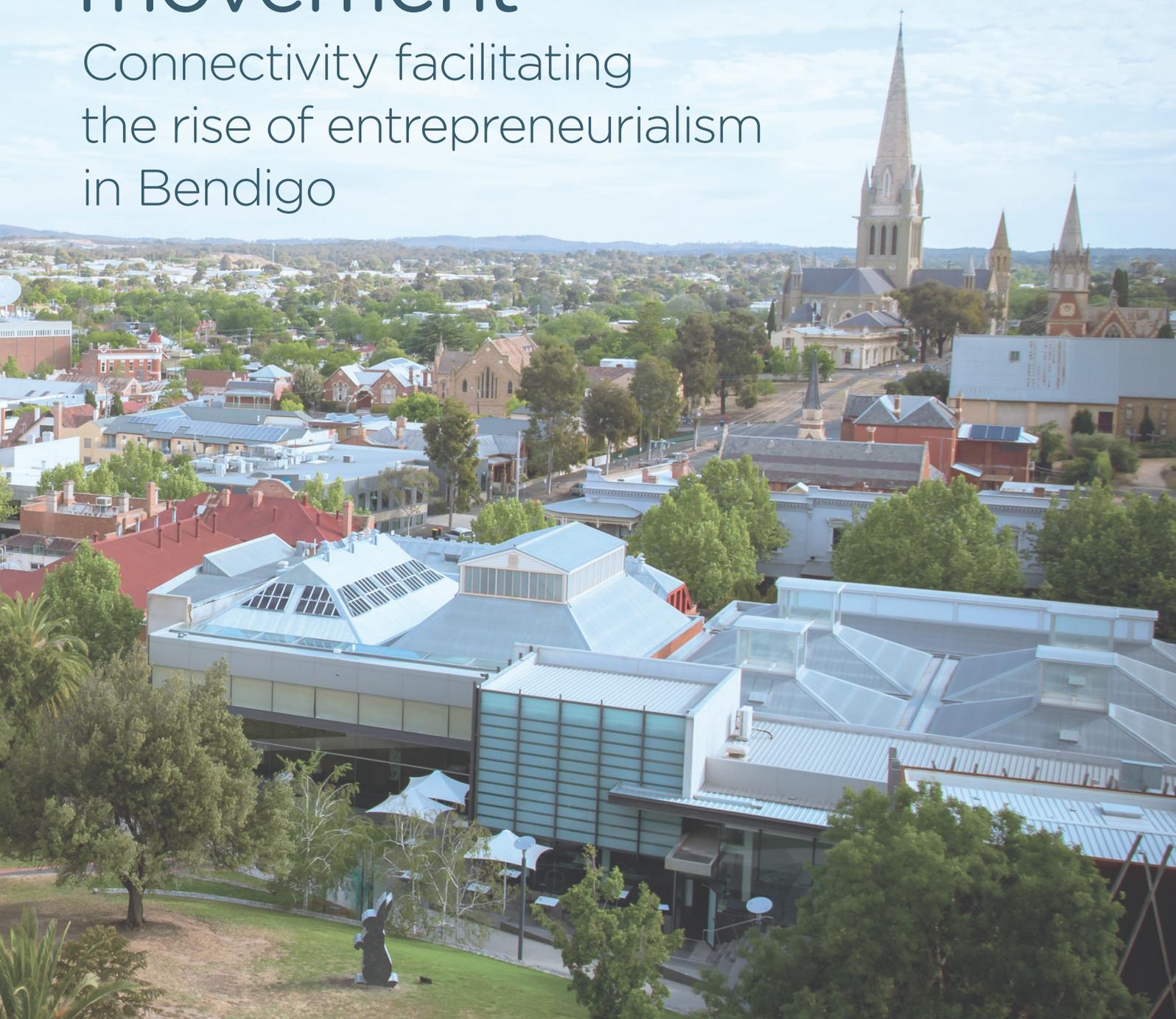




The Bendigo lifestylepreneur movement

Connectivity facilitating
the rise of entrepreneurialism
in Bendigo





KPMG Special Advisor and recently retired Partner Bernard Salt founded The Demographics Group, a specialist advisory group that looks at social, cultural and demographic trends over time.

Bernard has worked as an advisor to business and government for more than 25 years drawing on census and other datasets.

He is a twice weekly columnist with The Australian newspaper and he is one of the most in-demand speakers on the Australian corporate speaking circuit.

Bernard holds a Master of Arts degree from Monash University and since 2011 has been an adjunct professor at Curtin University Business School.

Bernard also holds a number of board positions in education and the arts.

.....

The Lifestylepreneur report was commissioned by **nbn** and developed by demographer Bernard Salt on behalf of KPMG. The study examined business growth in regional Australia. Source of all statistics and trends is Australian Bureau of Statistics (ABS).

Contents

The rise and fall of Bendigo jobs	4
The lifestylepreneur movement	6
The entrepreneurial spirit	8
The Bendigo lifestylepreneur market	9
The importance of business hubs	12
Businesses on the move	12
Bendigo job growth	13
Outlook for Bendigo	14
Conclusion	15

The rise and fall of Bendigo jobs

The last twelve months have been tough for Bendigo. The region lost a large number of jobs. About 8,000 jobs vanished over the year to July 2017 as the number of people employed sank from 75,000 to 67,000 culminating in an unemployment rate of more than eight per cent. By global standards eight per cent isn't troubling but in a booming economy like Australia this number is significant and especially for a proud and prosperous regional city like Bendigo.

Bendigo has been through similar difficulties several years ago when only 62,000 jobs existed in the region. However by October 2016 the employment market in Bendigo had recovered to the extent that the region then provided close to 79,000 jobs. While some of the subsequent job loss has been due to jobs not being filled as workers retire the main reason seems to be the structural adjustment of the region's economy to powerful forces like automation and globalisation.

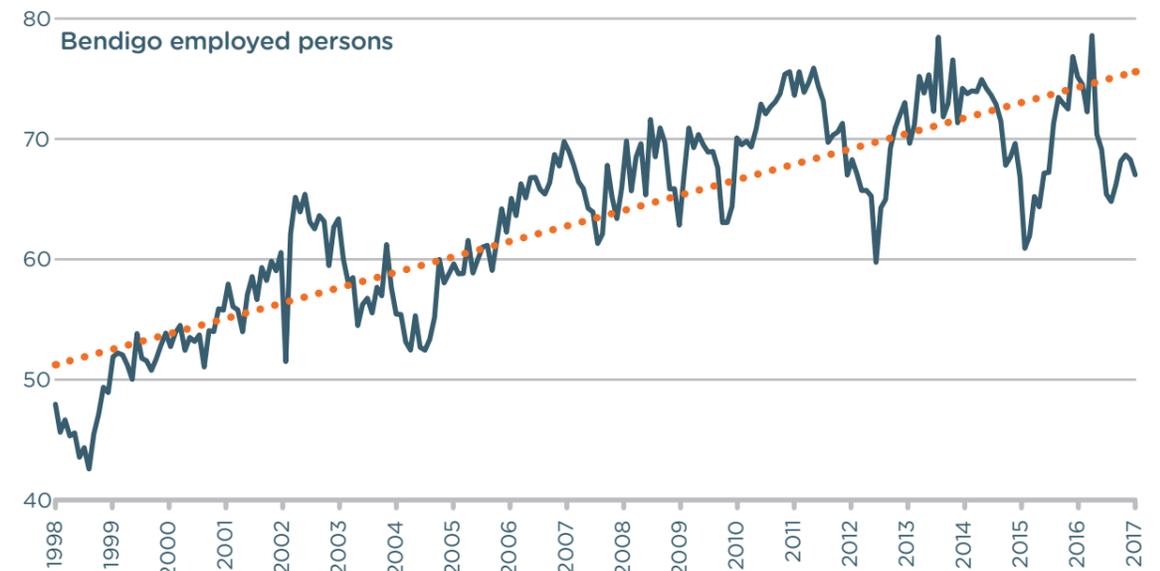
This report describes the structural challenges that have led to the recent job crisis in the Bendigo region and suggests a way forward from this most recent dip in the level of employment. Structural changes in the economy away from manufacturing and agriculture led to an uptick in the unemployment rate over the eight months to July 2017. Most job losses have been in those parts of the economy that are also shedding labour at the national level namely agriculture and manufacturing. This is not so much a Bendigo issue as it is a national issue. The challenge is to attract or generate compensatory job growth in the services sectors for the economy.

Jobs and unemployment data for Bendigo July 2014 - July 2017

	July 2014	July 2016	July 2017
Jobs	74,200	75,200	67,000
Unemployment #	5,000	3,800	6,000
Unemployment %	6.3%	4.8%	8.2%

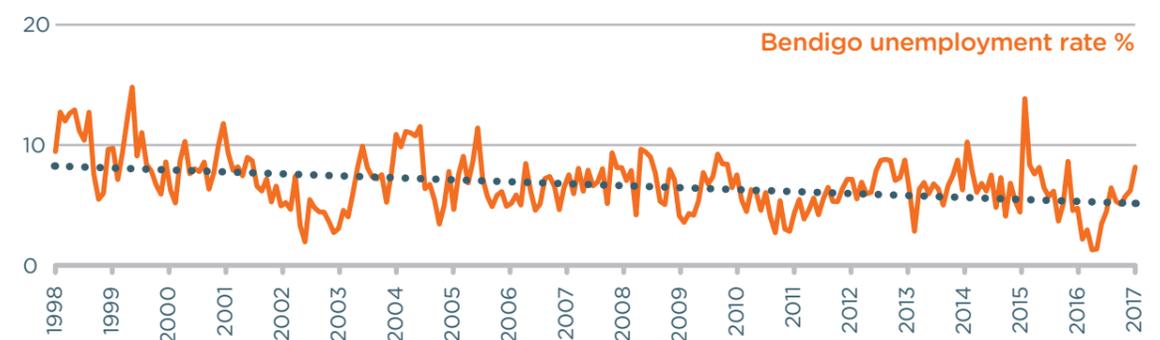
Source: ABS 6219

Employed persons across Bendigo region 1998 to 2017



Source: ABS 6219

Unemployment rate across Bendigo region 1998 to 2017



Source: ABS 6219

The lifestylepreneur movement

Bendigo is a city and region with a history and a gravitas that reaches back to the gold rush and beyond. It is a city that is often compared with Ballarat largely because it shares a similar demography and history.

As a former gold town, Bendigo has a history of living through fundamental changes in its employment structure. Most recently Bendigo has begun its transition away from a strong and vibrant manufacturing sector concentrated around primary industries and towards the services sector. Such a transition never occurs without pain as workers leave one sector and struggle to find employment in another sector.

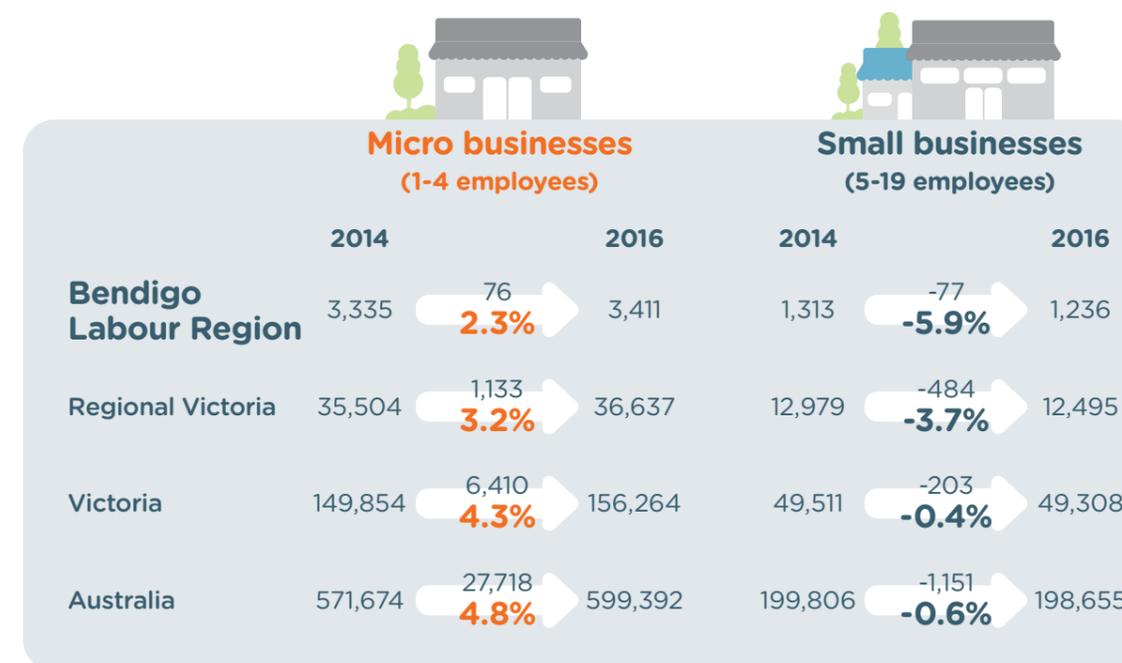
At the same time that the Bendigo economy is transitioning from a manufacturing to a services base the region is emerging as a popular destination for the “lifestylepreneur” movement. Lifestylepreneurs are entrepreneurs who move to a region for lifestyle reasons—the so-called treechangers—but who do so for the purpose of bringing with them or establishing their own business. Moving to Bendigo is an attractive option for lifestylepreneurs and especially so for those with young families. The median house price in Bendigo was only \$339,000 in 2016 which is about two-thirds of the median Australian house price.

In June 2016 the greater Bendigo region was home to 155,000 people – an increase of 6,500 people (or four per cent) over the previous two years. Based on this modest but stable rate of growth it is reasonable to expect there to have been similar growth in employment figures. But as Bendigo is a region in economic transition this is not the case. The number of employed workers fell by 6.6 per cent over the same two years. The majority of Bendigo’s recent population growth (3,500 of the 6,500 additional residents) lay outside the working age population (15-64 years of age).

Based on time series data released by the Australian Bureau of Statistics (ABS), small and medium enterprises (SMEs) are all the go these days, and increasingly it would appear in a series of lifestyle locations across Australia. Indeed there were more micro businesses employing between 1-4 workers at June 2016 than there were two years earlier. Indeed the number of micro businesses jumped 4.8 per cent over this period across Australia, by 4.3 per cent across Victoria, by 3.2 per cent across regional Victoria and by 2.3 per cent in the Bendigo region.

In the larger category of small businesses employing 5-19 workers the two years to June 2016 were difficult everywhere. At the national level the number of such businesses dropped by 0.6 per cent, at the Victorian level by 0.4 per cent, at the regional Victorian level by 3.7 per cent and in the Bendigo region by 5.9 per cent. There has been a contraction in the number of small businesses in the Bendigo region but an increase in the number of micro businesses. In some respects it could be argued that not only is the economic base restructuring it is also downsizing or right-sizing. In either case this is a region and an era of structural readjustment in Australia.

Overview of micro and small businesses



Source: ABS 8165

The business landscape in the Bendigo region is flattening out with fewer small businesses and more micro-businesses. Perhaps this is in response to the slowdown in the economy following the mining boom. Perhaps it’s an outcome of economic disruption where displaced workers are increasingly working on their own account. Or perhaps it’s baby boomers forsaking the corporate life and setting up shop as a consultant or a contractor in a lifestyle location.

Whatever the driving force the micro end of the small business pyramid is surging. Some of that surge is being captured by Bendigo. But there is an enabling factor that facilitates the rise of this so-called lifestylepreneur movement is the nbn™ broadband access network. Small businesses of all description must manage accounts, send and receive invoices, manage banking, perhaps send and receive files/plans/quotes. All of these business activities must be often completed on the go and/or on the phone. Without access to fast broadband connectivity many of Australia’s lifestylepreneur businesses would simply cease to exist.

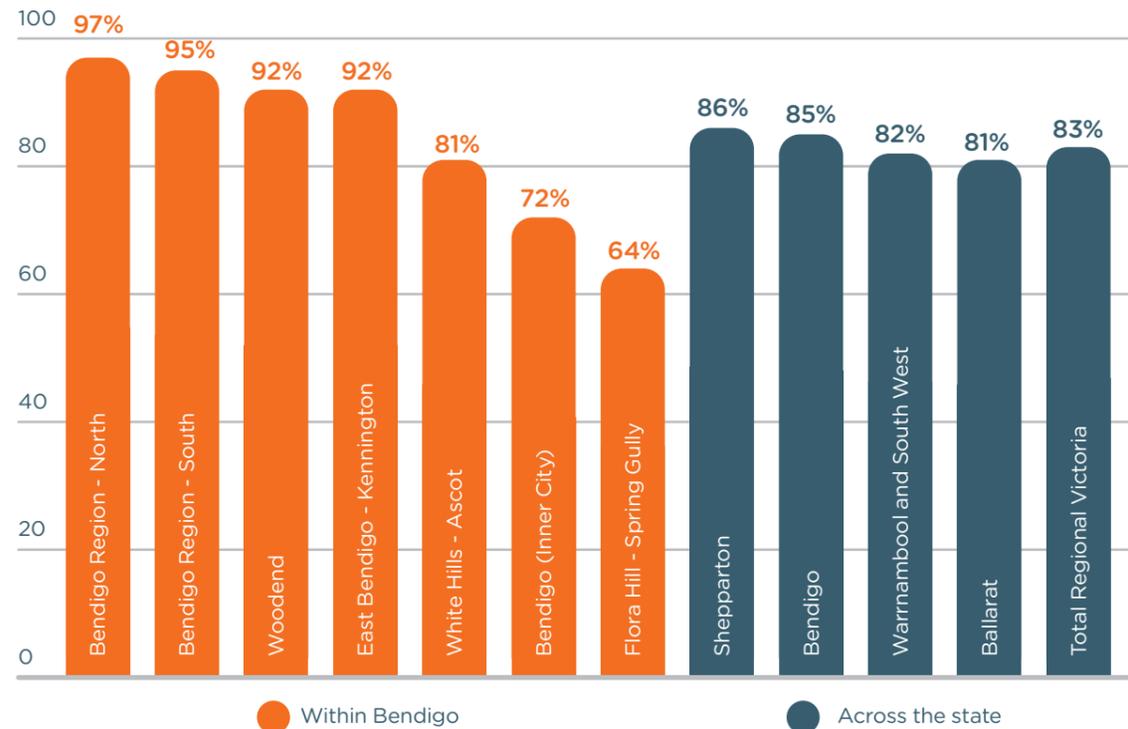
The entrepreneurial spirit

There are some parts of Australia that are more entrepreneurial than others. Generally it is the regions that are more entrepreneurial than the city because every farmer is in fact a small business owner. Census results show that 85 per cent of the Australian workforce work in the private sector and that 15 per cent work in the public sector. Both workforces are of course required to deliver Australian prosperity.

For the Bendigo region the figures show a slightly higher than average proportion of the workforce working in the public sector. Bendigo is in fact a regional hub for many state government departments. Indeed 18 per cent of the workforce in Bendigo is engaged by the public sector. This proportion is the same as in Geelong and is only marginally lower than in Ballarat (19 per cent).

But across the Bendigo region it's a different story. Private sector employment reaches beyond 90 per cent of the workforce in places like Bendigo Region South and in Bendigo Region North (farming communities) as well as in Woodend and in East Bendigo. In other words, there are large parts of the Bendigo region where private-sector employment (and presumably private-sector thinking) prevails.

Share of employment in the private sector for selected areas



The Bendigo lifestylepreneur market

The greater region including outlying villages and farming lands lifts the "Bendigo population" to 155,000 including large townships like Castlemaine with 11,000 residents, Kyneton with 10,000 residents and Woodend with 7,000 residents. This is a large market by Australian standards which is similar in scale to a single city the size of Cairns.

Bendigo continuously one of the largest regional cities

Largest cities in Australia by population (in 000's)						
	1954		2016		2031	
1	Sydney	1,863	Sydney	5,005	Sydney	6,048
2	Melbourne	1,524	Melbourne	4,642	Melbourne	5,793
3	Brisbane	502	Brisbane	2,350	Brisbane	3,032
4	Adelaide	484	Perth	2,067	Perth	2,951
5	Perth	349	Adelaide	1,326	Adelaide	1,516
6	Newcastle	178	Gold Coast - Tweed	638	Gold Coast - Tweed	851
7	Hobart	95	Newcastle - Maitland	439	Newcastle - Maitland	690
8	Wollongong	91	Canberra - Queanbeyan	429	Canberra - Queanbeyan	540
9	Geelong	72	Sunshine Coast	308	Sunshine Coast	382
10	Launceston	49	Wollongong	296	Wollongong	332
11	Ballarat	48	Greater Hobart	223	Greater Hobart	241
12	Toowoomba	43	Geelong	191	Townsville	240
13	Rockhampton	41	Townsville	182	Geelong	233
14	Townsville	40	Greater Bendigo	155	Greater Bendigo	195
15	Ipswich	39	Cairns	150	Cairns	179
16	Bendigo	37	Greater Darwin	144	Greater Darwin	170
17	Broken Hill	31	Toowoomba	115	Toowoomba	146
18	Canberra	28	Ballarat	102	Ballarat	131
19	Blue Mountains	23	Albury - Wodonga	90	Mackay	123
20	Kalgoorlie	23	Launceston	87	Albury - Wodonga	116

Source: various ABS data sources; at 2016 data refers to Greater Capital City Statistical Areas and Significant Urban Areas. At 2016 and 2031 Greater Bendigo refers to the SA4 definition of the region.

Business stock in Australia

Business Size	2016	2014	Abs Growth	%Change
Sole Trader	1,318,568	1,273,873	44,695	4%
1-4 Employees	599,392	571,674	27,718	5%
5-19 Employees	198,655	199,806	-1,151	-1%
20-199 Employees	50,808	51,406	-598	-1%
200+ Employees	3,774	3,615	159	4%

Source: ABS 8165

Business stock in the Bendigo Labour Region

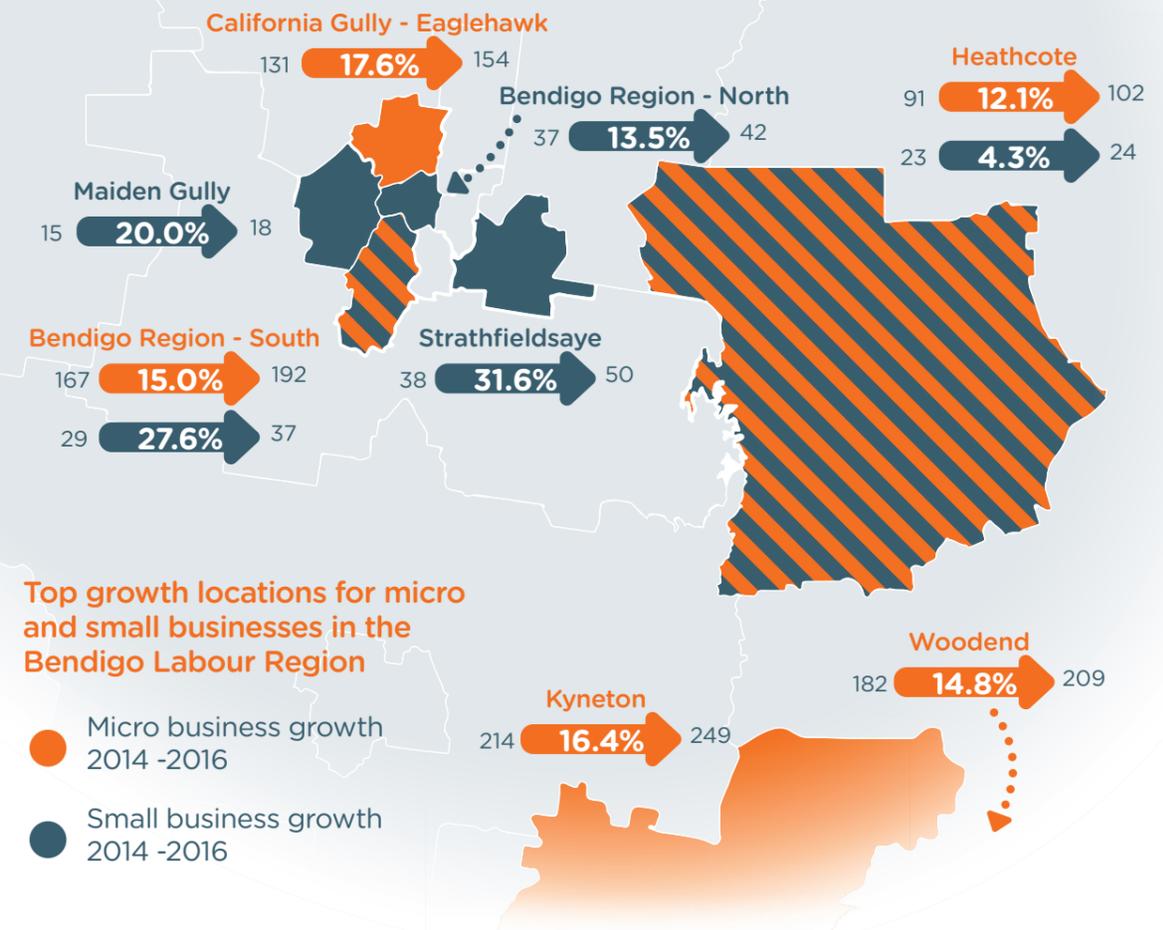
Business Size	2016	2014	Abs Growth	%Change
Sole Trader	7,145	7,052	93	1%
1-4 Employees	3,411	3,335	76	2%
5-19 Employees	1,236	1,313	-77	-6%
20-199 Employees	270	258	12	5%
200+ Employees	9	3	6	200%

Source: ABS 8165

Bendigo would support a vast array of small and medium scaled businesses in retail, food, accommodation, construction as well as in agriculture. And indeed this is precisely the case. Published ABS data shows that the greater Bendigo region (pop 155,000) contained 7,145 sole traders in 2016 up 93 over the 2014 figure, as well as 3,411 micro businesses up 76 over the previous two years. Micro businesses as well as sole traders are on the move in the Bendigo region. Although it must be said that this trend is also evident in other parts of Australia. More and more Australians appear to want the freedom of being their own boss.

But whereas the overall rate of growth in micro businesses in the Bendigo region was 2.3 per cent in some areas the growth rate was many times this average.

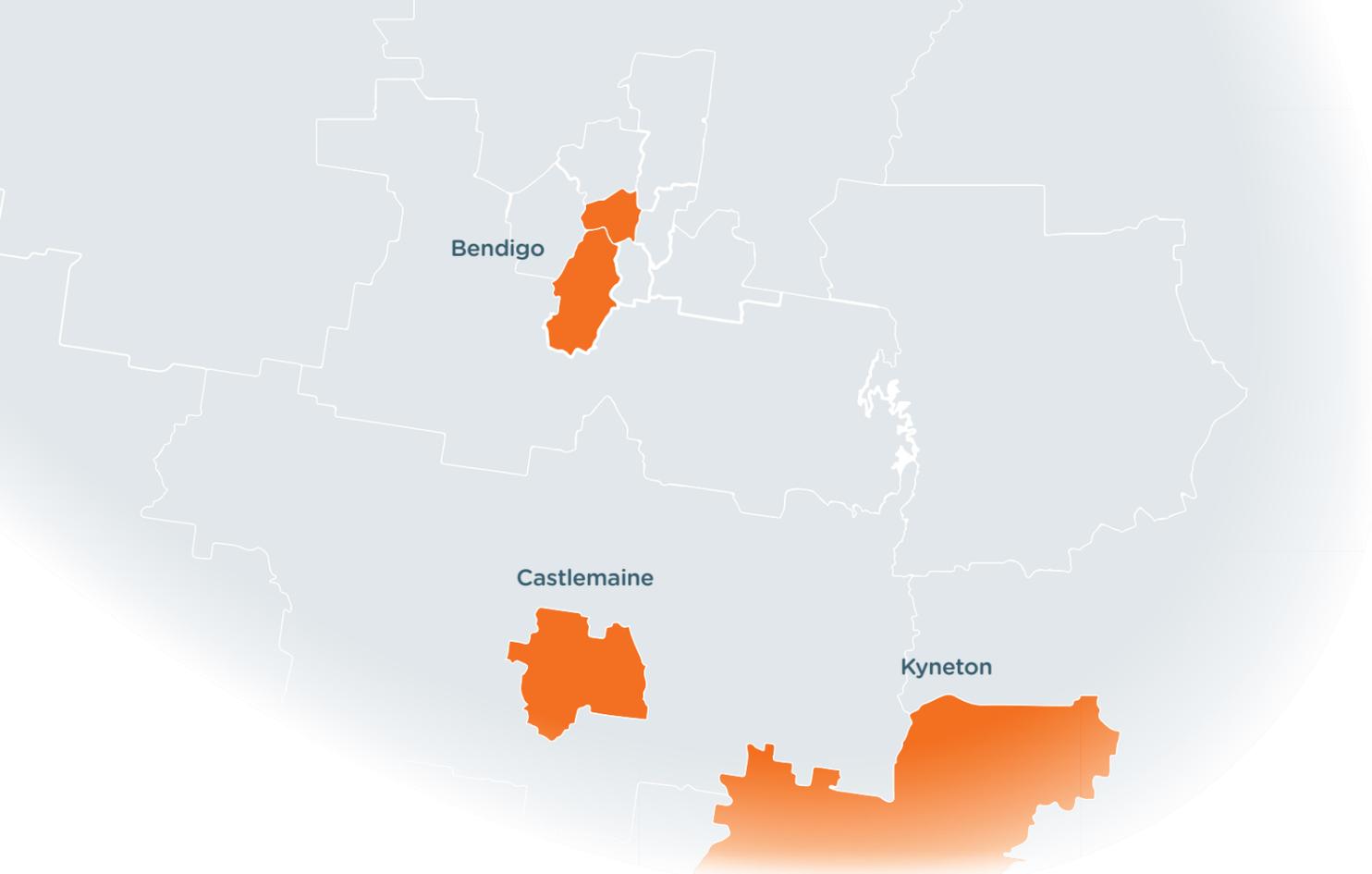
This growth rate of 2.3 per cent is below national average (of 4.3 per cent) but in a region with significant job losses any growth in this sector indicates entrepreneurial resilience and business agility. The micro businesses sector in the Bendigo region not only held up during these difficult year it managed to produce modest growth. At a time of wider labour shedding the number of micro businesses expanded.



In California Gully & Eaglehawk for example the number of businesses employing 1-4 workers jumped 17.6 per cent from 131 in 2014 to 154 in 2016. The national growth rate for this type of business at this time was barely five per cent. In Kyneton the increase was 16.4 per cent while in Bendigo Region South and in Woodend the increase was a universal 15 per cent. Something is driving micro business growth in parts of the Bendigo region at a rate that is three times the national average.

At the bigger end of the small business spectrum (employing 5-19 workers) the Bendigo figures for the 2014 to 2016 period follow the national trend. The number of businesses in this category dropped 5.9 per cent in this region at this time. However in Strathfieldsaye on the edge of Bendigo the number of small businesses jumped from 38 in 2014 to 50 in 2016. There was also growth in this category of small business in Bendigo Region South (up from 29 to 37) and in Maiden Gully (up from 15 to 18).

In the case of the Bendigo Region South there has been above-trend growth in business formation in micro businesses as well as in small businesses. It's all happening on the south side of Bendigo!



The importance of business hubs

There are three centres in and around Bendigo that attract small business and micro business activity. This is not so much an insight into growth in business activity as it is into the aggregation of businesses. Small business hubs cluster in central Bendigo as well as in Kyneton and Castlemaine. In the 1-4 worker category Bendigo leads with 550 such businesses in 2016 and which is roughly double the number that operate within Kyneton.

In the bigger category of businesses employing 5-19 workers Bendigo again leads the region with 299 businesses while Kyneton has just 104 and Castlemaine contains just 81 as of June 2016. The Bendigo CBD leads the way as a business centre but also important are suburbs like Kangaroo Flat and East Bendigo.

Businesses on the move

In the micro business category the Bendigo region was dominated by 717 construction businesses in 2016 followed by 410 businesses in agriculture (farmers), 384 professional services businesses and 315 retail businesses. However, the businesses that expanded most over the two years to 2016 were professional services up 48, accommodation and food up 44 and financial services up 21.

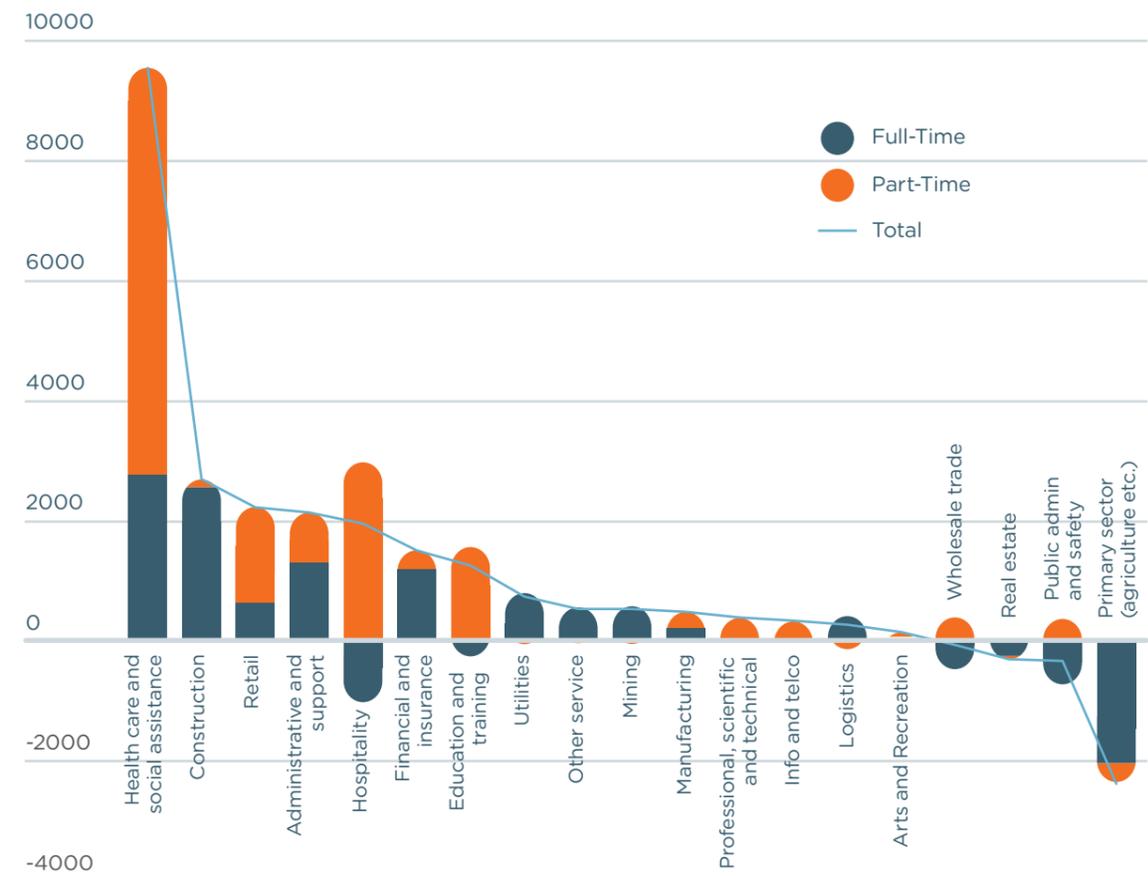
In the 5-19 employee category business activity in the Bendigo region is dominated by 192 businesses in construction (at June 2016) followed by 163 businesses in retail and 162 businesses in accommodation and food. In this category most business growth between 2014 and 2016 was in construction up 15 businesses, healthcare up 11 and manufacturing up 8 businesses.

Bendigo job growth

Like most parts of Australia the Bendigo region experienced job growth between May 2000 and May 2017. At the national level this period witnessed a net increase of 3.4 million jobs across the Australian continent. But this was comprised of job growth in 16 sectors and job losses in three sectors. The same pattern is reflected in the Bendigo region.

Over this period there was job growth in 15 sectors of the economy creating 22,000 jobs but there was also job loss of 5,000 in four sectors. Job growth has outpaced job loss in the Bendigo region in the 21st century by a factor of 7:1 and has lifted the workforce by a net extra 17,000 jobs or an average of 1,000 jobs per year.

Industry of employment in Bendigo Labour Region change from 2000 to 2017



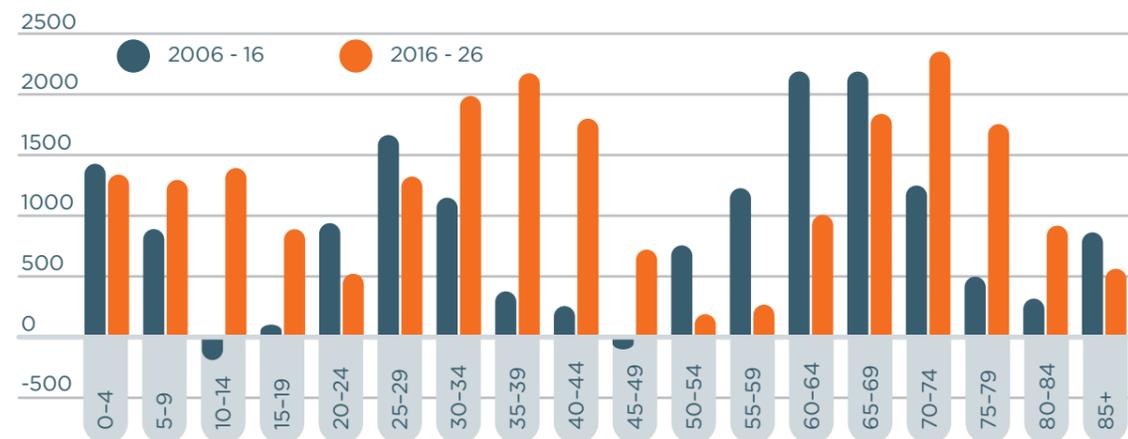
Source: Department of Employment - Labour Market Information Portal

Most job growth in the Bendigo region since the year 2000 has been in healthcare (up 9,000 jobs), construction (up 2,000) and retail (up 2,000). Job losses on the other hand have focussed on agriculture (down 3,000 jobs), public administration (down 1,000) and real estate (down 1,000).

The conclusion that can be drawn from this analysis is that the Bendigo region is undergoing significant workforce change but there has been significant workforce growth over the longer term.

Conclusion – an entrepreneurial lifestyle community

Population change by age group 2006 - 2016 and 2016 - 2026



Source: ABS; Victoria in Future

Outlook for Bendigo

Over the decade to 2016 the number of people added to the Bendigo region (as defined) was 15,000 with most growth focussing on the 0-9 age group, the 20-30 age group and the 60-70 age group. This growth profile would have supported businesses based around child care, student accommodation and financial planning.

Over the decade to 2026 however the number of people expected to be added to the Bendigo region is 22,000 which is an increase on past trends. This surge in growth will result from a metropolitan overspill effect as well as retirees looking for a lifestyle shift to a treechange location.

The local demographic profile will also change in the Bendigo region. There will be less emphasis on babies; more emphasis on school age children, family-formation 30-somethings, and 70-something ageing baby boomers. Each of these shifts supports demand for new and expanded businesses including the so-called lifestylepreneurs.

As the Bendigo region continues to restructure it may well be small business activity that drives the recovery. Agile, flexible and entrepreneurial locals together with newly-arrived lifestylepreneurs will establish micro and small businesses in all sorts of niches. These new businesses will be a vital part of the future economy of the Bendigo region. It is crucial for the success of these new businesses that they work under the best conditions possible ranging from the provision of local start-up incubators to the delivery of digital infrastructure in the form of technology such as the nbn™ access network.

Bendigo offers critical mass in that it ranks among the largest regional cities in Australia. It is an inland city, a city with history and a city that is located within striking distance of Melbourne (about 1.5 hours by road). These factors in addition to a location immediately north of the Great Dividing Range means that the city offers a more temperate climate than that of Ballarat. In many respects Bendigo has all the attributes to make a great treechange location.

But there is more to this story than identifying the Bendigo region as a great treechange destination. Baby boomers and other assorted city escapees generally looking for an alternative lifestyle will be drawn to Bendigo and its region to telecommute and to perhaps set up new small businesses. What could be more appealing to an Australian than the idea of moving to a treechange community and setting up your own business?

But there is still more to the Bendigo story. The region is undergoing significant and painful structural change. The old manufacturing businesses cannot keep pace with more efficient modes of operation offshore. Labour is being jettisoned; workers are struggling to find employment in other sectors. And yet within this context of economic and labour market turmoil there is still growth in the number of micro businesses.

In some respects it is not possible for any government to warranty a region against the effects of structural change. But what can be done is to provide the enterprising local community with the platforms necessary to adjust and reconfigure. Fast broadband technology is one such technology. So too are business incubators and co-working hubs. Perhaps a business mentor scheme could also be introduced.

Gold may have kicked things off in Bendigo all those years ago but today it is a different driver. The new driver of growth in Bendigo is lifestyle. Now with increasing connectivity driven by technology such as the nbn™ access network, Australians can live and run a business from an up and coming lifestyle location like Bendigo.



September 2017

This report was published by **nbn**, the company building Australia's broadband network.

© 2017 nbn co ltd. 'nbn', 'bring it on', 'Sky Muster', 'gen nbn' and the Aurora device are trademarks of nbn co ltd ABN 86 136 533 741.

The Lifestylepreneur Report was commissioned by **nbn** and developed by demographer Bernard Salt on behalf of KPMG. The study examined business growth in regional Australia. Source of all statistics and trends is Australian Bureau of Statistics (ABS).

kpmg.com.au

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although KPMG endeavours to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. This Report has been prepared at the request of **nbn** and other than our responsibility to **nbn**, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this Report. Any reliance placed is that party's sole responsibility. KPMG shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of any reliance by any third party.

© 2017 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.
March 2017

Copyright: This document is subject to copyright and must not be used except as permitted below or under the Copyright Act 1968 (CTH). You must not reproduce or publish this document in whole or in part for commercial gain without prior written consent of nbn co limited. You may reproduce or publish this document or in part for educational or non-commercial purposes.

Bendigo lifestylepreneur_Report_1705-04-EX