



Vision and clusters discussion paper

Capes Region Economic Development Strategy
Working Paper 2

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ACIL Tasman

Economics Policy Strategy

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Contents

1	The need for a vision and focus	1
1.1	Vision	1
	South West region	1
	Leeuwin-Naturaliste Ridge Statement of Planning Policy (NRSPP)	1
	Augusta Margaret River	1
	Busselton shire	2
	1.1.1 An economic vision for 2021	2
1.2	Relevant State development policies and principles	2
1.3	South West regions strategies	3
2	Objectives of cluster development	4
3	Infrastructure needs of regional significance	5
4	Potential cluster focus areas	5
5	About the cluster development process	7
6	Where else are clusters working?	8
Table 2	Potential cluster focus areas	6

1 The need for a vision and focus

In 1980, John Lennon is believed to have said that “there are no problems, only solutions.” This approach is essential to shaping a regional development vision and strategy, just as it is to imagining any other type of change.

Without a vision of how things could be different to how they are today, and a positive, can do mentality, and it is easy to be defeated by the weight of resistance to change.

In this working paper, we review the vision and strategies that are in place in other contexts concerning the region’s development. From there we go one step further than the regional profile in working paper 1, to identify potential focus areas to be included in a cluster development process, as part of the regional economy strategy and action plans.

1.1 Vision

In the Capes region, and in the South West people are acutely aware of the need to conserve and manage all of our resources – economic, environmental and social.

Here are some examples.

South West region

In the next three decades the South-West region will become a model for environmental and economic management offering a wide and complex array of residential lifestyles, tourist experiences and economic opportunities.

Leeuwin-Naturaliste Ridge Statement of Planning Policy (NRSP)

“Creative, vital and sustainable communities living in balance with economic development and the unique landscape and environmental values of the Leeuwin-Naturaliste Ridge policy area.”

Augusta Margaret River

The Augusta Margaret River Council’s Strategic Plan 2006 was considered at the Council’s Ordinary Meeting of March 2006. The Council’s **vision** for the future is:

To be a world-class lifestyle icon through a diversity of experience and opportunities in agriculture, tourism and viticulture enhanced by areas of clean, unspoiled protected national environs and balanced future growth.

Busselton shire

We will maintain diversity and lifestyle choices and values through the enhancement of our coastal and rural environments, facilitating cultural and sporting experiences and support economic and business choices.

1.1.1 An economic vision for 2021

Population in the region may double in the next 15 years.

What will the economy of the Cape region look like by 2021? What will the pathways to prosperity be?

1.2 Relevant State development policies and principles

Western Australian has in place a State Sustainability Strategy (WASSS). It incorporates five principles:

- environment
- community
- economic
- infrastructure
- regional

Specific policies include:

- The Environment and Natural Resources (ENR) policy gazetted in June 2003, is a broad, sector issue policy under Statement of Planning Policy No. 8: State Planning Framework Policy. It defines the principles and considerations that represent good and responsible planning in terms of environment and natural resource issues within the framework of the State Planning Strategy.
- The Basic Raw Materials (BRM) policy was gazetted in July 2000. The objectives of the BRM policy are:
 - To identify the location and extent of known basic raw material resources;
 - Protect Priority Resource Locations, Key Extraction Areas and Extraction Areas from being developed for incompatible land uses which could limit future exploitation;
 - Ensure that the use and development of land for the extraction of basic raw materials does not adversely affect the environment or amenity in the locality of the operation during or after extraction;
 - Provide a consistent planning approval process for extractive industry proposals including the early consideration of sequential land uses.
 - The policy is guided by the following fundamental principles:

- ... The State's priority agricultural land resources should be protected
- ... Rural settlement opportunities should be provided, if sustainable, and of benefit to the community; and
- ... The potential for land use conflict should be minimised.
- ... The State's natural resources should be carefully managed.
- The State Coastal Planning Policy (SCPP) policy, gazetted in June 2003, is consistent with and complementary to the Environment and Natural Resources Policy and the draft Coastal Zone Management Policy for Western Australia and is to be applied in the context of those policies.
- The objective of the Public Drinking Water (PDWS) policy is to ensure that land use and development within PDWSA's is compatible with the protection and long-term management of water resources for public water supply.
- The State Industrial Buffer (SIB) policy was gazetted in May 1997. The objectives of the policy are to:
 - Provide a consistent Statewide approach for the definition and securing of buffer areas around industry, infrastructure and some special uses.
 - To protect industry, infrastructure and special uses from the encroachment of incompatible land uses.
 - To provide for the safety and amenity of land uses surrounding industry, infrastructure and special uses.
 - To recognise the interests of existing landowners within buffer areas who may be affected by residual emissions and risks, as well as the interests, needs and economic benefits of existing industry and infrastructure which may be affected by encroaching incompatible land uses.

1.3 South West regions strategies

A number of specific strategies and actions have been identified for the South West Region. Those that are specifically relevant to the Shire of Augusta-Margaret River and Busselton together are listed below:

- **Strategy 1:** Protect natural resources from incompatible development.
 - Identify and protect prime agricultural land of State and regional significance suitable for intensive and/or irrigated uses.
 - Identify and provide access to mineral resources and basic raw materials in regional and local plans.
- **Strategy 2:** Implement Landcare programs such as Integrated Catchment Management to reduce soil and river salinity and pollution of water resources.
 - Encourage revegetation to improve land and water quality.

- **Strategy 3:** Provide a strategic transport network within and to the South West Region.
 - Investigate freight bypasses around growing urban centres.
 - Upgrade Mowen Road as an east west link between Nannup and Margaret River.
- **Strategy 4:** Plan for tourist development.
 - Ensure that strategic region plans facilitate tourism development that will have a low impact on the environment and landscape values, especially in the Leeuwin-Naturaliste and Warren-Blackwood areas.
 - Recognise tourism as a legitimate land use compatible with a range of existing land uses and incorporate into future regional planning strategies and town planning schemes.
- **Strategy 5:** Protect sensitive environmental areas and cultural heritage.
 - Identify areas that could be protected as regional open space under statutory region schemes, which might not otherwise be so protected, such as pockets of remnant vegetation.
 - Investigate alternative methods of protecting valuable natural environments.
 - Review the Conservation and Land Management estate and consolidate unprotected prime conservation and recreation areas into this estate
 - Protect culturally significant places through town planning schemes.
 - Provide integrated planning approach near coast areas through regional planning strategies and statutory region schemes.

2 Objectives of cluster development

The objectives of cluster development for achieving regional growth include:

- tangible returns on investment - wealth, jobs, exports
- innovation and commercial opportunities through strong linkages
- international marketing and alliances
- development of supporting infrastructure
- new culture of collaboration which can lower business' transaction costs
- a generation of industry leaders develop ownership of the solution to problems, and not the problem
- a new partnership with government based on interdependence rather than dependence

Cluster development is one means of achieving the region's vision of sustainable economic growth alongside the conservation of the natural resources base and generating social benefits for the community – the triple bottom line.

Other potential outcomes include:

- new market opportunities through teaming and joint marketing
- new commercial networks
- technology partnering agreements
- collaborative forum for industry issues
- new infrastructure to meet industry needs
- additional skilled staff in targeted disciplines
- demand-driven framework for government support

3 Infrastructure needs of regional significance

The workshop may identify a number of areas where infrastructure is critical, either directly or indirectly to the sustainability of economic growth. The Capes region economic development strategy is a means of attracting business and government to invest in projects of regional significance.

4 Potential cluster focus areas

Opportunities for future growth in employment may occur in industry sectors where there is already a substantial economic footprint or may arise from innovation and entrepreneurship leading to growth in new industries. Both opportunities will be explored in the workshop.

Technical analysis by ACIL Tasman provides a number of perspectives on the opportunities arising from industries which have a substantial footprint in the region, including the use of locational quotients, input-output tables and shift shares.

Using the locational quotient method, ACIL Tasman has identified 18 industry sectors where the region has a proportionately greater share of employment in that industry, than Western Australia as a whole. A value greater than 1 signifies the industry has a higher employment share than the Western Australian State.

Another way of looking at the region to identify potential opportunities is to develop an input-output table. These are very useful as the basis for developing industry clusters, as an input-output table is a “transactions” table. It maps the flow of goods and services (represented in dollar amounts) between industries, primary inputs and final demand categories. The Capes region input-output table will be presented at the workshop.

Table 1 **Potential cluster focus areas**

ABS Industry groups (Division) 2006	Strengths (Baseline)	Opportunities (location quotients)	12 potential clusters (10 from input-output)	
Agriculture, forestry and fishing	Agriculture	Beef cattle Dairy cattle Other agriculture Services to agriculture	Agriculture cluster	
		Commercial fishing		
Mining				
Manufacturing	Manufacturing	Dairy products Beer and malt Wine, spirits and tobacco	Wine industry cluster	
		Fruit and vegetable products Furniture Other machinery and equipment	Manufacturing industry cluster	
Electricity, water, gas and waste services				
Construction	Construction	Residential construction	Construction industry cluster	
		Construction trade services		
Wholesale trade	Trade			
Retail trade		Retail trade		
Accommodation and food services	<i>Included in services</i>	Accommodation and food services	Tourism industry cluster	
Transport, Postal and Warehousing	Transport		Transport industry cluster	
Information Media and Telecommunications			Information Media and Telecommunications cluster	
Financial and Insurance Services	Services together with Accommodation and food services	Non bank finance	Finance industry cluster	
Rental, Hiring and Real Estate Services		Other property services	Property industry cluster	
Professional, Scientific and Technical Services				
Administrative and Support Services				
Public Administration and Safety				
Education and Training			Education industry cluster	
Health Care and Social Assistance				
Arts and Recreation Services			Creative industries cluster	
Other Services			Personal services	Services industry cluster

The difference between the industries identified as opportunities shown in Figure 1, Figure 2 and the input-output table is the level at which the industry is described. The correspondence between these three is shown in Table 1.

The value of local production used and sold locally is another indicator of which industries may be suitable to develop as clusters. When this is taken into account, there are 10 industry sectors that could, because of their economic footprint in the region today, be suitable for developing as clusters. We propose to explore these 10 potential clusters in detail at the workshop. Other opportunities include education and the creative industries where their potential as clusters is based on their future potential and critical mass, and these and other potential clusters will be discussed in the workshop.

Clusters are more than the sum of their parts. To be effective in promoting economic growth, there must be competitive advantage, strong alignment between suppliers and their customers and a spirit of competition between rival companies. Further, identifying infrastructure needs and having those met in a timely and efficient manner is critical to the successful development of a cluster, and increased regional economic growth opportunities.

5 About the cluster development process

The workshop is designed to contribute to the building of a Capes Regional Economic Development Strategy, to be developed collaboratively between the shire councils of Augusta Margaret River and Busselton.

The purpose of the strategy is to create flexibility in planning approaches to the future development of the region, in a number of areas common to both local areas. For example, land issues, tourism, retail and farming issues are common to both shire councils.

Augusta Margaret River is in the process of updating its local planning strategy, which is currently under consideration by the Department for Planning and Infrastructure. As part of this strategy the shire has identified the need for a tourism strategy, an economic strategy and a townsite plan.

ACIL Tasman has been appointed to work with the shire councils in the development and initial implementation of a regional economic strategy. In particular the Capes region economic strategy (the Strategy) will identify niche economic opportunities and previously unidentified needs. Further in building coalitions amongst clusters of regional businesses, and in proposing rating and planning incentives and policies, opportunities for diversifying the region's economy will be brought to fruition.

The strategy will be developed utilising the cluster development process.

Cluster identification and selection is based on a formal process utilising economic criteria such as concentration and recognising the breadth and depth of the components of the clusters. It also assesses the extent of, or potential for, horizontal and vertical relationships across the cluster.

Further, a cluster development process is a structured process involving analysis and engagement of industry leaders to identify, plan and deliver strategic projects. The projects offer new opportunities for leadership and foster new collaborative relationships across the cluster for innovation and commercial success.

New partnerships may develop between business, government and community to address infrastructure needs identified by the industry. Business attraction may be targeted to fill gaps identified through the mapping process.

‘Networking’ is a well-known concept that fosters understanding, idea sharing and relationship building between business leaders.

Soft networks

A ‘soft network’ is a broad grouping of participants with a common interest, which meets regularly to share ideas and opportunities or to address common issues. Industry associations often foster such networks. The defence cluster in SA emerged from a soft network, which was seeking a methodology for action.

Hard networks

A ‘hard network’ is a group of 3 or more companies who agree to work cooperatively, often through a contract, joint agreement or other formal relationship to enhance mutual competitiveness. It may focus on joint marketing, sales, joint product development, purchasing, training, quality improvement, and financing or other joint initiatives.

6 Where else are clusters working?

A “cluster map” is used to understand and communicate the components of the cluster. It identifies the capabilities of the companies selling directly into major markets. It shows the components of the support industries on which the front-line suppliers rely, and importantly the supporting infrastructure.

Industry clusters have been developing internationally over the past century. High profile examples include Silicon Valley, Hollywood and Northern Italy. Industry cluster development has been the focus for the rejuvenation of

United States communities such as Austin (Texas), Phoenix (Arizona) and Jacksonville (Florida).

Examples in Australia include:

- the Hunter valley region in NSW
- the defence cluster in metropolitan Adelaide
- the aquaculture cluster in Port Lincoln
- the food processing cluster, Shepparton www.regional.org.au
- a wine innovation cluster in South Australia (WIC) www.southaustralia.biz
- in the Cairns region, 12 clusters www.credc.com.au
- in the Mackay Whitsunday region, 4 clusters e.g. edmac (education) www.edmac.org.au
- a software industry cluster, Victoria.NET www.victoriadotnet.com.au
- a cluster, Private Forestry North Queensland (PFNQ) www.pfnq.com.au
- ICT based clusters in the property sector for example www.realestateview.com.au.