing to take over the farm, and farmers are urging their children to pursue other careers due to the fluctuating business fortunes of people in Australia’s primary industries.

Infrastructure

Infrastructure in regional areas is perceived to be improving with a general perception that roads, schools and telephone services are improving. Hospitals and aged care facilities are also seen to be improving. Internet access was variable between areas, with some areas reporting first class access, whilst others still found trouble with locating a reliable provider. Infrastructure is perceived to be a key component of attracting industry into regional areas, as is the willingness of the government to invest in regional infrastructure.

Industry

Although all members reported the need for more industry in regional Victoria, the type of industry varied greatly with the region. Greater industry would provide an income for the locals and would also retain people in regional areas. This would have a flow on effect for the whole economy of the region, as more prosperous people would spend more money in the region, purchase new cars and take better care of their existing vehicles.

Strategies to increase industry in regional Victoria included government assistance to companies willing to set up business in regional Victoria. The general feeling was that state and federal governments could provide start up grants and tax incentives to businesses willing to relocate to regional areas. Further, upgrading of infrastructure, in particular roads and rail services, were seen as vital to attract industry.

Local council were seen to have the ability to reduce costs of land and reduce barriers to entry for businesses looking to set up in regional areas. Members felt that currently local councils were not proactive enough in attempts to attract industry to regional areas. The perception was that councils were too reliant on high priced consultants to make decisions and the money spent on consultants would be better invested in attracting industries to regional areas.

Keeping business in regional Victoria by encouraging councils to support regional business was another strategy raised by the groups. A perception was that current tendering processes resulted in contracts being lost by locals to companies from intrastate, interstate and overseas. Members felt that tenders should be less price driven to enable local business to have a greater chance of successfully tendering. One suggestion in regard to tenders for regional contracts was the instigation of buffer pricing, where local businesses should be awarded a contract if their tender falls within a designated margin on the final price of the bid. The current perception is that contracts are being awarded out of the local area over a matter of a few hundred dollars, when the regional economy would benefit by a far greater amount if the contract stayed with the local company.

A further suggestion to increasing industry in regional Victoria is the need for downstream processing. Regional members saw the need to undertake value adding activities within the regional areas rather than sending raw materials off only to buy them back later at inflated prices. Members believe that value adding within the regional areas will increase employment and provide immediate economic benefit to the area.

Automotive Industry Changes

The Impact of Modern Car Manufacturing and Marketing Practices

Several changes in the automotive industry were noted to have an effect on regional small business. Firstly, new car warranties were seen to have a damaging effect on the automotive repair business. The perception exists that it is cheaper to buy a new car, with a 3 year unlimited kilometre warranty than it is to repair an old one. The result of extended warranties is that people will trade in a car at the end of the warranty period rather than pay for maintenance of the vehicle. Members also reported a decline in the number of services on vehicles over 10 years of age. Members also believe that there is a misperception in the community regarding new car service warranties, with consumers believing the warranty will be voided if an authorised dealer does not service the vehicle.

A perception exists that the new car warranties are unrealistic as service schedules result in cars not being serviced before the first 15,000 kilometres. Members believe that cars should be serviced at the 500-kilometre mark as advanced technology within the vehicles masks problems within the cars and enables the car to stay on the road well after it is due for a service;

"People buy a new car and you don't see them for the first 15,000 kilometres. The cars run themselves for that length of time. When the customers do come in for a service and you point out all of the problems then they can't believe it because the car is running so well. The new computers hide a lot of problems. Manufacturers also want to keep their cars on the road and keep the brand name visible."

"You couldn't build a car from parts cheaper than you could buy a new one."

The same feeling exists in the commercial repairers, who are finding that they are being reduced to repairing fast wearing parts rather than performing engine reconditions.

"If you got 500,000 kilometres out of an engine that used to be good, now you don't see them for 1.6 million kilometres. We spend our time repairing brakes and other fast wearing components as opposed to gears and engines."

New cars are also perceived to be much more technologically complex, with more advanced and expensive equipment required to undertake repairs. In addition to extended new car warranties, the promotion of dealer service centres means that automotive repair shops are suffering declining business, as customers believe that to retain their warranty they must use an authorised dealer for scheduled services.

"The car has changed that much that you can't physically or mentally absorb the whole car anymore, you need to specialise in a trade or a vehicle."

"Cheap new cars like the Hyundai changed the industry, now if your car has problems you get rid of it. Cars are inexpensive and parts are too expensive. New cars these days offer three year, 120,000 kilometre warranties and at the end of that time people trade them in"

The role of the automotive mechanic has also changed. The perception is that they are not just mechanics but are communicators who have to sell their business and their skills to potential clients. There is a belief that because relationships are so important in the country, sometimes they cost themselves business in order to maintain a relationship. This is seen as a greater problem in the country due to lack of volume of business in country areas. There is also a perceived rise in very specialised areas, with mechanics either concentrating on one area of a car or one type of vehicle, further contributing to the decline of the general repairer.

"I have old mechanics come to me to get their car fixed, they lift the bonnet and don't know what is going on under there anymore."

"In a country town where reputation is everything, a lot of times you talk yourself out of a job by being honest with people... We are not just mechanics anymore we are communicators, and they don't teach that stuff in apprentice school."

Industry Protection

Automotive businesses are concerned about the lack of protection and also the lack of education in the community in general with regard to what the automotive industry does. Mechanics are still perceived by the general public to be "grease monkeys", when the reality is they are highly trained specialists. There is also a belief that the general public do not value the services of mechanics highly; there appears to be little understanding that a mechanic has the responsibility of keeping cars in a roadworthy condition in order to save lives.

"We are not grease monkeys, we are highly trained people. If someone comes out to your place to repair your washing machine they charge \$50 just to come in the front door, and they don't have their lives in your hand. Yet anyone can buy and fit a set of brake pads, and 100 metres down the road they can kill someone, we have peoples' lives in our hands every day."

The desired strategy was limiting sales of certain car parts, especially by automotive retailers such as Bursons, Auto Barn and RepCo. The general perception was that you should have to be a licensed automotive repairer in order to purchase vehicle parts that are responsible for the safe operation of a car; an example given was brake components.

"They licence people to fit LPG equipment and so they should, but they should also limit the sales of brake supplies and equipment to licensed automotive specialists, otherwise we are going to see people die."

Roadworthy certificates

The general perception in the motor trade is that there is a need for high quality annual roadworthy tests. Annual road worthies are seen as vital especially with a declining economy as people are driving vehicles that are more dangerous, and in many instances should not be on the road.

"Someone came in for a quote on a repair the other day. It worked out that it was going to cost more to repair the car than the car was worth. It is amazing what people will put the kids in and drive around."

Members also perceive a disparity in standards of roadworthiness across Australia. Victorian road worthy tests are seen to be rigorous and of high quality, this problem is highlighted in areas that border other states, where the road worthy tests are seen to be of a lower standard.

"The motor trade is not good for voters. The government will to make you get your car serviced by a licensed mechanic. If you have to install a light fitting you need a licensed electrician ... Cars in Victoria should get an annual road worthy, it would be good for safety and help our industry, but it will never happen because it will cost the government votes."

"The government would rather have unroadworthy cars than cut the road toll. It is a monetary thing where making road worthies compulsory will cost you votes."

A final impact of road worthy testing on Victorian regional small business was with regard to the expense of reaccreditation to be a licensed road worth tester. Members felt that the cost of reaccreditation and training to gain a license to conduct road worthy tests was no longer economically viable. This was felt more in regional areas due to the lower volume of road worthy tests they conducted per annum.

"We have given up being a RWC tester as Vic Roads introduced a new scale of fees for each mechanic. We figured out how many road worthies we did in a year and the costs. Each mechanic costs \$600 per course in Box Hill and you have to send them up there and you don't have them for that time, so it is a lot of time and money and we weren't doing enough RWC's to justify it. It is a farce. It impacts on country more than city, as they don't do that many in the country compared to the city. Why do you have to be reaccredited every year when you have been doing it for thirty years? I reckon Vic Roads will get a backlash from country people about this."

Strategies For Improving Business in Regional Areas

Promoting the Regional Victoria Lifestyle

There were many perceived benefits to living and operating a business in regional Victoria. The members felt that regional Victoria offers a lifestyle unparalleled by the city, coupled with people who are generally friendlier and less stressed. Members also valued their distance from major metropolitan centres, as they believe that in most cases they are closer to more attractions living in regional areas. Members stated that they were an hour from the snow, an hour from the sea, and just down the road from Melbourne, but with a less stressful, less polluted existence.

"The cost of living and housing stock is significantly less. Wages are less. If people own a house down here they can't afford a house in Melbourne. If you get a qualified mechanic out here then they will stay because if they wanted to go to Melbourne they would have gone years ago. It is only the young people you have trouble holding on to they want to check out Melbourne."

Developing Tourism

All regions identified one of the key strategies to improving the economy of regional Victoria as increasing tourism. Tourism is seen to have a cascading effect, with tourists contributing to the local economy, which in turn increases the expenditure of locals within the economy. This means that people will spend money on items that they have postponed purchasing. An increase of tourism was also seen as a method of attracting people to regional areas to service the tourism industry, which would increase the population and provide employment opportunities.

"Tourism is the key to the region. We have everything here but we don't promote it right. Queensland has got it right, we have better facilities than they have but we don't promote the state well enough. The government needs to start promoting regional Victoria as a tourist destination. If there is some state money spend it now, especially with Ansett and New York."

Members perceived that tourism was a growth area for regional Victoria and action was needed to promote regional Victoria as a tourist destination. Members recognised the flow on effects of tourism and also saw that promotion of tourism to regional Victoria by the state government was vital to the survival of regional areas. Tourism is also seen as a way to gain other benefits. Increased tourism has a flow-on effect of improving the infrastructure in regional areas, which would benefit regional small business in the long term as well as attracting industry and employment.

"If people in power don't talk it, then the average people on the street don't think it. The politicians need to talk up the economy so that people will spend money. Talk up the positives of the area. We have a great lifestyle, good schooling, housing that is affordable, good tourism. We have a great road system to Melbourne, the perfect freeway. We are an hour from the coast, an hour from the snow, and close to Melbourne."

"You get up in the morning and listen to the news then and there is something bad on the news we will have a bad day. And they like to talk up the bad things in the Valley. The next thing will happen is when we have an election everything stops until well after the election. At the moment we are waiting to go to war."

The current state government is seen to be doing more for regional areas, but it is a slow process. This is seen to be a hangover from the centralisation policies of the previous state government. The result is that a lot of regional areas have a large, willing workforce but need industry in the area to increase the economy.

Attracting Industry

Members in regional areas perceive that whilst regional Victoria is a great place to live and do business, in order to survive they need to attract more industry. Industry was used as a catchall term by members, but covered a variety of areas from fast moving consumer goods companies, to logging companies and government departments. In order to attract industry to regional Victoria the members perceived that they required support from all three levels of government.

At the local council level, members perceived that council could smooth the way for industry by reducing restrictive barriers currently in place in terms of type of industry, such as munitions, and by also providing incentives to relocate from Melbourne to regional Victoria. In many regions inter town rivalry was seen to be affecting the opportunities for industry to relocate. Councils could ease the way for new industry by providing land and reduced rates to companies looking to relocate to regional areas. Also some councils were perceived to be shy of making decisions or too slow to make a decision, with an over reliance on consultants, which resulted in industries moving to areas with more proactive councils. Members also perceived that local councils needed to be more proactive in pursuing business for regional areas by chasing industry and setting up schemes that would attract appropriate industry to the area.

"Local council has to give incentives eg subsidised land, and tax breaks from a state or federal government point of view."

Members perceived that state government could help by providing relocation grants and upgrading infrastructure (road, rail, electricity) to the regional areas. Another area that state government could help was with the promotion of regional areas and the "talking up" of the positives of regional Victoria.

Members perceived that the federal government could provide assistance by providing incentives to industries to locate in Australia and particularly in regional areas. The federal government was also seen to control tariffs, which members felt should be used to protect Australian industry to offset the effect of low priced imports on the economy. Finally, the federal government was perceived to be able to control telephone infrastructure to regional areas by increasing service levels and reducing costs.

Government departments were perceived to be one industry area that could be decentralised and regionalised. The general perception amongst members was that government departments did not need to be metropolitan based but could be relocated to regional areas to provide employment and economic stimulus for the area. This was seen as an important issue when taken in context with the number of older people moving to regional areas; more work would balance the cash flow into the regional areas.

"They could leave some government departments here because every government department provides a lot of work for all of us and leaves money in the community."

Attracting and Keeping Apprentices

Members perceived that the federal and state governments could assist with the growth of a skilled labour force in regional Victoria. It was proposed that educational institutions should liaise with councils and business to determine current employment needs across all trades, and work towards promoting trades within the educational system. In order to attract apprentices to the automotive industry it was suggested that the technological innovations of the trade be promoted, along with decentralising apprentice training to regional areas. Members also suggested that government should support the automotive industries by endorsing stronger scholarship schemes for apprentices. Members felt that implementing these strategies would keep youth and a skilled work force in regional areas.

Promotion of the automotive industry to secondary schools and career counsellors was also suggested as a method of attracting young people back to the industry. There was a perception amongst members that every young person was being pushed into the university system and that equal promotion and financial benefit should be directed to the training of apprentices in the automotive industry.

“They don’t encourage the kids into trades anymore, they push them into Uni.”

Equalisation with Large Cities

Members perceived that a business advantage for regional areas could be accrued with equalisation of costs such as fuel and telephone costs. Members perceive that petrol prices, in particular, are not related to distance from metropolitan areas but are randomly allocated, and that the government should act to stabilise and equalise fuel costs between metropolitan and regional areas. Equalisation of costs would diminish the effect of isolation on regional small businesses and allow for greater margins, which would enable small business to employ more locals.

“If I was sitting here talking to a politician, the first thing I’d say I’d want is the same price of petrol...as it is in Melbourne. The second thing I want is telephones, communications, landlines...at the same cost as it is in Melbourne. The third thing...let’s have some regional training centres, instead of sending the kids to the city.”

Promotion of the Automotive Industry

Members perceived that one major issue that needed attention was promotion and education of the general public regarding the automotive industry. The perception among members related to educating country people to pay comparable rates to those charged by city businesses. The way to achieve price parity was through educating the general public with regards to what members of the automotive industry do, and the level of training of automotive repairers. It was perceived that if the general public was willing to pay more for services, particularly in the regional areas, employers could then hire more staff, thus reducing regional unemployment and retaining staff in the automotive industry.

“We need to lift the profile so that country people get more attuned to paying for more expensive vehicle repairs – what it is worth.”

“They’re still called mechanics, they’re not, they’re highly training technicians, not grease monkeys, and when we lift the profile and educate people, then we’ll be able to lift the prices per hour and be able to pay mechanics enough to keep them in the trade...but its going to take a long time...”

Conclusions

Generally the perception is that regional Victoria is a great place to own a business and to work. The perception is that metropolitan areas cannot match the lifestyle afforded in regional areas. The air is cleaner and you know your neighbours. Relationships with customers are perceived to be stronger in regional areas, with members reporting that they have dealt with 3 or more generations of the same family. These “quality-of-life” issues explain much of why people stay in regional businesses.

Infrastructure in regional Victoria is perceived to be better and improving all of the time. This is seen to have an important flow on effect, especially for tourism, with the added benefit of making regional areas more attractive to a wider range of businesses.

There are, however, a number of serious problems facing regional automotive businesses, some specific to the industry and others of a more general nature. Regional business managers have always lived with higher costs on business essentials such as freight, petrol and telephony. Recently however, through improvements to roads and other transport systems as well as the growth in e-commerce, regional business are finding that their customers are increasingly able to take their business out of the local area. As a direct result, they are more price conscious. Subsidies or more regulated pricing of these items was seen as the best way to ensure regional business can compete equitably with out of town businesses.

The introduction of the GST and other business legislation were generally seen as having positive impacts on business. As with many businesses though, regional operators are finding that these government regulations are forcing them to spend more and more time away from conducting billable work. Regional operators argue that they are particularly hard-hit by these requirements, as they tend to be smaller and have less support in terms of training and advice. Training sessions on areas like GST management, Work Care practices and Superannuation were desired. Lessening the administrative burden on managers of small businesses was seen as the only long-term solution.

Socially, a large number of changes were impacting upon rural businesses. Customers were becoming less wealthy and greater credit risks as a result of an ageing population, the impact of poker machines, high long-term unemployment and the migration of unemployed people towards regional areas. Keeping gambling revenue in local areas, encouraging the growth of industry in general and helping young people to stay in the community were strategies suggested to combat this problem.

The Automotive Industry specifically has undergone a number of changes that have led to difficulties for regional operators. Most problematic was the way in which new cars are built and marketed, which had increased the complexity of the work involved whilst simultaneously reducing the demand for it. Promoting the Automotive Industry as a whole, better informing customers as to what these businesses do and greater financial and government support for the recruitment and retention of apprentices were actions considered likely to dramatically improve the VACC members businesses.

Overall, VACC members report that they are facing a large number of difficulties, many of which could be negated with the proper action. They are committed to their regions but wish to fix the inequities between regional and metropolitan areas so they can compete more directly and continue to provide services. The gradual disappearance of local businesses was seen as the greatest threat to regional living standards. Importantly, the isolation felt by many regional businesses does not result from the distance between themselves and metropolitan areas, but as a result of not feeling like they are consulted on key decisions. The action of going to regional areas and seeking input from members is an important first step, and was warmly received.

"Thanks for coming out and talking to us, and especially thanks for listening. No one ever comes out to listen to what we have to say."

Sources

Australian Bureau of Statistics, Regional Statistics 1999, Austats

VACC Automotive Industry Economic Survey, June Quarter, 2001

Appendix One - Focus Group Questions

We would like to run this focus group in two sessions. The first half of the focus group we will dedicate to issues that you feel affect regional small business in Victoria, probing the more general issues. The second half of the focus group will discuss the issues that you believe are specific to your area.

Question 1

Let's start by hearing about you. Could you tell me who you are, where you are from? Starting on the left and moving around the table can I please have?

- Your name
- Your type of business and
- How long you have been in business

Question 2

Now that we all know each other, let's find out what issues you believe affect you as a regional small business operator?

What issues affect regional small business in general and how do they affect your business in particular?

For example, is there a difference between being a small business operator in the city versus being one in regional Victoria?

- Is it easy to get skilled labour in regional areas?
- Are young people leaving? If so are they returning more skilled?
- Are banking services in regional areas adequate?
- Are telephone or telecom services good in regional areas?

Do you feel that the government (local, state or federal) understand your business problems and do you know of any schemes to help small business in regional Victoria?

For example:

- Bush vs city
- Labour,

- Energy,
- Telephony,
- Freight,
- Banking,
- General business costs,
- Government assistance and infrastructure (local, state and federal)
- Taxes, discounting

Question 3

For the second half I would like to address the issues that affect this region in particular.

How is the local economy performing here? What factors have increased economic activity and what can be done to increase activity? In other words what makes this region successful or could be done to make this region (more?) successful?

Question 4

Are there any issues specific to this region that have an affect on the way your business operates now or may operate in the future? What are the important infrastructure needs in your area? (schools, roads, rail, communications, housing) and what is the quality of the infrastructure?

Does the state and federal government understand you? Is the local member accessible?

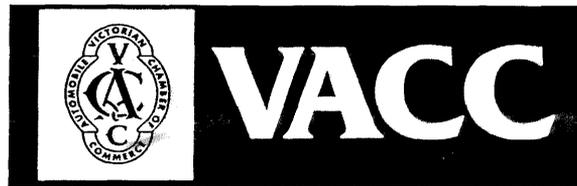
- Education and training facilities
- Police
- Aged care
- Employment and youth services
- Shops and banks
- Sports and rec facilities, especially for the youth
- Telecommunications
- Sewers, housing and parks
- Culturally appropriate services tailored to a group

Question 5

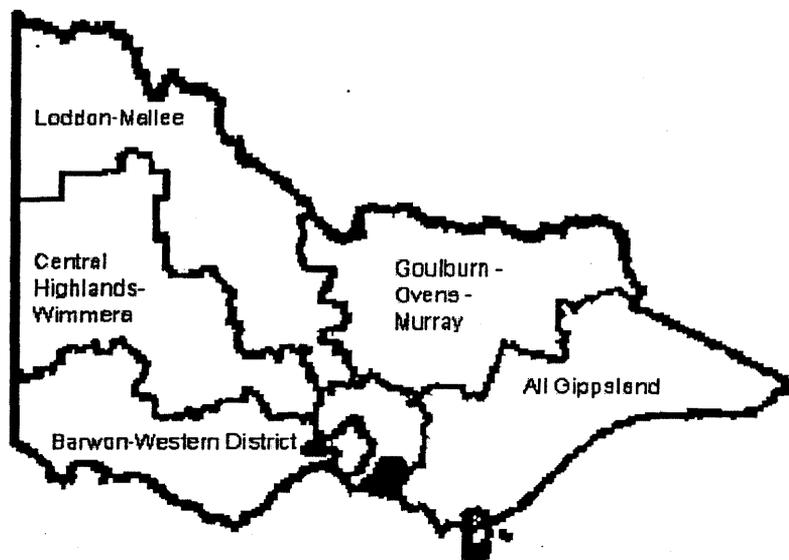
Who should provide the above (government, private sector)?

Question 6

To sum up, what strategies do you think need to be put into place to help regional small business and what is currently being done to help?



REGIONAL FOCUS GROUPS 2001



DISCUSSION PAPER

CONTENTS

INTRODUCTION.....	1
RURAL PERCEPTIONS	2
RURAL & REGIONAL VICTORIA - WHAT THE NUMBERS SAY	4
THE KEY ISSUES AFFECTING RURAL & REGIONAL VICTORIA	12
BUSINESS ISSUES.....	12
Government Assistance.....	13
Telephony & E-Commerce	13
Banking & Finance.....	14
ECONOMIC & COMMUNITY INFRASTRUCTURE.....	14
Infrastructure Planning.....	14
Roads	15
GOVERNMENT & COMMUNITY SERVICES.....	15
Governance.....	15
Government Service Provision	16
DEMOGRAPHICS	16
APPENDIX.....	18
SOURCES	22

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INTRODUCTION

VACC has had a long commitment to actively listening to rural members, analysing their business and industry concerns, and advocating and representing their issues to local, state and federal governments.

The decision to undertake this project, based on conducting a series of regional focus groups, is a continuation of that work.

This discussion paper was prepared as a background to the major issues affecting small business and the retail automotive industry in rural Victoria.

The current and future socio-economic problems faced by regional communities, and regional based industry has received considerable attention over the past few years. However, little state and federal Government attention has focused on VACC regional members, and in particular their experience with the numerous socio-economic changes occurring in regional economies.

In recent years, the level of change occurring in regional areas has been profound. The effects of increased competition, privatisation and regulation particularly of government service providers, the departure of a whole range of businesses (large and small, manufacturing and retail, government and private) have placed considerable strains and pressures on the financial viability and continuance of small business in regional centres.

The areas of change occurring and experienced by regional centres range from:

- ▶ environmental management and risk issues,
- ▶ economic development issues,
- ▶ socio-economic which include health, education, and social welfare,
- ▶ community and economic infrastructure,
- ▶ the place for electronic commerce, and
- ▶ population issues, such as keeping and attracting young people.

This paper endeavours to provide focus group participants with key economic statistics, together with important issues and background information to assist them in contributing to the issues and discussion that will occur in the focus group they attend. The four main areas covered by the discussion paper, and addressed within the focus groups are:

- ▶ Business issues,
- ▶ Economic and community infrastructure,
- ▶ The provision of government and community services, and
- ▶ Population issues.

AUTOMOTIVE INDUSTRY ECONOMIC SURVEY – JUNE 2001 QUARTER

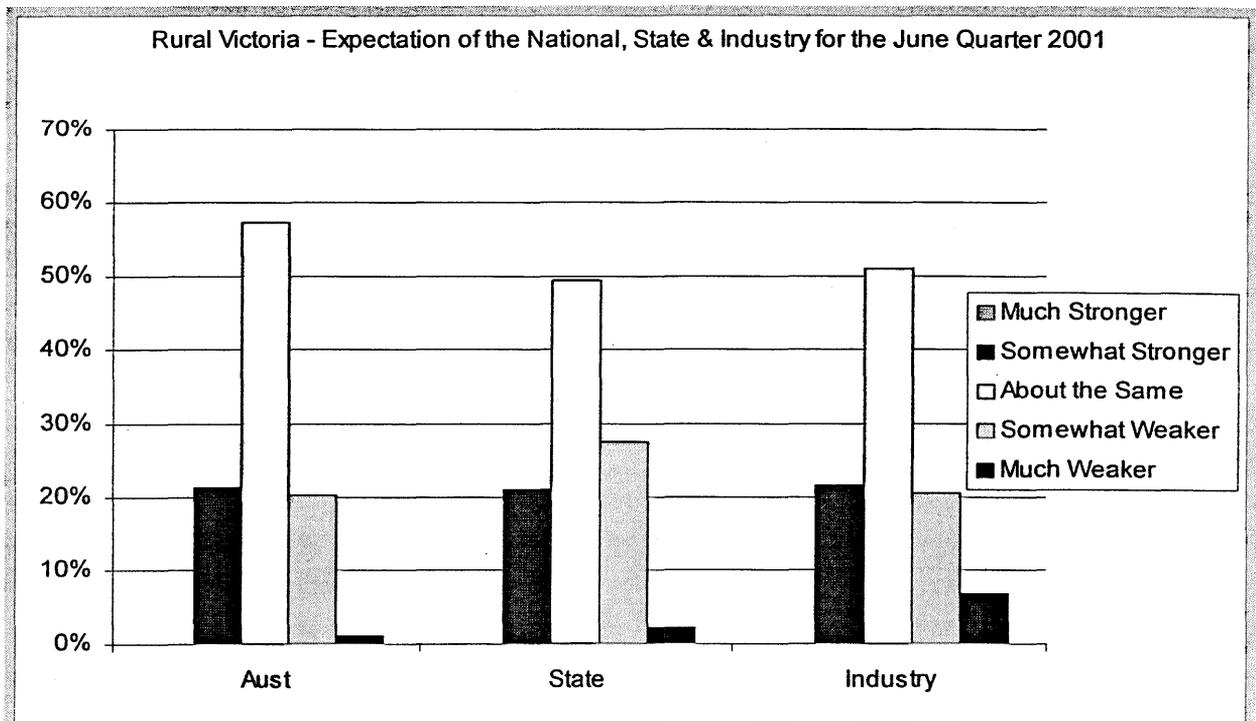
In VACC's Automotive Industry Economic Survey, for the June 2001 Quarter, for regional members, the following issues were found to be a concern to regional small business. A summary is provided.

RURAL PERCEPTIONS

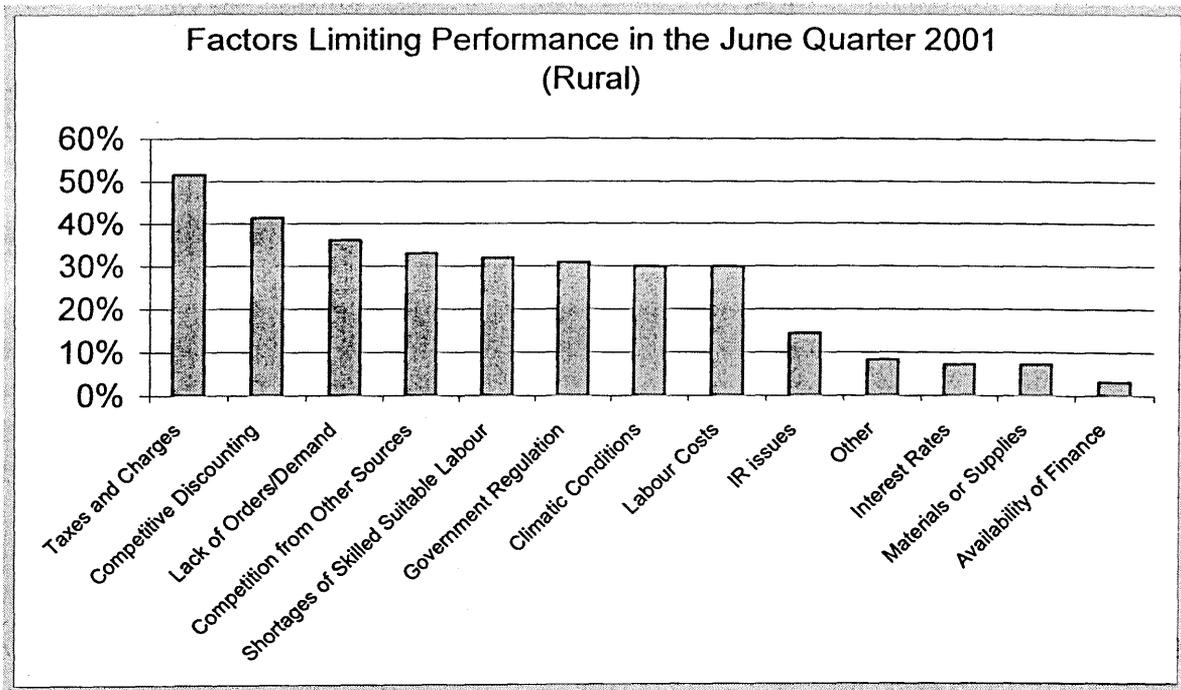
For the first time, the survey report will describe the key economic issues impacting on retail automotive businesses operating in rural Victoria. (For the purpose of this survey, rural Victoria excludes greater Melbourne, and is inclusive of Geelong.)

Of the total responses to the 29th survey, 91 or 49% were from rural Victoria.

When examining the June quarter performance measured by rural respondents on the national and state economies, the results show that overall rural small businesses held the same level of business performance concerns as the overall industry and going forward did not expect performance to substantially change in the next quarter. However, rural small businesses were slightly more optimistic that the overall industry as to the performance of the industry into the next quarter.



In examining factors hindering business performance in rural Victoria, the results closely match issues affecting the overall industry, with the major exception being the level of competitive discounting that small businesses are increasingly facing. The extent of competitive discounting is not limited to petrol retailing, but is inclusive of all industry segments. This issue ranked second behind taxes in rural Victoria as a hindrance to business performance, compared to a ranking of third for the industry overall.



On general business issues, rural respondents raised the high level of petrol prices, and pointed to the need for governments (state and federal) to assist regional economies.

RURAL & REGIONAL VICTORIA - WHAT THE NUMBERS SAY

According to the Australian Bureau of Statistics, the Victorian population as at June 2000 was 4,765,900 people, representing a total of 25% of the total Australian population. Melbourne accounts for 3,413,894 people. Just over 51% of all Victorians are female. The average age of Victorians was 33 years of age, in 1996, with 21% between 0 to 14 years, over 14% were between 15 to 24 years, 31% were between 25 to 44 years, 21 were between 45 to 64 years, and 12% were over 65 years of age.

The average weekly personal income of a Victorian was \$290.00, equating to over \$15,000 annually. The average weekly household income was \$643. This equates to approximately \$33440 per annum.

Of all housing, nearly 44% of Victorians lived in their own homes, with 25% being rented, and 27% on average being purchased at any moment in time.

In terms of occupations, 18% of Victorians work as Professionals, over 15% work in clerical, sales and service positions. Tradespersons and related workers make up 13% and associate professionals make up over 11%.

The largest employing industries were manufacturing at over 16%, the retail industry at 14%, and property and business services employing 10%. Regional areas registered the highest percentage of people employed in manufacturing, the retail industry and health and community services.

The following tables illustrate a number of key statistics for the major towns and regions in Victoria. The names of the major regions are based on the Australia Bureau of Statistics divisional areas, which are easily identifiable by the following map.

VICTORIAN REGIONS

In terms of population, Great Melbourne represents accounts for just over 70% of Victoria's population. The next largest region is Barwon, followed by Goulbourn, Loddon, Gippsland, and Central highlands. Table 1 provides a breakdown per region by population and labour force activity.

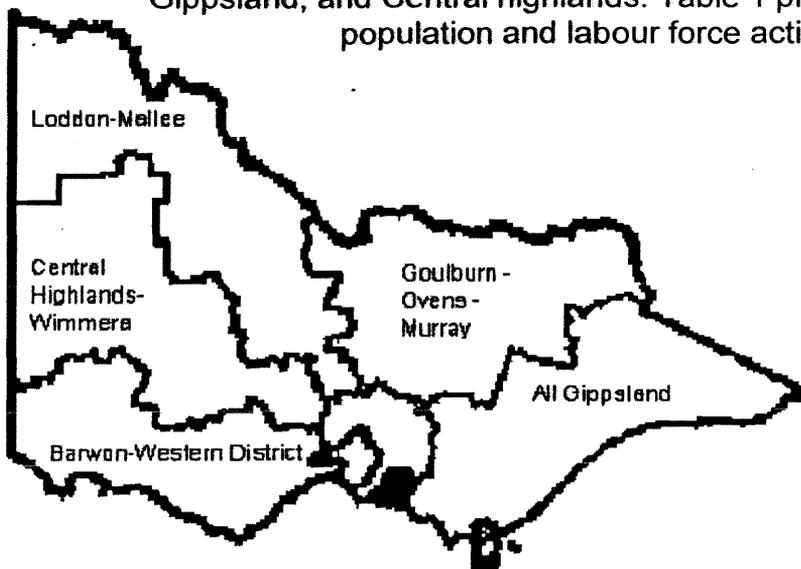


Table 1: Population & Labour Force

Statistical Division	Population estimates (a)			Labour force estimates (b)	
	Estimated Resident Pop. no.	Persons aged 0-14 %	Persons Aged 65+ %	Unemployed no.	Unemployment Rate %
Melbourne	3,417,218	19.4	12.1	130,081	7.4
Barwon	245,582	20.7	14.9	10,643	9.4
Western District	99,050	22.6	14.9	3,508	7.2
Central Highlands	137,353	21.9	13.6	5,648	8
Wimmera	51,503	21.3	17.8	1,389	4.9
Mallee	88,204	23	14.7	3,171	8.1
Loddon	161,419	22.2	13.7	7,461	11.1
Goulburn	186,683	22.9	14	4,569	5
Ovens-Murray	90,541	22.8	13.1	2,313	4.6
East Gippsland	80,730	22.2	15.3	3,177	10.2
Gippsland	153,890	22.6	14.3	6,620	11.1

Source: ABS Regional Statistics 1999

The ABS has further broken down these demographics by local government areas. Each region has been ranked according to its population size.

Table 2: Population & Labour Force (2)

Statistical Division	Population estimates (a)			Labour force estimates (b)	
	Estimated Resident Pop. no.	Persons aged 0-14 %	Persons Aged 65+ %	Unemployed no.	Unemployment Rate %
Greater Geelong City	156,143	19.8	14.3	7,693	10.5
Yarra Ranges Shire	140,443	23.3	8.8	4,550	6.3
Ballarat City	81,065	21.2	13.5	3,657	8.8
Greater Bendigo City	76,572	21.6	13.8	4,109	12.7
North Goulburn	74,938	22.7	15.2	1,518	4.3
La Trobe Valley	74,368	23.1	12.0	4,076	13.9
Hopkins	61,913	23.0	14.3	2,113	7.0
East Barwon	52,547	21.6	18.0	1,739	8.0
North Loddon	48,968	21.2	17.1	2,433	12.4
South Gippsland	48,137	21.1	18.9	1,574	8.9
Wodonga	44,576	24.0	10.2	1,220	5.4
Mildura Rural City	43,448	23.4	13.5	1,875	10.2
Greater Shepparton City	42,349	22.7	12.7	1,437	6.9
Wellington Shire	41,378	23.4	13.0	1,483	9.0
South West Goulburn	39,794	24.9	10.7	879	4.6

	Population estimates (a)			Labour force estimates (b)	
	Estimated Resident Pop.	Persons aged 0-14	Persons Aged 65+	Unemployed	Unemployment Rate
Statistical Division	no.	%	%	no.	%
East Gippsland Shire	39,352	20.9	17.8	1,694	11.6
East Central Highlands	38,030	24.3	12.1	1,408	7.4
Gleneilg	37,137	22.0	16.0	1,395	7.5
West Barwon	36,892	22.8	12.6	1,211	6.9
South Wimmera	36,330	21.6	16.1	1,054	5.2
South Loddon	35,879	25.0	8.8	919	5.9
East Mallee	32,735	23.3	15.2		6.9
West Gippsland	31,385	24.0	12.9		7.7
West Ovens-Murray	29,612	22.0	15.4	730	4.9
South Goulburn	29,602	21.0	17.5	735	4.6
West Central Highlands	18,258	20.5	17.0	583	6.1
East Ovens-Murray	16,353	21.0	16.7	363	2.8
North Wimmera	15,173	20.8	21.8	335	4.1
West Mallee	12,021	20.2	17.7	272	4.5

Source: ABS Regional Statistics 1999

Table 3 is a composite of four information sources: population, levels of home ownership, the average weekly income per individual, and the average age of residents. The same data for all Victorian regional centres is located in the Appendix to this paper.

Table 3: Population, Home Ownership, Weekly Income, & Average Age

	Population	Towns with % of home ownership	Median Personal Weekly Income	Median Age
Ballarat - Central	33,601	41.9	\$234.84	33
Ballarat - Inner North	22,391	46.0	\$254.70	33
Ballarat - North	1,050	60.2	\$245.13	36
Ballarat - South	19,467	40.7	\$241.39	30
Corio - Inner	52,399	42.4	\$218.91	32
Bairnsdale	23,378	49.4	\$220.28	39
Orbost	8,281	52.1	\$205.75	37
South-West	3,447	57.1	\$244.46	33
Geelong	12,091	37.7	\$242.77	35
Geelong West	13,597	42.0	\$253.74	35
Gr. Bendigo - Central	18,919	38.3	\$234.70	33
Gr. Bendigo - Eaglehawk	8,054	39.1	\$222.37	33
Gr. Bendigo - Inner East	20,375	44.2	\$250.70	33
Gr. Bendigo - Inner North	7,471	44.2	\$259.76	32
Gr. Bendigo - Inner West	12,490	41.8	\$261.26	32
Gr. Bendigo - S'saye	4,120	47.9	\$301.82	33
Gr. Shepparton	39,694	38.8	\$271.45	32
Gr. Shepparton East	3,832	51.7	\$260.32	33
Gr. Shepparton West	8,376	48.0	\$255.63	34
Greater Geelong	26,876	49.6	\$252.76	37
Horsham - Central	12,591	44.1	\$266.14	35
Horsham Bal	4,731	59.9	\$275.35	36
Moe	17,878	48.6	\$198.25	34
Morwell	22,801	43.6	\$203.93	31
Traralgon	24,199	41.4	\$277.97	31
Mildura	40,644	41.7	\$248.47	34
Mitchell - North	10,991	34.0	\$292.43	31
Mitchell - South	13,942	36.2	\$289.06	30
South Gippsland - Central	11,391	51.4	\$263.54	35
South Gippsland - East	5,639	51.4	\$233.44	37
South Gippsland - West	7,053	50.7	\$260.51	35
Surf Coast - East	9,065	41.1	\$300.70	33

Surf Coast - West	7,649	49.5	\$249.63	36
Swan Hill - Central	9,385	40.3	\$266.62	33
Wangaratta - Central	15,527	43.7	\$269.40	34
Wangaratta - North	3,863	57.0	\$279.32	39
Wangaratta - South	5,645	56.3	\$274.88	36
Warrnambool	26,776	40.7	\$252.30	32
Wellington - Sale	13,366	36.9	\$267.02	32
Wodonga	29,188	30.7	\$300.31	29

ABS Census Population and Housing 1996

An important economic issue is the structure of families. Family structures are important, as often the family structure determines the extent and type of expenditure, and on what economic activity or products and services. Table 4 illustrates the number of different family types per the major centres.

Table 4: Family Types

	Couple with dependent children	Couple with non-dependent children only	Couple with children	One parent	Other	Total
Total Melbourne	345,774	87,058	258,128	117,188	17,188	825,861
Great Geelong	16,582	4,080	11,793	5,119	622	38,196
Warrnambool	2,750	538	2,184	1,065	131	6,668
Western District	10,687	2,134	9,143	3,214	395	25,573
Ballarat	7,927	1,556	5,337	2,925	356	18,101
Horsham	1,281	239	1,254	500	51	3,325
Mildura	4,414	828	3,931	1,579	127	10,879
Bendigo	7,447	1,428	5,998	3,170	359	18,402
Shepparton	4388	886	3,472	1,690	138	10,574
Wodonga	4,913	729	3,559	1,618	137	10,956
Wangaratta	3,106	679	2,759	1,023	110	7,677
Traralgon	2,967	453	2,018	925	66	6,429

ABS Census of Population & Housing 1996

The most popular method used to distinguish small, from medium and large business is the number of staff a business employs. Typically a business employing 19 or less staff is considered to be a small business. A business with less than 5 employees is considered to be a 'micro' business. Table 4 lists the numbers of businesses by employee size by regional town and centre, for which the ABS has recorded statistics.

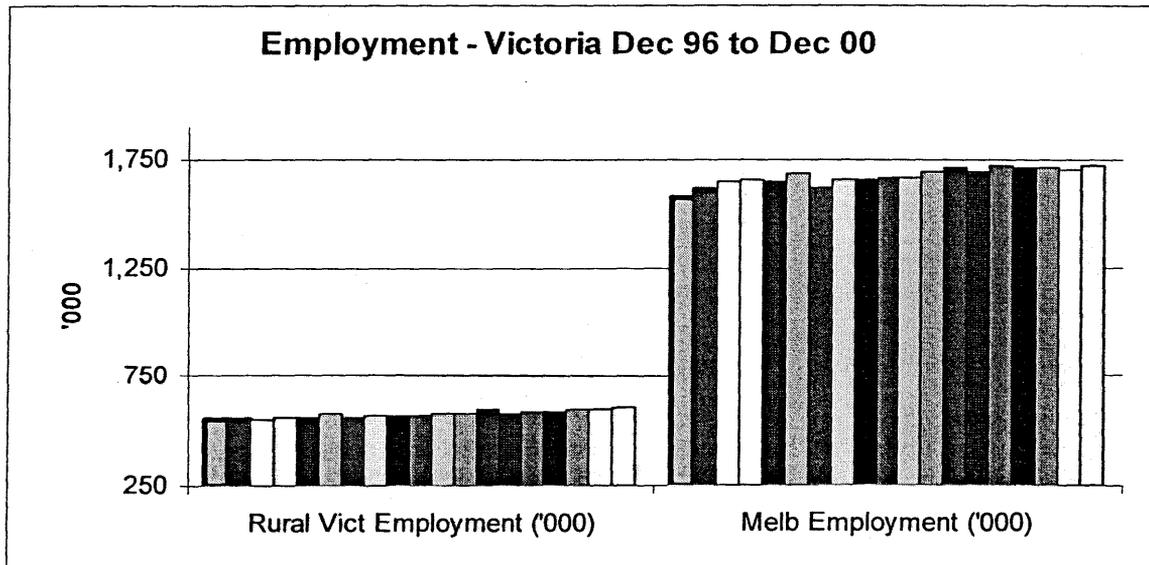
Table 5: Businesses By Employment Size

	Less than 5 Employees	5 to 9 Employees	10 to 19 Employees	20 to 49 Employees	50 to 99 Employees	100 or more Employees	Total
Geelong	5,611	1,247	593	307	109	83	7,950
Swan Hill	1,736	214	61	57	7	8	2,083
Mildura	3,393	456	151	97	34	15	4,146
Bendigo	2,974	658	285	135	47	33	4,132
Wodonga	1,030	241	91	55	23	15	1,455
Wangaratta	NA	NA	NA	NA	NA	NA	NA
Shepparton	3,117	533	200	99	43	24	4,016
Bairnsdale	NA	NA	NA	NA	NA	NA	NA
Traralgon	NA	NA	NA	NA	NA	NA	NA
Hamilton	NA	NA	NA	NA	NA	NA	NA
Warrnambool	901	288	130	70	18	22	1,429
Ballarat	2,683	606	301	157	49	48	3,844

Source: ABS Victorian Yearbook 2000

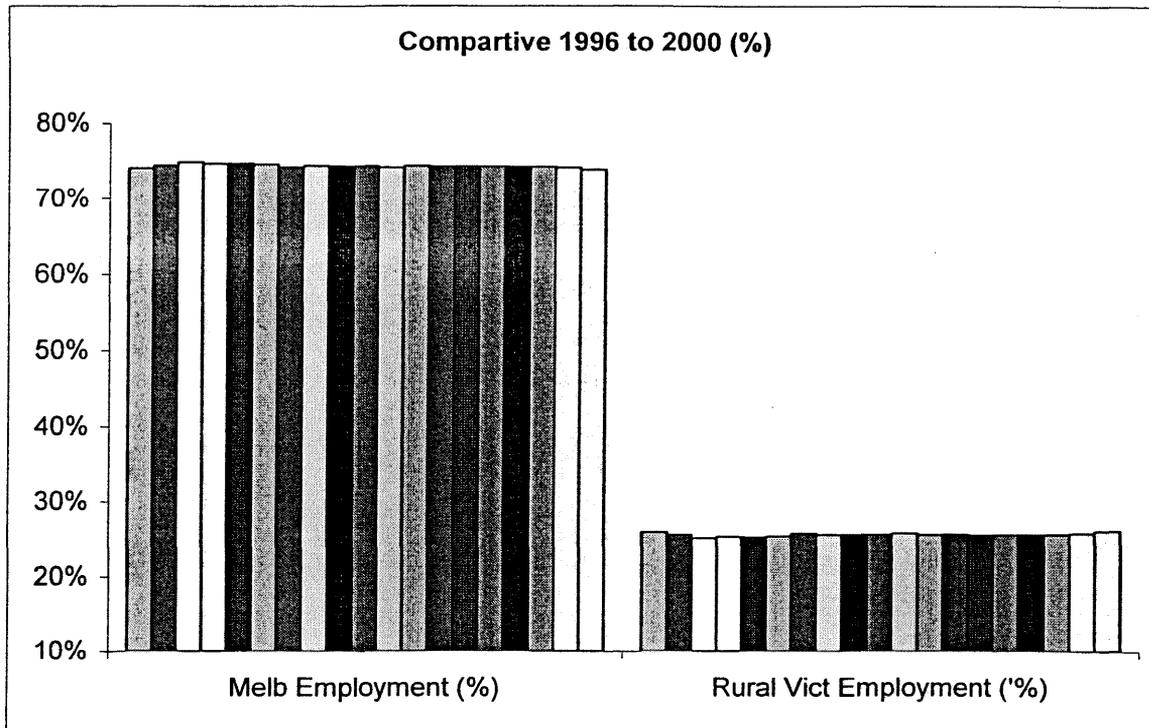
Graphs 1 and 2 reveal that the employment trends for both Greater Melbourne and Regional Victoria have remained constant over the past five years, with Melbourne averaging approximately 75%, and Regional Victoria the balance of employment.

Graph 1: Employment Comparison Melbourne & Regional Victoria



Source ABS

Graph 2: Employment Comparison Melbourne & Regional Victoria (2)



Source: ABS

Table 6: Community Statistics

	Estimated Resident Pop	Pop projection 2011	Total Schools	Property Prices - Dwellings Sold (Median)	Building Approvals	Length of Roads	Total Motor Vehicles
Wodonga	30,719	39,284	15	\$110,000	55	424	23,010
Bairnsdale	23,378	NA	NA	NA	NA	NA	NA
Ballarat	78,650	84,566	48	\$85,000	107	1,202	55,981
Bendigo	86,341	92,280	56	\$87,000	117	2,774	58,070
Geelong	186,068	202,887	90	\$100,000	286	1,887	122,289
Hamilton	NA	NA	NA	NA	NA	NA	NA
Horsham	18,121	18,680	11	\$ 77,500	21	2,753	14,082
Mildura	47,229	52,560	37	\$ 92,000	86	4,325	31,632
Shepparton	55,048	59,893	45	\$ 105,000	83	2,292	39,300
Traralgon	24,199	NA	NA	NA	NA	NA	NA
Wangaratta	26,167	26,308	24	\$ 90,000	23	2,032	18,969
Warrnambool	28,037	31,123	15	\$ 110,000	36	290	17,498

ABS Victorian Yearbook 2000

Table 7, on the next page, provides the totals of businesses per 17 industry categories. The ABS counts retail automotive businesses within the retail industry category.

Table 7: Business Numbers

	Geelong	Mildura	Bendigo	Wodonga	Horsham	Wangaratta	Shepparton	Bairnsdale	Traralgon	Hamilton	Warrnambool	Ballarat
Agriculture, forestry & fishing	387	2,039	489	NA	614	878	1,333	NA	NA	NA	58	218
Mining	21	7	11	NA	1	3	4	NA	NA	NA	2	9
Manufacturing	564	116	246	NA	60	79	176	NA	NA	NA	81	263
Electricity, Gas & Water Supply	8	17	11	NA	11	8	14	NA	NA	NA	9	8
Construction	1,025	267	481	NA	114	177	332	NA	NA	NA	171	474
Wholesale Trade	441	170	256	NA	91	81	200	NA	NA	NA	95	226
Retail Trade	1,487	480	746	NA	220	268	557	NA	NA	NA	294	729
Accommodation, cafes & restaurants	329	129	208	NA	61	63	125	NA	NA	NA	93	200
Transport & Storage	346	159	211	NA	70	82	230	NA	NA	NA	62	160
Communication Services	66	14	30	NA	7	15	17	NA	NA	NA	8	23
Finance & Insurance	337	75	155	NA	37	58	121	NA	NA	NA	63	162
Property & Business Services	1,281	222	425	NA	91	134	319	NA	NA	NA	169	485
Government administration and defence	60	27	31	NA	21	24	30	NA	NA	NA	15	29
Education	204	67	114	NA	29	48	93	NA	NA	NA	36	120
Health & Community Services	697	187	340	NA	62	128	224	NA	NA	NA	130	341
Cultural & recreational services	194	64	118	NA	37	42	57	NA	NA	NA	46	122
Personal & other services	512	157	285	NA	74	110	203	NA	NA	NA	98	280

Source: ABS Victorian Yearbook 2000

THE KEY ISSUES AFFECTING RURAL & REGIONAL VICTORIA

There are many issues affecting rural and regional Victoria. Some of the issues are exclusive to country Victoria, and many are general business issues that affect all small business regardless of their geographic location, such as taxation.

However, VACC considers that there are four main issues that exclusively affect small business in regional Victoria:

- ▶ Regional business issues,
- ▶ Economic and community infrastructure,
- ▶ The provision of government and community services, and
- ▶ Population issues.

The aim of the next section of the paper is to provide some background information, and generate questions about the current state and future direction of small business, and their local communities. There are no right or wrong answers. In many instances the best answer is often the simplest. Please take some time to consider these issues and,

- ▶ How you,
- ▶ Your business and
- ▶ Your community, town and region are affected.

BUSINESS ISSUES

What are your business expectations for the next year, and the next five:

		Expand	No Change	Contract
Sales Expectations	1 yr from now			
	5 yrs from now			
Employment Expectations	1 yr from now			
	5 yrs from now			
Investment Expectations	1 yr from now			
	5 yrs from now			

In operating a small business in regional Victoria, the following issues are important, in terms of cost, time, availability and access.

- ▶ *Labour – stable labour source; available labour skills; low wages and other labour costs*
- ▶ *General business costs*
- ▶ *Energy*
- ▶ *Telephony*
- ▶ *Banking*
- ▶ *Freight costs*

Government Assistance

Are you aware of regional assistance programs established by the Victorian State Government, and the Federal Government to assist businesses operating in regional Victoria? Have you, or are you currently utilising such assistance?

Does the local government, state government, and federal government understand the local business issues/problems?

What other alternate programs and methods should local, state and federal governments use to promote business investment in the region?

You may have followed the debate about creating special economic zones, specifically to assist certain regions of Australia. A popular example of a proposed economic zone is to make special tax incentives available for certain regions enabling businesses outside the region to migrate to an economic zone. What do you think of this idea? Are there any disadvantages?

Other related programmes/proposals include various forms of tax relief, such as payroll tax cuts. What are your preferences? Would you prefer tax cuts, tax rebates, or other forms of business assistance?

Telephony & E-Commerce

Traditional telephony services have been a core means of keeping touch with customers. Do you feel that the telephone services available to rural businesses adequate? You may want to consider issues such as availability, reliability and affordability.

Will the internet/e-commerce be a growing part of your business? If yes, do you have the local services such as freight and postal services to deliver goods to other areas?

Will your business customers always remain local? If you will or are using the internet, do you expect to trade with consumers outside your immediate town or region?

Banking & Finance

Considerable attention in recent years has focussed on the level of service provided by the major banks to small business and individuals. What do you think is the future of banking in your community?

How important is a physical presence such as a branch in your community, from the point of view of employment, the bank's investment in the community, and your day to day dealings with the bank?

Are you finding that you are shifting your banking style to using ATMs and internet banking because of the banks' requirements or because you've made a decision to change your banking style?

Are banks and other financial service providers continuingly able to provide cheap, and accessible finance (loans etc) to your small business? Are you looking towards the services and offers of new non-bank fiancé providers?

In terms of your customers, and the community, consider the above questions. Do consumers and the community expect different banking services?

ECONOMIC & COMMUNITY INFRASTRUCTURE

There are many examples of economic and community infrastructure. Some examples are below. Please consider how important they may be to your business, the community and the town and regions economy, in terms of being very important, not sure, and not important.

Buildings		Equipment		Education & Training	
Jobs		Research & Development		Parks & Gardens	
Real Estate		Livestock		Airports	
Roads		Rail		Schools	
Telecommunications		Hospitals		Libraries, museums & Art Galleries	
Shopping Centres		Police stations & Fire Stations		Electricity	
Housing – Private/Government		Water, Sewerage & Drainage			

Infrastructure Planning

Do you believe that the local business community has sufficient and or appropriate input into local infrastructure planning?

Should infrastructure development be left to the private sector, private sector in co-operation with government, or just the preserve of government?

Should the focus for infrastructure spending and development be organised to meet immediate community and or business needs, or medium to long terms requirements?

What are the important business infrastructure needs in your area?

- ▶ Roads?
- ▶ Rail?
- ▶ Communications?
- ▶ Socio-economic – hospitals, schools, other government services?

Roads

How important are road conditions to your business? Is travel time an issue of importance to reach/access services?

What are your road needs as far as road design is concerned, such as freeways, major highways, and local roads?

What is the road quality like in your area? You may want to consider surfaced and unsurfaced roads, and safety issues such as potholes, lighting, and narrow medians.

GOVERNMENT & COMMUNITY SERVICES

Governance

Recent state and territory elections have brought to a sharp focus the role and accountability of state and federal politicians, particularly in respect of regional communities and regional small business.

As a businessperson, and as a member of the community do you feel that you have access to elected members of the local council, and the state and federal parliaments?

Should local government have a great input into the management of the local or regional economy? Should that responsibility remain with the state government? Should government 'do it alone', or should business be left to do its own thing?

Government Service Provision

In other studies, the following have been identified as being important to regional communities.

- ▶ Wide range of education and training
- ▶ Police
- ▶ Health and community services
- ▶ Aged care
- ▶ Government offices (eg Centrelink)
- ▶ Adequate employment and youth services
- ▶ Justice services
- ▶ Shops
- ▶ Banks (community banks)
- ▶ Sports and recreational facilities
- ▶ Telecommunications - bandwidth and mobile coverage
- ▶ Physical capital (includes sewer systems, open space, business parks, housing stock, etc)
- ▶ Culturally appropriate services tailored to a particular group.

To what degree should the provision of any or all of the services above be left to government (local, state and federal) to provide?

To what degree should they be provided by the private sector, and in turn the local community? Is the local community able to provide such services on its own?

DEMOGRAPHICS

It has been estimated that that the population in regional Australia is declining. From 1986 to 1996, the number of regional towns and centres with a population of 1000 or less fell from 14.7% to just over 10% (ABARE)

Graph 3 illustrates the population trends and growth in local government areas outside of Melbourne. The main population growth has occurred in the 'central corridor' of the state.

Graph 3: Population Growth, Regional Victoria 1991-1996

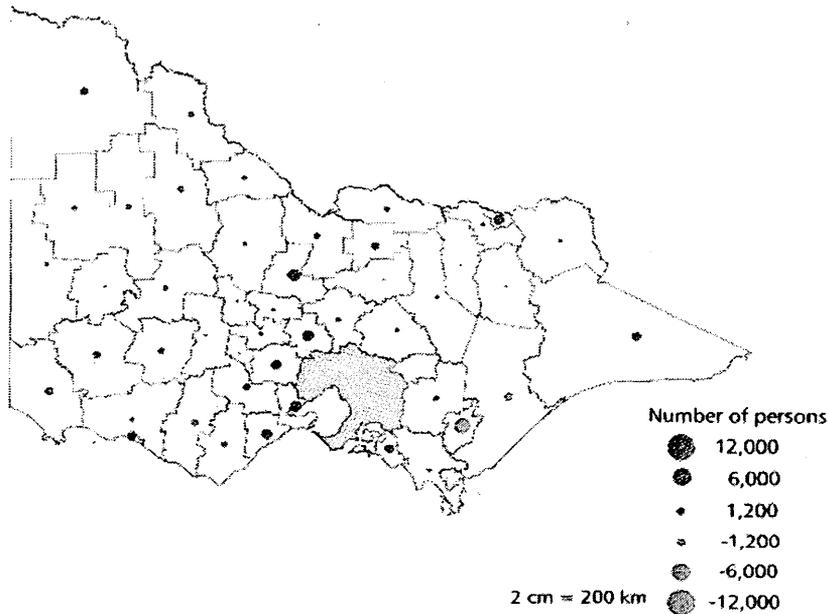


Figure 2. Population growth, regional Victoria, 1991 to 1996

Source: ABS, 1991 & 1996, Census of Population & Housing

Source: Victoria in Future, 2000, Dept of Infrastructure

What programs, or ways are there to keep young people in the town/region?

What programs, or ways have been successful?

What programs or ways have not been successful?

How important is lifestyle issues in remaining/leaving the country for young people?

What can be done to encourage families and skilled professional/tradespeople into the region?

APPENDIX

	Population	Home ownership (%)	Median Personal Income	Median Age
Alpine - East	13,627	50.1	\$381.88	32
Alpine - West	4,530	48.7	\$258.55	35
Ararat	11,098	53.6	\$248.40	38
Ballarat - Central	33,601	41.9	\$234.84	33
Ballarat - Inner North	22,391	46.0	\$254.70	33
Ballarat - North	1,050	60.2	\$245.13	36
Ballarat - South	19,467	40.7	\$241.39	30
Banyule - Heidelberg	59,871	47.3	\$317.12	36
Banyule - North	52,723	48.2	\$340.61	33
Bass Coast - Phillip Is.	5,707	54.3	\$220.59	41
Bass Coast Bal	14,440	52.9	\$218.18	40
Baw Baw - Pt A	4,129	51.2	\$253.58	34
Baw Baw - Pt B East	4,088	52.1	\$231.92	33
Baw Baw - Pt B West	24,768	45.9	\$272.34	33
Bayside - Brighton	32,603	51.2	\$425.40	39
Bayside - South	48,330	49.0	\$346.69	39
Bellarine - Inner	19,483	43.3	\$262.16	33
Boroondara - Camberwell N.	39,447	57.2	\$374.34	39
Boroondara - Camberwell S.	46,029	49.6	\$402.74	37
Boroondara - Hawthorn	30,641	34.1	\$418.57	32
Boroondara - Kew	28,473	45.8	\$413.87	36
Brimbank - Keilor	73,202	49.5	\$291.62	29
Brimbank - Sunshine	75,929	52.8	\$210.05	32
Buloke - North	3,846	63.9	\$252.53	38
Buloke - South	3,753	63.0	\$236.56	39
C. Goldfields - M'borough	7,381	54.5	\$203.86	39
C. Goldfields Bal	4,941	58.9	\$187.85	39
Campaspe - Echuca	10,014	41.3	\$267.39	36
Campaspe - Kyabram	11,750	46.9	\$262.84	34
Campaspe - Rochester	7,865	51.5	\$258.50	35
Campaspe - South	3,691	55.2	\$204.50	37
Cardinia - North	21,276	41.2	\$311.45	32
Cardinia - Pakenham	14,700	33.7	\$327.87	30
Cardinia - South	4,623	45.8	\$273.78	33
Casey - Berwick	43,624	30.1	\$401.66	29
Casey - Cranbourne	44,171	22.5	\$351.13	28
Casey - Hallam	45,703	35.2	\$307.91	31
Casey - South	10,033	41.4	\$324.53	33
Colac-Otway - Colac	9,793	49.7	\$250.10	35
Colac-Otway - North	6,745	56.8	\$262.34	34
Colac-Otway - South	3,226	50.9	\$243.18	37
Corangamite - North	9,443	55.2	\$242.94	37
Corangamite - South	7,520	50.4	\$296.36	33
Corio - Inner	52,399	42.4	\$218.91	32
Darebin - Northcote	43,956	37.4	\$281.63	34
Darebin - Preston	77,838	49.2	\$217.73	35
Delatite - Benalla	8,582	44.2	\$249.75	36

	Population	Home ownership (%)	Median Personal Income	Median Age
Delatite - North	4,749	58.1	\$251.82	38
Delatite - South	9,162	46.6	\$322.70	32
E. Gippsland - Bairnsdale	23,378	49.4	\$220.28	39
E. Gippsland - Orbost	8,281	52.1	\$205.75	37
E. Gippsland - South-West	3,447	57.1	\$244.46	33
E. Gippsland Bal	2,787	53.7	\$198.91	35
Frankston - East	29,449	24.8	\$374.96	29
Frankston - West	74,522	38.0	\$277.33	35
French Island	58	60.0	\$143.83	42
Gannawarra	11,922	53.5	\$244.89	37
Geelong	12,091	37.7	\$242.77	35
Geelong West	13,597	42.0	\$253.74	35
Glen Eira - Caulfield	70,326	40.5	\$350.80	36
Glen Eira - South	43,066	51.7	\$312.34	37
Glenelg - Heywood	6,022	56.2	\$271.00	36
Glenelg - North	3,668	62.9	\$230.56	39
Glenelg - Portland	10,217	37.9	\$259.55	32
Golden Plains - North-West	6,392	51.3	\$228.84	33
Golden Plains - South-East	6,766	49.3	\$261.33	34
Gr. Bendigo - Central	18,919	38.3	\$234.70	33
Gr. Bendigo - Eaglehawk	8,054	39.1	\$222.37	33
Gr. Bendigo - Inner East	20,375	44.2	\$250.70	33
Gr. Bendigo - Inner North	7,471	44.2	\$259.76	32
Gr. Bendigo - Inner West	12,490	41.8	\$261.26	32
Gr. Bendigo - Pt B	9,909	51.8	\$207.97	36
Gr. Bendigo - S'saye	4,120	47.9	\$301.82	33
Gr. Dandenong - Dandenong	55,817	39.0	\$247.00	33
Gr. Dandenong Bal	70,362	44.1	\$242.94	33
Gr. Shepparton - Pt A	39,694	38.8	\$271.45	32
Gr. Shepparton - Pt B East	3,832	51.7	\$260.32	33
Gr. Shepparton - Pt B West	8,376	48.0	\$255.63	34
Greater Geelong - Pt B	26,876	49.6	\$252.76	37
Greater Geelong - Pt C	2,367	52.7	\$290.03	35
Hepburn - East	7,075	51.2	\$202.11	38
Hepburn - West	6,352	52.8	\$204.87	36
Hindmarsh	6,572	65.2	\$237.27	40
Hobsons Bay - Altona	48,195	48.5	\$278.33	32
Hobsons Bay - Williamstown	25,969	43.6	\$309.22	35
Horsham - Central	12,591	44.1	\$266.14	35
Horsham Bal	4,731	59.9	\$275.35	36
Hume - Broadmeadows	64,869	40.3	\$247.23	29
Hume - Craigieburn	26,562	34.4	\$374.26	28
Hume - Sunbury	24,599	35.4	\$352.41	30
Indigo - Pt A	10,289	48.5	\$274.94	36
Indigo - Pt B	3,390	45.4	\$289.29	37
Kingston - North	84,738	47.9	\$297.32	36
Kingston - South	37,700	40.1	\$316.46	35
Knox - North	104,569	41.1	\$328.96	32
Knox - South	26,225	30.9	\$419.69	29
La Trobe - Moe	17,878	48.6	\$198.25	34
La Trobe - Morwell	22,801	43.6	\$203.93	31

	Population	Home ownership (%)	Median Personal Income	Median Age
La Trobe - Traralgon	24,199	41.4	\$277.97	31
La Trobe Bal	2,686	51.2	\$302.53	33
Lady Julia Percy Island	-	0.0	\$ -	0
Loddon - North	3,638	57.4	\$238.56	37
Loddon - South	4,948	61.7	\$183.47	41
Macedon Ranges - Kyneton	7,384	44.3	\$266.25	35
Macedon Ranges - Romsey	8,779	41.1	\$310.41	32
Macedon Ranges Bal	16,204	43.2	\$336.33	34
Manningham - East	13,286	49.9	\$402.48	34
Manningham - West	90,474	59.6	\$335.04	36
Maribyrnong	59,029	39.0	\$201.19	34
Maroondah - Croydon	51,160	37.9	\$350.48	31
Maroondah - Ringwood	40,163	44.4	\$320.76	35
Melbourne - Inner	6,373	18.2	\$677.00	39
Melbourne - Remainder	42,187	19.5	\$308.39	29
Melton - East	4,563	25.1	\$402.03	27
Melton Bal	34,606	34.1	\$303.43	28
Mildura - Pt A	40,644	41.7	\$248.47	34
Mildura - Pt B	4,774	58.0	\$285.62	36
Mitchell - North	10,991	34.0	\$292.43	31
Mitchell - South	13,942	36.2	\$289.06	30
Moira - East	7,374	50.7	\$239.40	39
Moira - West	17,339	47.0	\$250.47	36
Monash - South-West	39,618	43.6	\$255.99	33
Monash - Waverley East	57,677	57.7	\$346.63	36
Monash - Waverley West	55,257	54.8	\$318.53	38
Moonee Valley - Essendon	63,991	37.8	\$313.78	34
Moonee Valley - West	40,858	62.3	\$287.86	36
Moorabool - Bacchus Marsh	13,489	38.2	\$298.63	31
Moorabool - Ballan	5,060	42.3	\$248.94	34
Moorabool - West	3,393	52.4	\$243.41	34
Moreland - Brunswick	39,164	34.5	\$269.60	32
Moreland - Coburg	47,575	52.5	\$239.03	35
Moreland - North	43,354	55.7	\$225.99	36
Mornington P'sula - East	32,329	32.9	\$311.45	30
Mornington P'sula - South	38,516	52.4	\$214.14	42
Mornington P'sula - West	39,564	45.6	\$306.67	37
Mount Alexander - C'maine	6,690	52.9	\$229.96	39
Mount Alexander Bal	9,240	53.5	\$220.77	37
Moyne - North-East	2,755	56.6	\$257.33	38
Moyne - North-West	2,960	59.5	\$260.76	37
Moyne - South	10,152	51.9	\$259.79	35
Murrindindi - East	6,062	49.7	\$240.36	38
Murrindindi - West	6,389	41.5	\$272.98	34
N. Grampians - St Arnaud	3,790	55.5	\$204.76	38
N. Grampians - Stawell	9,211	51.1	\$258.00	36
Newtown	9,431	46.8	\$302.06	36
Nillumbik - South	26,238	42.2	\$414.89	32
Nillumbik - South-West	19,541	41.1	\$387.34	30
Nillumbik Bal	8,638	41.2	\$361.65	33
Port Phillip - St Kilda	46,709	20.1	\$383.49	34

	Population	Home ownership (%)	Median Personal Income	Median Age
Port Phillip - West	26,383	31.3	\$408.45	36
Pyrenees - North	3,402	61.6	\$188.03	39
Pyrenees - South	3,178	58.5	\$202.45	39
Queenscliffe (B)	3,193	54.0	\$263.36	42
S. Grampians - Hamilton	9,248	46.9	\$250.82	35
S. Grampians - Wannon	2,535	62.5	\$223.11	40
S. Grampians Bal	5,374	62.8	\$238.43	38
South Barwon - Inner	39,165	49.4	\$272.68	34
South Gippsland - Central	11,391	51.4	\$263.54	35
South Gippsland - East	5,639	51.4	\$233.44	37
South Gippsland - West	7,053	50.7	\$260.51	35
Stonnington - Malvern	42,109	43.5	\$423.70	35
Stonnington - Prahran	42,191	28.7	\$444.04	33
Strathbogie	8,794	54.7	\$210.26	41
Surf Coast - East	9,065	41.1	\$300.70	33
Surf Coast - West	7,649	49.5	\$249.63	36
Swan Hill - Central	9,385	40.3	\$266.62	33
Swan Hill - Robinvale	3,855	41.0	\$259.40	31
Swan Hill Bal	7,152	57.0	\$236.64	36
Towong - Pt A	2,292	51.6	\$274.50	37
Towong - Pt B	3,830	56.9	\$220.53	38
Wangaratta - Central	15,527	43.7	\$269.40	34
Wangaratta - North	3,863	57.0	\$279.32	39
Wangaratta - South	5,645	56.3	\$274.88	36
Warrnambool	26,776	40.7	\$252.30	32
Wellington - Alberton	5,722	51.7	\$233.05	37
Wellington - Avon	3,979	46.9	\$277.10	33
Wellington - Maffra	10,073	49.0	\$240.19	33
Wellington - Rosedale	6,677	52.4	\$222.49	36
Wellington - Sale	13,366	36.9	\$267.02	32
West Wimmera	4,933	63.9	\$236.40	38
Whitehorse - Box Hill	46,165	45.9	\$320.87	36
Whitehorse - Nunawading E.	42,534	51.3	\$336.72	36
Whitehorse - Nunawading W.	46,773	52.1	\$313.12	37
Whittlesea - North	9,260	39.8	\$346.50	31
Whittlesea - South	92,634	50.0	\$287.69	30
Wodonga	29,188	30.7	\$300.31	29
Wyndham - North-West	537	18.6	\$388.17	27
Wyndham - Werribee	67,737	33.5	\$345.46	29
Wyndham Bal	5,623	47.3	\$371.89	30
Yallourn Works Area	-	0.0	\$ -	0
Yarra - North	41,973	24.7	\$332.35	31
Yarra - Richmond	23,175	25.0	\$322.04	32
Yarra Ranges - Central	14,512	37.5	\$265.64	32
Yarra Ranges - North	11,094	39.1	\$279.24	33
Yarra Ranges - Pt B	762	29.1	\$227.90	31
Yarra Ranges - South-West	104,437	39.1	\$330.57	32
Yarriambiack - North	2,452	67.8	\$246.40	38
Yarriambiack - South	5,852	64.1	\$249.06	40

ABS Census of Population and Housing 1996

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