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'Investing in Melbourne's west'

(Check against delivery)

Good afternoon.

[Introduction and background of growing up in Melbourne]

The Eastern suburbs have shifted from outer-suburban and semi-rural to higher density. There are knock-on effects in infrastructure, housing development and a fundamental change in the character of local businesses and services.

Having observed this rapid pace of change in my own lifetime, my reflection is that my own experience is a microcosm of a broader trend as our state continues to evolve.

Like all of you, I'm passionate about our city and state and I want to see Victoria continue to grow and prosper.

About a year ago, I was concerned that we may have been talking ourselves out of doing just that.

I say this because some of the media commentary I was reading about Victoria's economic performance seemed far too negative. I certainly wasn't seeing it in my business. I'm someone who loves numbers ... so I took a closer look at the data.

It revealed to me that Victoria, relative to the rest of Australia and the world, wasn't doing too badly at all. Yet we were at risk of talking ourselves down. I felt that action was needed.

It turned out that other business leaders around Melbourne and Victoria shared my view – and also shared a sense of urgency to come together as a community and create a long-term vision for the future of our state. A vision founded on a sense of optimism and civic pride. One that would maximise the inherent advantages of our state and that would recognise and celebrate the very things that make Melbourne 'The world's most liveable city'.

So a group of us got together to see how we could help change up the negative dialogue.

We wanted to get the facts on the table – and the result of our discussion was a liftout in the Herald Sun called ‘Agenda Victoria’.

We analysed key sectors of the Victorian economy based on employment and GDP contribution. We considered the outlook for each sector; its strengths and comparative advantages; competitiveness, productivity; contestability; primary opportunities and what needed to change.

Importantly, we took an integrated approach to the analysis and considered how to leverage the strengths and opportunities that exist across multiple sectors of the economy. What we saw was an opportunity to position ourselves for competitiveness.

Some interesting analysis emerged. Chiefly, that Victoria punches above its weight compared to other states - but also that we’re world class in a number of areas. I’m talking about:

- Our education system, particularly higher education
- Our ‘clusters’ in medical research and financial services
- Our reputation for delivering world-class major events, like the Melbourne Food and Wine Festival, and the Australian Open
- Our competitive advantages in agriculture and water infrastructure
- Even our national and global accessibility provides unique advantages as we progress through the Asian Century

The group involved in the original ‘Agenda Victoria’ recently got together for a pulse check on how the state’s doing. There’s no doubt that it’s been a difficult year as Victoria transitions away from its traditional manufacturing base. But we all agreed: our state’s future has plenty of upside and we’re well-positioned for growth into 2015 and beyond.

Opportunities beyond Melbourne – The West

A couple of key themes flowed through our original discussion and our recent checkpoint. It was very clear to us that as a community, we need to expand our thinking beyond Melbourne and the CBD if we are to unlock Victoria’s full potential. One of the keys to this will be infrastructure development, and making the most of dispersed employment clusters and industrial precincts.

The Western region is – as each of you well know – an important geographic area that will power our state into the next decade

It is likely to play a significant role in helping drive and shape Victoria’s economic growth, sustainability and success now and into the future. Let me elaborate on that.

The data tells a compelling story of opportunity, describing a region of transition and rapid growth.

At the Bank of Melbourne, we see the enormous opportunity in this region, and we'll continue to invest in growth areas. That means direct employment in our branches – and it also means supporting our clients who have interests in the region. I'll touch on this a bit later on and you'll also hear first-hand observations from Nexia's Phillip Grant.

Melbourne's outer suburbs are among the fastest-growing municipalities in Australia. Melbourne's Western catchment, and the City of Wyndham as a subset of the region, make particularly compelling case studies for the broader challenge we face.

And the challenge is this: how do we create a long-term vision for a prosperous and competitive state that responds to patterns of economic, social, and environmental change?

Challenges and opportunities for The West

The West currently has a population of about 750,000. It's heading towards a population the size of Adelaide and a workforce over one third of a million.

Indeed by 2025, Western Melbourne will have a bigger population than Western Sydney, and will require its own CBD.

The challenges facing the West will undoubtedly impact the rest of Victoria. That is, how do we create the infrastructure to house, employ, feed, service and transport a growing population? These considerations will become increasingly important as job-rich areas evolve in non-CBD employment hubs. Workers in these hubs already outnumber inner-city workers by about 8 to 1.

In fact, people commuting to Maribyrnong for work make for an interesting case study. 8.5% of them do it by public transport. But the other 68% get there by car. That tells me that the implications of the growth in suburban employment centres are far-reaching: roads, public transport infrastructure, services, and perhaps most importantly, a strategic approach to planning the future 'face' of an economically and socially prosperous city as Australia transitions to its place in a knowledge-based global economy.

What we're seeing is a shift from development in the east to the growth corridors in the north and west. This is already reflected in projects such as the East West link, which will ease the pressure on the Westgate. And of course the expansion of Avalon Airport, which is projected to take 10 million passengers by 2025. The recent deal between Hainan Airlines and Avalon is a sign of things to come: a streamlined process to get fresh Australian produce to Asian markets.

By 2031, the population of the west – projected to hit 1.2 million – implies the need for:

- some 420,000 dwellings
- 700,000 jobs
- 500,000m² of retail floor space
- 40 shopping centres
- 150 primary schools and 56 secondary schools
- 140 childcare centres
- Office space of around 600,000 m²

All those numbers come together to tell me that the West provides a substantial investment opportunity. An opportunity that's already presented itself. For example, comparing current aggregate sales with retail expenditure in the region suggests a \$2 billion runoff that the right retail and leisure infrastructure could capture.

The West is adding small businesses at a rate greater than the Melbourne metro area. The opportunity is ringing true for the other end of the spectrum in terms of size: organisations like Linfox and Qenos are headquartered in the west, attracted by the potential for developing greenfield and brownfield sites for space-intensive industries.

But more than a statistical study, I'm hearing the same sentiment from our clients – who are excited about the prospects for the region.

I'd like to talk about Wyndham in more detail, which in many respects is a microcosm of the Western region, and indeed Victoria more broadly.

Wyndham

The government's Economic Development Strategy 2012-2016 for Wyndham City – Australia's fifth fastest-growing region – also makes for compelling reading.

Wyndham's physical location as a high-capacity transport hub to link regional Victoria and export gateways makes it an important conduit for agricultural exports (keeping in mind that Victoria contributes 28% to the national total).

Wyndham is the fastest growing local government area in Victoria, and the population growth forecasts for the area also paint a picture of opportunity.

Consider the implications of Wyndham's population growth trajectory:

- In 2000, the population was roughly 80,000
- The population has more than doubled since then to around 184,000 today
- By 2021 – there will be 267,000 residents (with the highest proportion residing in Point Cook, Werribee, and Hoppers Crossing)
- And just 10 years later, in 2031, that number will grow to 335,000

From a demographic perspective:

- 1 in every 23 Victorian babies is born in Wyndham.
- Young people aged under 15 make up almost a quarter of Wyndham's population. Compare that with the ratio for Greater Melbourne and indeed Victoria, which are both around 18.5%. That trend is expected to continue through to 2021.
- 52% of households in the region involve a couple with dependents, which is relatively high when compared with 46% across Victoria.
- New housing opportunities across the City of Wyndham – particularly in growth areas such as Point Cook, Tarneit and Truganina – are expected to attract predominantly young couples, as well as young and maturing families. They're all drawn by a diversity of affordable housing and innovative urban planning with features like '20 minute neighbourhoods'. These are designed as pedestrian-friendly, active clusters to encourage connections between the local community and easy access to services and shared spaces.
- Housing demand in the region continues to be around 1,000 homes a year – and that's set to increase as the region expands its skilled workers by about 47% over the next 20 years, compared with 34% for Melbourne as a whole.
- The area's population of white collar workers with above-average income has implications for the value of homes being built and the provision of premium goods and services.

Wyndham's growth is also having a substantial impact on the economic growth for Victoria as a whole:

- Gross Regional Product (GRP) for Wyndham City in 2011-12 was \$10.4 billion, an increase of 5.7% from the previous financial year
- Repeating the pattern of recent years, Wyndham's economic growth was significantly higher than Victoria's growth in Gross State Product (2.5%) and Australia's Gross Domestic Product (3.4%)
- Wyndham's economic growth in 2011-12 was considerably higher than the growth of 4.1% recorded in the previous financial year

The opportunity at 2020 and beyond

In the short term, the growth story is shaping up as a significant one: between 2011 and 2012, Wyndham's estimated population increased by about 12,084 residents.

In the longer term:

- After around 2025, the land supply in the East and South East will be exhausted
- Eastern development will slow, and Western development will ramp up

- East Werribee employment precinct will come online, generating 58,000 jobs and more than 7,000 homes – and an associated opportunity for retail, health, education, and entertainment
- By 2025, 75% of greenfield development will be in the north west

Our clients based here or doing business here are pursuing the opportunities that this growth story presents. Their businesses cut across a range of industries - from transport and logistics, engineering, building supplies, property development, to financial planning and retail.

Not only are our clients building the roads and houses and schools that a growing population needs, they are major employers in the region. And Bank of Melbourne is investing here to support them.

Bank of Melbourne's investment in the West

We're investing in the region to provide a different kind of banking experience for customers. One that sets a new standard of excellence as the only full-service bank built by Victorians, for Victorians. We're living our commitment to support Victoria as it shifts and changes by building a footprint that's meaningful to the way our state's evolving.

What our footprint tells you is that we're continuing to invest, directly and indirectly. The West is our fastest-growing development area. We're providing more than 1,000 jobs to Victorians - and because we're truly local, we recognise that there's a big opportunity in the West so we're helping our clients build their businesses here.

We're here to help you take advantage of the opportunity as well.

The Western region is an important part of our strategy. At the same time as building a physical presence with our branch footprint, our people are getting involved in the local communities where they live and work – that's because the success of our bank is inextricably linked with the very prosperity of this state. And of course, being an important part of our local communities makes good business sense – we know that by enabling the next steps of our customers, their businesses, and the broader community, the future of our whole state is brighter. And supporting the local community comes in many forms for us – whether it's banking the MCG, supporting the National Gallery of Victoria to bring its most successful exhibition ever – Melbourne Now – to the public, or supporting initiatives like Melbourne City Mission's annual sleep-out fundraiser at the MCG.

We're all about the things that matter to all of Victoria.

To conclude this afternoon, I'd like to bring you back to the beginning. One of the things we set out to achieve when we re-launched the Bank of Melbourne was to create a truly

local bank – something that was a product of, by and for this state. We sought to create a different kind of bank, one that we knew Victorians deserved, a bank that was involved in shaping the future of the state.

And I'm very proud to say that today, almost 3 years on, we have created just that. A bank that understand the ebbs and flows, the growth opportunities that sit hand-in-hand with proud parochialism, the challenges and the excitement that comes with being 'The world's most liveable city'.

I often hear the inspiring stories of our people helping customers take an important next step, whether that's: funding to open a new distribution centre, insurance to protect a financial future, or transactional solutions to capture a new generation of customers. And it tells me that we've got the formula right. We're a bank that's at the very heart of this state and the way Victorians do business.

What I'm seeing right now is that Wyndham presents a very good place to do just that.

I hope you'll join me in taking advantage of the enormous opportunity that the Western area of Melbourne presents. We look forward to supporting your business as it develops its presence in the region.

Please enjoy the rest of the luncheon, and I'll hand over to Phillip Grant of Nexia.

Thank you.