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This research report translates and analyses findings of research to enable an informed public discussion of regional issues in Australia. It is intended to assist people to think about their perspectives, assumptions and understanding of regional issues.

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Executive Summary

The State Government of South Australia has established, through the Commissioner for Kangaroo Island Act, a position to work with the community of Kangaroo Island to enhance its prosperity and its social, environmental and economic position through better connections with government services and programs.

A key role of the Commissioner is to advocate on behalf of the community, to develop management plans and establish local advisory boards to inform the assessment of issues to be addressed and mechanisms for doing so.

Setting the ground-work for the Commissioner, Kangaroo Island’s future has been the subject of its fair share of consideration by policy makers and the local community. While discussion has regularly focused on the development of the two industry mainstays of agriculture and tourism, it is essential that the island is not unduly constrained by issues including infrastructure constraints, the cost of goods and accessibility to services mainlanders take for granted.

Part of the Regional Australia Institute’s mandate is to work with communities, government and policy makers to help unfold the story, to begin meaningful and productive conversations, and to support regions to achieve development which meets their needs, capacity and goals.

To identify the imperatives for a balanced, regionally responsive development strategy for Kangaroo Island, this paper has reviewed the range of studies directed at Kangaroo Island’s economic development. This foundational work has been supplemented by analysis of a range of statistical data from other sources to present the case for KI.

For the purposes of this paper, data available for Kangaroo Island is placed in context alongside four other local government areas (LGAs). Yankalilla and Victor Harbor, both on the Fleurieu Peninsula, are considered alongside Denmark – a coastal community on the WA south coast and King Island off the north-west tip of Tasmania. Competitiveness profiles from [In]Sight: Australia’s regional competitiveness index for Kangaroo Island and the four reference regions with similar characteristics are also examined, as are three brief case studies of island communities that identify issues specific to island life.

In the course of preparing this report, the Regional Australia Institute also contacted a number of local business operators for insights into their life on Kangaroo Island. Conversations were held with local business owners, managers and employees about their experiences and insights into small businesses on Kangaroo Island. Businesses contacted were a general store, a supermarket and a hardware store. Findings from the discussions confirmed some expectations but challenged others.

To complement our understanding of challenges facing island communities, three case studies of island communities in the UK and Ireland are presented. Shared challenges include relatively low population growth, dominance of the agriculture and seasonally-dependent tourism industries, maintaining mainland transport services (sea and air), infrastructure and service provision and, ultimately, economic growth targets that remain unmet.

Consultation and input on the results and issues highlighted by this work was then sought from the Kangaroo Island community leaders and residents to refine and focus the findings and implications.

The findings of this process are that the accessibility of services, relatively under-performing agricultural and tourism core industries and the island’s population sustainability are significant challenges for Kangaroo Island.

Community leadership and agreement on KI’s future: more than tourism?

As for other regional areas seeking to drive their community’s future development, significant progress is most likely to occur by building upon the shared vision already strongly evident within the community.

Tourism is widely considered central to the island’s economic future. KI undoubtedly has significant natural assets that provide a firm basis for high-end resort-style holidays, as well as opportunities for gourmet and eco-tourism. A great deal of attention has focused upon generating employment opportunities in tourism through improved passenger transportation services, driving initiatives including the Kangaroo Island Wilderness Trail, developing a unique branding of Kangaroo Island as a product and, most recently working to improve KI’s performance as a year-round destination.

The industry has, however, seen better times. In addition to the high cost of accessing the island via SeaLink and the availability of air services from origins other than Adelaide, other factors may be impacting upon the island’s ability to take full advantage of the island’s potential as a tourist destination.
Agriculture

Continued development of Kangaroo Island's agricultural sector is essential, both in making use of the natural assets and also in developing higher value-added commodities. Adding to the income generated by agricultural activities, focusing on niche products not only generates direct income through their sale but is considered crucial for KI's development as a tourist destination.

Kangaroo Island's agricultural potential has begun to be harnessed with diversification into products including olives, cheese and ligurian honey. In addition to dealing with excessive freight costs which act to make these products uncompetitive, local producers require assistance with leveraging the export services opportunity offered by the expanding middle class in Asia. Despite the work already done, a clearer and more definitive consideration of the opportunities or otherwise for expansion of intensive agriculture into new areas remains needed.

Accessibility and quality of essential services

KI also faces challenges in meeting the service needs of its population.

A number of the challenges facing the community of KI are not dis-similar from those facing regional economies elsewhere in Australia. KI is experiencing a substantial drift of younger people to larger centres to access educational, employment and other opportunities and the centralisation of government-provided services such as primary health care and a poorer standard of telecommunications are evident.

Educational outcomes for school level students are relatively poor, opportunities for post-school education limited and some enhanced primary health care service levels are unavailable to the local population. There is also some evidence that the residential housing market on the island is not meeting the needs of Kangaroo Islanders.

Transport links to the mainland are a major constraint

Above all, however, Kangaroo Island faces other challenges unique to island communities. Similarly-sized regional communities on the mainland don't have to rely upon sea transport for the shipping of goods and access to services that are nowadays mostly centralised in larger centres. Although KI is just 100 kilometres as the crow flies from the Adelaide CBD, getting there is a journey of over 4 hours that comes at a relatively great expense.

As ground-truthed through interviews with local retailers, freight and passenger costs to and from the mainland are constraints in terms of the costs of goods, access to services and ultimately economic activity on the island.

The SeaLink ferry service is widely considered too expensive, adding significantly to the cost of goods, inputs to infrastructure development and prohibitive for the island’s residents to use to access services on the mainland. Currently, the cost of a return trip with a passenger motor vehicle is approximately one half of the average weekly income of a Kangaroo Island resident.

Air services operated from Kingscote Airport are presently hampered by the need to redevelop the runway to meet the requirements of modern fleets.

Population Dynamics and other influences

There is some evidence that the relatively weak employment and training opportunities available on KI are contributing to outflow of youth, agricultural workers and a poor population growth rate.

Whilst the net effect of planning and environmental regulations is difficult to quantify, discussions with community leaders and previous reports have identified them as clear impediments to a brighter future for KI. The challenge for policy is to create an approach that devolves genuine responsibility to people in the regions, values their leadership in building a more prosperous future and provides the time needed for this seismic shift in approach to occur.

Overall, however, the challenge for the next stage of Kangaroo Island’s economic development is to bring a greater sense of activity. Relying upon improved air and sea links alone to bring forth a boon in tourist numbers is wishful thinking.

Kangaroo Island has a fair share of advantages that place it well for a prosperous future, however there remain some obstacles in its way.

This report provides data for the Case for the Island.
Kangaroo Island – 'Paradise Girt by Sea', but dependent upon SeaLink

Island life poses challenges for Kangaroo Island. To an extent it shares these in common with island communities elsewhere.¹

The essential transportation link is provided by the SeaLink-operated ferry service between Penneshaw at the eastern end of the island, and Cape Jervis on the Fleurieu Peninsula.

*Map 1: Air and Sea links to Kangaroo Island*  
(RAI 2015, Geoscience Australia Web Services)

Passenger transport

Costs of these essential service are widely considered excessive.² Local residents have reported that some people, especially those living on low incomes felt 'marooned' on the island.

Currently the cost of a return trip with a passenger motor vehicle on the SeaLink service from Penneshaw to Cape Jervis is approximately half the average weekly income of a Kangaroo Island resident.³

<table>
<thead>
<tr>
<th>Table 1: SeaLink Kangaroo Island - passenger and vehicle price schedule⁴</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Passengers</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Adult</td>
</tr>
<tr>
<td>Child</td>
</tr>
<tr>
<td>Australian Student</td>
</tr>
<tr>
<td>Australian Concession</td>
</tr>
<tr>
<td>Infant</td>
</tr>
<tr>
<td><strong>Vehicles</strong></td>
</tr>
<tr>
<td>Passenger Motor Vehicle (up to 5 metres)</td>
</tr>
<tr>
<td>Caravan, Trailer (up to 4 metres)</td>
</tr>
</tbody>
</table>

It is a well-told local story that the Kangaroo Island SeaLink service is the most expensive ferry service per kilometre in the world. The service is at least as expensive as passenger ferry services elsewhere in Australia.
### Table 2: Australian ferry services comparison

<table>
<thead>
<tr>
<th>Journey</th>
<th>Cost of return trip + passenger motor vehicle</th>
<th>Distance</th>
<th>Cost for 1 adult + vehicle / km</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Jervis to Penneshaw, Kangaroo Island</td>
<td>$188 for a vehicle up to 5m plus $98 for each adult plus $50 for each child</td>
<td>20 km</td>
<td>$14 / km</td>
<td>Discounts available when booking online</td>
</tr>
<tr>
<td>Kettering to Bruny Island</td>
<td>$30 normal fare plus $35 peak fare</td>
<td>3.4 km</td>
<td>~ $9 /km</td>
<td>Passengers in vehicles and pedestrians travel free of charge</td>
</tr>
<tr>
<td></td>
<td>(17 mins)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brisbane to Moreton Island</td>
<td>Peak - $299 plus $249 Off Peak $199</td>
<td>~20km</td>
<td>~$12/km</td>
<td>Price for standard 4WD (5.5m or less)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(75mins)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Price includes Driver and 1 passenger</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additional costs for extra adults ($50) and children ($35)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bridport to Flinders Island</td>
<td>$505 for vehicle less than 4.5m plus $120 for each adult plus $70 for each child</td>
<td>126km</td>
<td>$5/km</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(8 hours)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regional Express Airlines (Rex) is currently the only airline operating out of Kingscote. Rex provides a daily service to Kangaroo Island from Adelaide. The Saab 340 seats 30 passengers, takes 35 minutes and – at the time of writing – a mid-week fare cost between $173 and $335 per person, although special fares may be available from $128.

**Freight costs**

The cost of freight was identified as a major issue for local stores, confirming other evidence. These costs are either passed onto customers or absorbed by the business, leading to reduced profit margins. A major supermarket on the island noted that for the last financial year, they paid in excess of $6,000 for freight costs. Postage costs (supplied by the Australia Post monopoly) for a registered post letter, a 1kg parcel and a 10kg parcel were identical for delivery from the population centre of each reference region to the capital city of the state, with the exception of King Island (Currie) where the cost of the 1kg parcel was 40 cents lower and the 10kg parcel $12.80 lower.

### Table 3: Letter & parcel costs (Australia Post)

<table>
<thead>
<tr>
<th>To capital city from</th>
<th>Registered Post Letter</th>
<th>1kg parcel (20x20x20cm)</th>
<th>Parcel Post Large Satchel up to 5kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kangaroo Island (Kingscote)</td>
<td>$ 4.50</td>
<td>$ 11.10</td>
<td>$ 17.10</td>
</tr>
<tr>
<td>Yankalilla</td>
<td>$ 4.50</td>
<td>$ 11.10</td>
<td>$ 17.10</td>
</tr>
<tr>
<td>Victor Harbor</td>
<td>$ 4.50</td>
<td>$ 11.10</td>
<td>$ 17.10</td>
</tr>
<tr>
<td>Denmark</td>
<td>$ 4.50</td>
<td>$ 11.10</td>
<td>$ 17.10</td>
</tr>
<tr>
<td>King Island (Currie)</td>
<td>$ 4.50</td>
<td>$ 10.70</td>
<td>$ 17.10</td>
</tr>
</tbody>
</table>

In terms of freight costs for a 10kg parcel delivered by courier:

- costs and delivery times are generally higher than for the Fleurieu Peninsula reference regions to Adelaide; and
- express courier services were also higher and estimated delivery times significantly longer.
Table 4: Small parcel freight costs & estimated delivery times

<table>
<thead>
<tr>
<th>To capital city from</th>
<th>10kg parcel (50x50x50cm)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Australia Post</td>
</tr>
<tr>
<td></td>
<td>Regular</td>
</tr>
<tr>
<td>Kangaroo Island (Kingscote)</td>
<td>$ 43.65</td>
</tr>
<tr>
<td>Yankalilla</td>
<td>$ 43.65</td>
</tr>
<tr>
<td>Victor Harbor</td>
<td>$ 43.65</td>
</tr>
<tr>
<td>Denmark</td>
<td>$ 43.65</td>
</tr>
<tr>
<td>King Island (Currie)</td>
<td>$ 30.85</td>
</tr>
</tbody>
</table>

Freight costs – feedback from local retailers

The impact of the cost of freight manifests itself in different ways depending on the business structure. Unsurprisingly, a small independent general store in the area said that they had to pass the cost of freight onto customers. As a result their prices, particularly for fruit and vegetables, were expensive relative to the mainland – a fact that customers frequently commented upon.

In contrast, franchise businesses in the area had better buying power and also franchise wide pricing structures that they had to adhere to. As a result these franchises in fact offered prices consistent with those found in corresponding franchises in Adelaide and around Australia. Both the supermarket and hardware store on the island were franchises of larger, national companies. The supermarket franchise had a pricing structure that meant most of their products were priced consistently with mainland prices. However, they noted, much like the general store, that fruit and vegetables generally had to be priced higher. While this pricing consistency is good for customers, the franchisee had to cover the cost of freight which reduced their profit margins.

For the hardware store, the cost of shipping products in the national catalogue was covered, so that these products could be priced consistently across Australia. As a result many of their products were effectively free of additional freight costs. However, for items not listed in the national catalogue, freight costs had to be paid for by the business owner, and these costs were passed onto the customer. Larger, bulkier items that were of less value, such as timber, underwent the greatest cost increase.

Businesses that stock fresh products such as fruit, vegetables and dairy noted that a dependency on shipping was problematic at times. In instances of extreme bad weather, shipments are unable to be made. As a result, there have been periods of up to five days where deliveries were unable to be made. This meant that at times there was no fresh produce available in store. This is not only problematic for the business and customers but has knock-on effects to other businesses such as cafes that purchase product from these supermarkets. The hardware store, while noting that this occasionally did occur, was less affected by delays in supply.
The Case for Kangaroo Island

Population and the demand for essential services

A community’s people are foundational to its future. Without a sustainable population base that has appropriate access to the essentials of life including housing, education, primary health care, the chance of a job, as well as government services and programs to support those in need, that future is all the more challenging.

Population Distribution

The trend in recent decades across regional Australia has been towards the concentration of populations in larger centres. Larger population centres support the provision of a larger range of goods and services, present opportunities for specialisation, diversification and tend to become the focus of industrial activity.

As shown in figures 1 and 2 on the following page, approximately 40 per cent of the population (approximately 1,894) reside in Kingscote. However as the map of population density below shows (map 2 below), there are several relatively small dispersed population centres on Kangaroo Island.

Map 2: Kangaroo Island geographic population distribution & density
(RAI 2015, Mesh Block Counts 2011, ABS cat. no. 2074)

This characteristic of Kangaroo Island has associated costs. Despite technological advancements in transport and communications, the comparative advantage of regions with more highly concentrated populations are clear: businesses have sufficient market size to provide a wider range of goods and services; centres of industry concentration and specialisation may more readily evolve with a sufficient labour force and the costs of delivering and maintaining hard infrastructure tend to be lower.
As noted by one island resident living further afield, costs of accessing services in the major towns by car are relatively high. Limited public transport services only operate between American River and Kingscote.

Figure 1: Kangaroo Island population distribution (suburbs/localities) (Mesh Block Counts 2011, ABS cat. no. 2074)

Population Sustainability

Kangaroo Islanders report that they enjoy living on KI. Population turnover is on a par with King Island — the other island in the reference group — and well below that of the relatively high turnover rates for the LGAs on the Fleurieu Peninsula.

![Population Density Chart]
Despite the generally positive tone and relatively low population turnover, Kangaroo Island’s population is not growing substantially and the benefits accruing to larger regional centres alluded to above are not likely to evolve on the island.

<table>
<thead>
<tr>
<th></th>
<th>Kangaroo Island</th>
<th>Yankalilla</th>
<th>Victor Harbor</th>
<th>King Island TAS</th>
<th>Denmark WA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Residential Population</td>
<td>4,535</td>
<td>4,486</td>
<td>14,444</td>
<td>1,613</td>
<td>5,811</td>
</tr>
<tr>
<td>Population Growth Rate (Annual average 2009-2013)</td>
<td>0.42%</td>
<td>0.64%</td>
<td>2.03%</td>
<td>-1.02%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Population Turnover</td>
<td>41.5%</td>
<td>50.6%</td>
<td>50.8%</td>
<td>39.4%</td>
<td>56.4%</td>
</tr>
<tr>
<td>Children (0 to 14 years)</td>
<td>20.0%</td>
<td>12.8%</td>
<td>12.7%</td>
<td>13.2%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Youth (15 to 24 years)</td>
<td>7.9%</td>
<td>6.1%</td>
<td>6.0%</td>
<td>12.6%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Working age (15 to 64 years)</td>
<td>55.8%</td>
<td>51.4%</td>
<td>51.4%</td>
<td>65.2%</td>
<td>62.5%</td>
</tr>
<tr>
<td>65 years and over</td>
<td>24.1%</td>
<td>35.8%</td>
<td>35.9%</td>
<td>21.7%</td>
<td>21.5%</td>
</tr>
</tbody>
</table>

KI’s population growth has generally fallen behind the reference regions. With a total increase of 5.2 per cent over the 2004 – 2014 decade, KI’s rate of population change only compares favourably to Tasmania’s King Island which has seen consistently negative population change in all but three years for a total decline of 5 per cent. KI’s population change remained only slightly positive in the later half of the last decade, falling to zero per cent in the year to 2011 (figure 6 below).

Figure 3: Annual population change, estimated residential population, 2005-2014
(Source: Regional Population Growth, Australia (ABS.Stat, 2015))

As shown above, in terms of population sustainability, Kangaroo Island is not prospering. It is important for Kangaroo Island’s future that factors contributing to this situation are identified.

A Large Absent and Part-Time Population

As identified in the Census, KI has a high proportion of unoccupied dwellings – indicative of a relatively large absentee rate-payer population. Many of the unoccupied dwellings have a high level of seasonal occupancy throughout the summer holiday periods and are occupied by either absentee landlords or visitors/guests on weekends.
This ‘part-time’ population raises services and infrastructure provisioning issues for the island: resources must be geared to accommodate the higher seasonal population but may result in unused capacity for most of the year.

Victor Harbor has a large ‘absent’ and ‘part-time’ population. In order to gauge future family household profiles, Victor Harbor council (in 2005) surveyed approximately 4000 absentee ratepayers who own either a house or vacant land at Victor Harbor.

Approximately half of those who responded indicated they were planning to move to Victor Harbor. 87 per cent of vacant land owners and 93 per cent of those who owned a house indicated that their household would be made up of adults only. This reinforces the trend of proportionally more two person families and disproportionately fewer younger families moving to the area. This concurs with recent Census data which found that in 2011, 62.4 per cent of Victor Harbor’s families were couple families without children, while only 24.4 per cent of families were couple families with children.

**Age Profile**

A community’s population age profile has profound implications for service requirements. Compared to the reference group of regional economies, Kangaroo Island has:

- a relatively large proportion of children: Kangaroo Island has a relatively very high proportion of infants and young children (0 to 4 years and 5-9 years);
- relatively very high levels of people aged in their mid-20s to late 30s;
- a relatively small proportion of the population aged 65 years and over (seniors) - in particular, the reference regions in south-eastern South Australia have substantially higher proportions of older people; and
- a significantly lower proportion of the estimated resident population aged 65 years and over - at 24.1 per cent, compared to the Fleurieu Peninsula regions of Yankalilla 35.8 per cent and Victor Harbor 35.9 per cent.

![Figure 4: Estimated resident population by age groups percentage of total population 2014 (ABS 2015)](image)

**Housing**

A review of Kangaroo Island’s housing market identifies two distinct market segments:

1. homes for long term residents costing between $200,000 and $300,000 for a two to three bedroom home in good condition (non-rural settings).
   - the average value of a new private sector house on KI is $264,500 (approximately mid-point between those in Yankalilla and Victor Harbor). Blocks in new subdivisions (such as at American River or Nepean Bay) are priced from $30,000.

2. holiday homes range across a wide series of price points but often $450,000 to $650,000 for two to three bedroom homes in good condition in desirable locations (such as Emu Bay, Penneshaw and Island Beach).
The Case for Kangaroo Island

Additional features of the Kangaroo Island housing market are:

1. the mix of dwellings by tenure type on Kangaroo Island is distinct from the other regions in two ways (1) similarly to Yankalilla, the island has a relatively very low proportion of dwellings owned outright; and (2) a relatively high proportion of dwellings being purchased. (Refer to Figure 4 below.)

2. a high proportion of non-resident ratepayers (holiday homes in particular). While this is common to many coastal regions, it brings a large number of unoccupied houses into Kangaroo Island’s housing stock, and with that, especially in a sluggish sales market, potential for some of these to come onto the market as rental properties if demand for rentals was to increase. Part of this holiday home segment could therefore act as a buffer to address any short-term residential shortages that might be caused by seasonal labour needs or business growth. As a desirable holiday destination there may be some negative flow-on to holiday home market activity from the unwinding of the mining boom.

Discussions with two of the island’s real estate agents revealed that:

- a high proportion of the housing stock is on the market - 75-80 houses are currently available for sale in Kingscote alone;
- the market is relatively fluid - people tend to buy houses, keep them for 7-8 years and then sell; and
- demand for houses up for sale has decreased dramatically in the last several years, sellers are having trouble finding buyers, and some potential sellers are not putting their houses up for sale.

Residential building approvals on KI have been very low recently – just 23 new houses at a total cost of 5.1 million were approved in 2013, relatively less than for Yankalilla and Victor Harbor – despite their larger overall residential populations. (Refer to Table 7 below.)

One local real estate agent reported that market started dropping off 3 years ago, because of the tourism downturn on Kangaroo Island, when several businesses closed. Now there is a concern that if/when tourist numbers pick up they won’t have the services they need or expect. In the last four months there are some signs that the market has picked up a little – probably in response to the last interest rate cut.

Additional construction costs from the reliance upon sea freight for building materials flow through into restricted investment property availability. Another aspect of this cost difference is delays in getting parts across to the Island, meaning that builders end up sitting around unable to complete their work.
### Table 6: Building approvals
(source: National Regional Profile, ABS 2013)

<table>
<thead>
<tr>
<th>Building Approvals</th>
<th>Kangaroo Island</th>
<th>Victor Harbor</th>
<th>Yankalilla</th>
<th>Denmark</th>
<th>King Island</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total private sector houses</td>
<td>23</td>
<td>106</td>
<td>61</td>
<td>44</td>
<td>3</td>
</tr>
<tr>
<td>Total new private sector houses</td>
<td>23</td>
<td>106</td>
<td>61</td>
<td>44</td>
<td>3</td>
</tr>
<tr>
<td>Total dwelling units</td>
<td>23</td>
<td>112</td>
<td>61</td>
<td>47</td>
<td>3</td>
</tr>
<tr>
<td>Total value of private sector houses ($m)</td>
<td>6.1</td>
<td>30.1</td>
<td>15.2</td>
<td>13.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Value of total new private sector houses ($m)</td>
<td>5</td>
<td>26.6</td>
<td>12.8</td>
<td>12.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Value of new residential building ($m)</td>
<td>5</td>
<td>28.3</td>
<td>12.8</td>
<td>13.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Value of total residential building ($m)</td>
<td>6.4</td>
<td>32.6</td>
<td>15.3</td>
<td>14.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Average value of private sector houses ($’000)</td>
<td>264.5</td>
<td>283.9</td>
<td>249</td>
<td>303.9</td>
<td>171.7</td>
</tr>
</tbody>
</table>

The rental market

A detailed picture of rental costs is provided by the Census of Population and Housing. Figure 5 below shows the proportion of rented dwellings within each weekly rent range. In particular:

- a large proportion of rented dwellings (83.2 per cent) are in the very low to low-cost ranges (up to $225 per week), the highest of any of the reference regions;
- there is a relatively high proportion of dwellings in the highest range of $650 per week – the rental properties along the coast; and

**Figure 6: Weekly rent**

(Census of Population & Housing, ABS 2011)

The latest available data (table 8 below) suggests that the prevalence of households receiving rent assistance from the Australian Government is relatively low compared to the reference regions, with the exception of King Island.
Table 7: Australian government rent assistance

<table>
<thead>
<tr>
<th>Local Government Area</th>
<th>Households in dwellings receiving rent assistance from the Australian Government</th>
<th>Total dwellings</th>
<th>% households in dwellings receiving rent assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kangaroo Island</td>
<td>247</td>
<td>1,783</td>
<td>13.9</td>
</tr>
<tr>
<td>Victor Harbor</td>
<td>1,834</td>
<td>5,744</td>
<td>31.9</td>
</tr>
<tr>
<td>Yankalilla</td>
<td>436</td>
<td>1,867</td>
<td>23.4</td>
</tr>
<tr>
<td>King Island</td>
<td>49</td>
<td>678</td>
<td>7.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>396</td>
<td>2,037</td>
<td>19.4</td>
</tr>
</tbody>
</table>

Whilst the Census does not provide such detail, information provided by local real estate agents is that rental rates for long term rentals are typically $150-$220 per week for a two to three bedroom home in good condition (non-rural settings). Rates of return are around 5 per cent, however rents have fallen around 20 per cent in the last 12 months. While this rental return is low, the low level of interest rates means that returns are not so low as to make housing investment uneconomic.

Educational Services

The accessibility and quality of the required educational services can inhibit or enhance the capacity of a community for development.

On Kangaroo Island, 17.5 per cent of people were attending an educational institution. Of these, 50.6 per cent were in primary school, 26.4 per cent in secondary school and 15.6 per cent in a tertiary or technical institution.

In terms of completing levels of education, Kangaroo Island compares less favourably than Victor Harbor, Denmark and King Island, however more favourably than Yankalilla – the outlier in the group with a very low school completion rate.

Table 8: Educational completion & qualifications (place of usual residence, 2011 Census of Population & Housing)

<table>
<thead>
<tr>
<th>Highest Level of Education Achieved</th>
<th>Kangaroo Island</th>
<th>Yankalilla</th>
<th>Victor Harbor</th>
<th>Denmark</th>
<th>King Island</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary school attainment</td>
<td>46.2%</td>
<td>37.7%</td>
<td>55.6%</td>
<td>56.2%</td>
<td>57.2%</td>
</tr>
<tr>
<td>Secondary school completion</td>
<td>23.4%</td>
<td>16.2%</td>
<td>26.9%</td>
<td>39.8%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Technical qualification</td>
<td>33.8%</td>
<td>42.5%</td>
<td>47.1%</td>
<td>40.4%</td>
<td>35.8%</td>
</tr>
<tr>
<td>Tertiary qualification</td>
<td>15.7%</td>
<td>13.8%</td>
<td>16.7%</td>
<td>25.6%</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

With housing construction costs cited as around 10-15 per cent more expensive (adding around $20,000) on the Island compared with the mainland, and a variety of properties available for rent, there is very little incentive for an investor to build for the rental market.

School education

Throughout the island’s history a total of 23 schools have been established. Most of the schools were set up between 1869 and 1903 and then between 1911 and 1919, coinciding with the increase in cereal growing. The earlier schools were conducted at a variety of places usually provided by the parents, who also built many of the more isolated bush schools on the island. Nineteen of the 23 schools were one teacher bush schools.

Following the national pattern of rationalisation of school education, resident children are now served by three schools – each a combined primary and secondary operation.

How are KI’s students performing?

In terms of early childhood development, young children on Kangaroo Island are significantly more likely than their counterparts in Denmark (WA) and on King Island (TAS) to be ‘developmentally vulnerable’. With the exception of ‘communication skills and general knowledge’, the figures for Kangaroo Island are significantly higher than those nationally. 13
Table 9: Early childhood development, selected measures (compiled from PHIDU based on data from the 2012 Australian Early Development Census)

<table>
<thead>
<tr>
<th>Developmental indicator</th>
<th>Aust.</th>
<th>SA</th>
<th>Kangaroo Island</th>
<th>Yankalilla²</th>
<th>Victor Harbor</th>
<th>Denmark</th>
<th>King Island³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical health &amp; well-being</td>
<td>9.3</td>
<td>10.2</td>
<td>10.5</td>
<td>14.3</td>
<td>11.6</td>
<td>1.7</td>
<td>7.1</td>
</tr>
<tr>
<td>Social competence</td>
<td>9.3</td>
<td>11.3</td>
<td>18.4</td>
<td>14.3</td>
<td>5.8</td>
<td>1.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Emotional maturity</td>
<td>7.6</td>
<td>9.3</td>
<td>8.1</td>
<td>8.6</td>
<td>13.0</td>
<td>8.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Language &amp; cognitive skills</td>
<td>6.8</td>
<td>6.8</td>
<td>10.5</td>
<td>5.7</td>
<td>4.3</td>
<td>8.5</td>
<td>17.9</td>
</tr>
<tr>
<td>Communication skills &amp; general knowledge</td>
<td>9.0</td>
<td>8.9</td>
<td>5.3</td>
<td>8.6</td>
<td>8.7</td>
<td>6.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Vulnerable on one domain</td>
<td>22.0</td>
<td>23.7</td>
<td>27.0</td>
<td>31.4</td>
<td>29.0</td>
<td>15.3</td>
<td>17.9</td>
</tr>
<tr>
<td>Vulnerable on two domains</td>
<td>10.8</td>
<td>12.2</td>
<td>15.8</td>
<td>14.3</td>
<td>8.7</td>
<td>8.3</td>
<td>14.3</td>
</tr>
</tbody>
</table>

Notes: 1. figures may not add up to 100% due to rounding; 2. small sample. Interpret with caution; and 3. small sample. 2009 data. 2013 data not available.

Compared using the nationally-uniform NAPLAN assessment program, Kangaroo Island’s school students are performing relatively very poorly at all levels of comparison – national, state and generally in relation to the reference regions. Across the range of NAPLAN indicators, Kangaroo Island students are lagging behind – with the exception of the very poor results for King Island.

Figure 7: School outcomes year 3 – average of school-level results 2013, (National Assessment Program for Literacy & Numeracy, Australian Government (2015))

Figure 8: School outcomes year 5 – average of school-level results 2013, (National Assessment Program for Literacy & Numeracy, Australian Government (2015))
The Case for Kangaroo Island

Accessibility of post-school educational opportunities

The dynamic of young Australians moving from regional areas to pursue educational opportunities is not unfamiliar, however the loss of younger residents on KI is particularly marked.

As indicated in the age profile (figure 3), Kangaroo Island has a relatively low level of younger people (aged 15-24). Similarly, in terms of overall participation in education, Kangaroo Island has a significantly lower proportion of attendance at post-secondary school. As a proportion of the student in education, in 2011 just 15.6 per cent of the total student population were enrolled in post-secondary education.

Whilst some infrastructure improvements have been made to the single operating TAFE institution in recent times, a lack of access to a variety of vocational streams training provided is apparent. Many island students are required to pursue their vocational and training needs on the mainland, however the potential student numbers are practically prohibitive of expanded services on the island under traditional service delivery models.

Health Care Services

Health services are located at Kingscote, American River, Penneshaw and Parndana and the island’s only hospital – the Kangaroo Island Health Service - is located in Kingscote.

Kangaroo Island Health Service provides acute services ranging from in-hospital care for adults and children by local general practitioners to specialist surgical, obstetrics, and outpatients. Patients may commence their stay at Kangaroo Island Health Service but finish their care at one of the neighbouring hospitals with specialist medical or allied health input when required. The nearest regional hospital is located at Victor Harbor.

Kingscote also provides two residential aged care services and a range of community health services. Kangaroo Island’s residents tend to be comparatively under-serviced by GPs - at least in comparison to the South Australian and national levels for total GP services. Compared to the reference regions, the age-standardised rate of the provision of GP services is comparable.

The charts below provide details of raw numbers and 'age-standardised rates' for the provision of a range of primary health care services.

In contrast to the primary health care provided by GP’s, Kangaroo Island GP services for enhanced care are relatively higher than the Australian, state and other reference regions (chart 4 below). This statistic, however, may be due to the non-availability of both social worker and occupational therapist services on the island – a lack of service provision also the case on King Island.
Other Essential Services and Goods

Retail

Limits on accessibility of retail services exist on KI. While owners of grocery stores interviewed said that they stayed open on weekends, they identified that many surrounding businesses, including galleries, cafes and gift stores, only opened for very limited hours on weekends and public holidays, or not at all. The hardware store only opened in the morning on the weekend and with reduced staff to minimise costs and because the area, in the owner’s words, became a “ghost town”. One store manager noted that in Kingscote at 3pm on a Saturday, their supermarket was the only shop open on the main street.

Energy

The sufficiency and reliability of the energy supply serving KI has been described as ‘chronic’. Kangaroo Island’s primary source of electrical power is from the mainland via a submarine power cable connected between Cape Jervis and Penneshaw. Electricity is sourced from the mainland grid network via a submarine cable, however the island continues to have a heavy reliance on diesel generation to meet its electricity needs. The threat posed by the unexpected complete failure of the submarine cable is considered significant.

The maximum load that can be distributed to the island through the existing cable is 5.4MVA, which is restricting the island’s peak usage and economic growth.

The island has a diesel back-up generator in place (upgraded to a capacity of 6MWe), and if the submarine cable were to fail, KI’s electrical power would be solely reliant on this generator.

The 2003 report found that Kangaroo Island is rich in a range of renewable energy sources, including ocean waves. In late 2013 Renewables SA funded a 50kW dual axis tracking solar system to service the Kingscote Airport on Kangaroo Island, and provide charging stations for electric vehicles. The project has been supported by a Renewables SA grant, and will be the largest dual-axis tracking solar installation in the state. The charging stations for two EVs are be located at the airport, several locations and at the local council offices, which will have a 5kW solar array. Wind energy has been considered and a potential wind-farm site east of Penneshaw identified, as has a biomass generation plant.

Fuel prices

The cost of fuel on the Island was perceived to be significantly more expensive than on the mainland, and contributed to increased costs for businesses that were outside of Kingscote. However, as one interviewee pointed out, for those that lived in and around Kingscote, they only had a short commute to work, did not drive much and therefore used little petrol.

A smaller store towards the south-west of the Island noted that in addition to shipping costs, there were fuel and other freight costs associated with delivering products to areas outside of Kingscote.
Water

KI has long been considered dry. Mains water is sourced from the Middle River Reservoir. During peak summer demand periods the supply system reaches capacity and due to the limited size of the reservoir the supply has been restricted during times of significant drought to conserve the available resource. Penneshaw is independently supplied by a seawater desalination plant. Other areas of the island rely upon rainwater.

SA Water’s Long Term Plan for Kangaroo Island identified that construction of a large filtered water storage in the vicinity of Kingscote was the best option for augmenting the Middle River water supply system.

Telecommunications

Telecommunications access varies across the island.

With the closure of the CDMA network, there has been a shift to 3G. Telstra Next Generation coverage is available across the island, but can be inconsistent in more remote areas. Limited Optus, 3 Mobile and Telstra GSM digital coverage is available from Kingscote to Penneshaw and adjacent areas.

Broadband access is limited and three forms are available; satellite, ADSL and ISDN. Dial-up internet access is provided by two internet service providers. Local residents have reported that connectivity to both telephone networks and internet was limited and unreliable.

Trades services

Accessing specialty services such as ICT support or tradesmen was also reported as a disadvantage for businesses on the Island - a challenge also for the broader community. Often the majority of these types of services are found on the mainland, so getting a technician or tradesman out to the Island not only comes with a time lag but also at an extra cost.

Availability of Work

The availability of work is a key factor in a region’s future. Opportunities in the local labour market are central to a region’s ongoing sustainability and its prospects for development.

Over the last number of years there has been a significant and sustained decline and shift in employment opportunities available on Kangaroo Island. According to modelled estimates, net levels of employment on Kangaroo Island declined by 3.4 per cent over the period 2001 to 2013. Kangaroo Island’s labour market has several other clear dimensions (refer to ‘Labour Force Status’ below):

- relatively high labour force participation and low unemployment, however these characteristics are contributed to by the lack of job opportunities which leads many job seekers to leave the island looking for employment elsewhere. (Refer to ‘Worker Outflow’ below)
- high rate of ‘part-time’ employment, incorporating extensive participation in a ‘suite’ of part-time jobs
- seasonality – occupancy rates range from 70 to 80 per cent in summer to 30 to 40 per cent in winter; and
- relatively very high proportion of ‘contributing family workers’ – indicative of a high level of agricultural employment and the highest amongst the reference group at 8.8 per cent.

The opportunities available to most residents are seasonal and relatively low-wage (figure 6 below).
Kangaroo Islanders assert that many residents deal with the nature of the local labour market by assembling a portfolio of work to make ends meet.

Although detailed information is not available, interviews with KI retailers raised concerns about the relative lack of participation of local students in part-time weekend and summer employment.

An additional concern for tourism-focused businesses that are required to operate later and on weekends has been identified as the impact of penalty rates. One store indicated that the manager would work weekends to avoid paying penalty rates.
The Case for Kangaroo Island

Worker outflow

In 2011 Kangaroo Island had 2,199 usual residents employed. There were 1,847 people who said their place of work was Kangaroo Island - a net 352 usual residents worked in locations other than Kangaroo Island.

Further information on these can be drawn from the Census by comparing place of work with place of residence. Examining the data by industry shows information on 341 Kangaroo Island residents who worked elsewhere.

By location, 133 worked in other states and 208 worked in other LGAs in South Australia. Of those working in other states the large majority (98) did not provide further details of their place of work, and of those that did 12 worked in the NT (in either health care or transport). Of those working on other parts of South Australia, again most (149) did not provide further details.

Of those that did provide location details, the distribution of places of work was quite broad:

<table>
<thead>
<tr>
<th>Location</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adelaide</td>
<td>8</td>
</tr>
<tr>
<td>Campbelltown</td>
<td>8</td>
</tr>
<tr>
<td>Holdfast Bay</td>
<td>5</td>
</tr>
<tr>
<td>Burnside</td>
<td>4</td>
</tr>
<tr>
<td>Onkaparinga</td>
<td>4</td>
</tr>
<tr>
<td>Alexandrina</td>
<td>3</td>
</tr>
<tr>
<td>Berri and Barmera</td>
<td>3</td>
</tr>
<tr>
<td>Charles Sturt</td>
<td>3</td>
</tr>
<tr>
<td>Norwood Payneham St Peters</td>
<td>3</td>
</tr>
<tr>
<td>Playford</td>
<td>3</td>
</tr>
<tr>
<td>Salisbury</td>
<td>3</td>
</tr>
<tr>
<td>Victor Harbor</td>
<td>3</td>
</tr>
</tbody>
</table>

By industry, the majority were working in agriculture, forestry and fishing (67) and construction (64). (Refer to Chart 5 below.)

Note:
- although detailed information is not available, interviews with KI retailers raised concerns about the relative lack of participation of local students in part-time weekend and summer employment.
- a particular concern for tourism-focused businesses that are required to operate later and on weekends has been identified as the impact of penalty rates. One store indicated that the manager would work weekends to avoid paying penalty rates.

Shifting employment opportunities

The overall decline in employment opportunities has been accompanied by significant changes to the employment mix, as shown in chart 4 below. Agriculture, forestry and fishing remains the largest industry sector by total employment, with tourism-related industries following second overall. Employment in these two industry sectors - identified as KI's strengths - has however declined dramatically since 2001. The accommodation & food services sector – critical to the island’s tourism industry – has also seen a dramatic fall in total employment particularly since 2001.
The changing labour market opportunities described above reflect the shift away from a primary industries to a service industries base – a path being followed in most parts of Australia, and one which is set to continue.

The following section considers the island’s industrial economy in further detail.

---

**Figure 14: KI residents working elsewhere**  
(source: 2011 Census of Population & Housing, ABS)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>67</td>
</tr>
<tr>
<td>Mining</td>
<td>64</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3</td>
</tr>
<tr>
<td>Electricity, Gas, Water and Waste Services</td>
<td>11</td>
</tr>
<tr>
<td>Construction</td>
<td>36</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>21</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>6</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>6</td>
</tr>
<tr>
<td>Transport, Postal and Warehousing</td>
<td>3</td>
</tr>
<tr>
<td>Information Media and Telecommunications</td>
<td>0</td>
</tr>
<tr>
<td>Financial and Insurance Services</td>
<td>0</td>
</tr>
<tr>
<td>Rental, Hiring and Real Estate Services</td>
<td>13</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>9</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
<td>15</td>
</tr>
<tr>
<td>Public Administration and Safety</td>
<td>15</td>
</tr>
<tr>
<td>Education and Training</td>
<td>25</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>7</td>
</tr>
<tr>
<td>Arts and Recreation Services</td>
<td>3</td>
</tr>
<tr>
<td>Other Services</td>
<td>0</td>
</tr>
</tbody>
</table>

**Figure 15: Employment by industry (selected ANZSIC classifications), 2001-13**  
(modelled data, RAI 2015)
The Island's Economy

As identified in earlier detailed work undertaken on Kangaroo Island's economy, the industrial base is relatively very narrow. The Kangaroo Island economy is firmly based upon two industry sectors – (1) agriculture, forestry & fishing and (2) tourism.

According to RAI's Pathﬁnder economic modelling data, in 2013 the KI economy generated a gross value added $185 million. As a share of the South Australian state economy, this output is relatively small.

Figure 16: Contribution to state economic outputs of reference regions (2013) (RAI 2015)

By industry sector the GVA distribution resembles the employment mix.

Table 12: Kangaroo Island's industrial base (Pathfinder Initiative, RAI 2015)

<table>
<thead>
<tr>
<th>Industry of employment (ANZSIC Level 1)</th>
<th>Gross Value Added 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>$57m</td>
</tr>
<tr>
<td>Accommodation &amp; food services</td>
<td>$14m</td>
</tr>
<tr>
<td>Retail trade</td>
<td>$10m</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>$8m</td>
</tr>
<tr>
<td>Rental, hiring &amp; real estate services</td>
<td>$3m</td>
</tr>
<tr>
<td>Transport, postal &amp; warehousing</td>
<td>$11m</td>
</tr>
<tr>
<td>Construction</td>
<td>$9m</td>
</tr>
<tr>
<td>Arts &amp; recreation services</td>
<td>$2m</td>
</tr>
<tr>
<td>Information, media &amp; telecommunications</td>
<td>$1m</td>
</tr>
<tr>
<td>Financial &amp; insurance services</td>
<td>$2m</td>
</tr>
<tr>
<td>Professional, scientific &amp; technical services</td>
<td>$4m</td>
</tr>
<tr>
<td>Administrative &amp; support services</td>
<td>$4m</td>
</tr>
<tr>
<td>Education &amp; training</td>
<td>$8m</td>
</tr>
<tr>
<td>Health care &amp; social assistance</td>
<td>$12m</td>
</tr>
<tr>
<td>Public administration &amp; safety</td>
<td>$11m</td>
</tr>
<tr>
<td>Mining</td>
<td>$0m</td>
</tr>
<tr>
<td>Other services</td>
<td>$3m</td>
</tr>
</tbody>
</table>
Agriculture

69.7 per cent of the island’s area allocated to agricultural activities and agricultural businesses dominate with 43.4 per cent of all businesses. As such, agriculture, forestry & fisheries makes the biggest contribution at $57 million, or 31 per cent of the Island’s estimated total GVA of $185 million.

Within agriculture, activities include the staples of grazing and cropping. Agriculturally-based activities have, however, become more diversified to include value-added products such as wine, cheese, olive oil, free-range chickens and Ligurian honey production.

<table>
<thead>
<tr>
<th>Commodity description</th>
<th>Gross value ($)</th>
<th>Local value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadacre crops^</td>
<td>9,119,523.92</td>
<td>8,694,075.60</td>
</tr>
<tr>
<td>Hay and Silage^</td>
<td>3,370,250.03</td>
<td>3,347,574.48</td>
</tr>
<tr>
<td>Nurseries, cut flowers or cultivated turf*</td>
<td>220,939.92</td>
<td>198,845.93</td>
</tr>
<tr>
<td>Fruit and nuts - Grapes*</td>
<td>46,367.81</td>
<td>46,367.81</td>
</tr>
<tr>
<td>Vegetables for human consumption</td>
<td>1,991,966.02</td>
<td>1,815,488.17</td>
</tr>
<tr>
<td>Livestock slaughtered &amp; other disposals</td>
<td>32,431,290.42</td>
<td>29,245,034.57</td>
</tr>
<tr>
<td><strong>Total agriculture</strong></td>
<td><strong>67,606,872.54</strong></td>
<td><strong>62,665,169.02</strong></td>
</tr>
</tbody>
</table>

**Table 103: Kangaroo Island - value of agricultural commodities produced, 2014-15 (ABS 2015)**

Notes:

* estimate has a relative standard error greater than 50% and is considered too unreliable for general use
^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

Despite this diversification, the Agriculture, Forestry and Fishing sector has seen the largest overall decline in employment - by 42.4 per cent over the period 2001 to 2013. Total employment within this sector is detailed below.

<table>
<thead>
<tr>
<th>Industry of Employment (ANZSIC Level 2)</th>
<th>2001</th>
<th>2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>372</td>
<td>380</td>
<td>357</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>27</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Forestry and logging</td>
<td>12</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Fishing, hunting and trapping</td>
<td>15</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Agriculture, forestry and fish support services</td>
<td>7</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Services to Agriculture, Hunting and trapping</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Fishing</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, forestry and fishing, no further description</td>
<td>3</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>450</strong></td>
<td><strong>437</strong></td>
<td><strong>407</strong></td>
</tr>
</tbody>
</table>

**Table 11: Employment in agriculture, forestry & fishing (total persons)**

Tourism

Tourism is considered – correctly - a strategically important industry for Kangaroo Island, providing significant employment and economic output:

- in consumer testing, Kangaroo Island rates as one of the most appealing regions in South Australia to both the Intrastate and Interstate markets.
- tourism-related industry sectors account for 15.7 per cent of businesses (Accommodation and Food Services: 7.8 per cent; rental, Hiring and Real Estate Services: 6.6 per cent; Arts & Recreation Services: 1.3 per cent).
- tourism contributes directly to 500 jobs and indirectly to 900 jobs on Kangaroo Island, 64.9 per cent of total employment; and
- 'tourism' is not a standard industry classification, however Tourism Research Australia estimates that the direct and indirect contribution of the industry to the local economy is $134 million (2013-14). Direct contribution to KI’s gross regional product (GRP) is $36 million and, indirectly, $98 million.
Although a significant contributor to the local Kangaroo Island economy, due to the economy’s small size, Kangaroo Island only ranked 11th in overall industry size compared to South Australia’s tourism regions, supplying just 1.9 per cent of the state-wide contribution of tourism (table 12 below).

**Table 12: South Australian tourism regions’ gross regional product and employment**
(Source: Tourism South Australia)

<table>
<thead>
<tr>
<th>Tourism Region (SA)</th>
<th>Direct tourism contribution – GRP ($m)</th>
<th>Direct tourism contribution (% state total)</th>
<th>Employment ('000)</th>
<th>Total contribution - GRP ($m)</th>
<th>Employment ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adelaide</td>
<td>1,636</td>
<td>68.0%</td>
<td>20.4</td>
<td>2,703</td>
<td>29.4</td>
</tr>
<tr>
<td>Flinders Ranges &amp; Outback</td>
<td>123</td>
<td>5.1%</td>
<td>1.4</td>
<td>281</td>
<td>2.7</td>
</tr>
<tr>
<td>Eyre Peninsula</td>
<td>121</td>
<td>5.0%</td>
<td>1.5</td>
<td>293</td>
<td>3</td>
</tr>
<tr>
<td>Fleurieu Peninsula</td>
<td>113</td>
<td>4.7%</td>
<td>2.1</td>
<td>360</td>
<td>4.2</td>
</tr>
<tr>
<td>Limestone Coast</td>
<td>110</td>
<td>4.6%</td>
<td>1.8</td>
<td>259</td>
<td>3.1</td>
</tr>
<tr>
<td>Yorke Peninsula</td>
<td>53</td>
<td>2.2%</td>
<td>0.9</td>
<td>236</td>
<td>2.4</td>
</tr>
<tr>
<td>Adelaide Hills</td>
<td>53</td>
<td>2.2%</td>
<td>1.1</td>
<td>260</td>
<td>2.8</td>
</tr>
<tr>
<td>Murraylands</td>
<td>54</td>
<td>2.2%</td>
<td>0.7</td>
<td>167</td>
<td>1.7</td>
</tr>
<tr>
<td>Riverland</td>
<td>49</td>
<td>2.0%</td>
<td>0.7</td>
<td>191</td>
<td>1.9</td>
</tr>
<tr>
<td>Barossa</td>
<td>40</td>
<td>1.7%</td>
<td>0.6</td>
<td>216</td>
<td>2.2</td>
</tr>
<tr>
<td>Kangaroo Island</td>
<td>36</td>
<td>1.5%</td>
<td>0.5</td>
<td>134</td>
<td>1.3</td>
</tr>
<tr>
<td>Clare Valley</td>
<td>18</td>
<td>0.7%</td>
<td>0.3</td>
<td>122</td>
<td>1.2</td>
</tr>
<tr>
<td>Regional South Australia</td>
<td>771</td>
<td>0</td>
<td>11.7</td>
<td>2,518</td>
<td>26.6</td>
</tr>
<tr>
<td>Adelaide</td>
<td>1,636</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>2,407</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Regional Product</td>
<td>$36 million</td>
<td>$98 million</td>
<td>$134 million</td>
</tr>
<tr>
<td>Employment ('000)</td>
<td>0.5</td>
<td>0.9</td>
<td>1.3</td>
</tr>
<tr>
<td>Employment</td>
<td>22.9% of total</td>
<td>42.0% of total</td>
<td>64.9% of total</td>
</tr>
<tr>
<td>Share of Gross State Product</td>
<td>1.5%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>


KI enjoys a relatively even mix of Intrastate, Interstate, and International visitation, but its growth has been driven by the International market, and in the last several years, the interstate market as well. According to one report on the KI tourism industry, total visitation increased by 32 per cent over the ten year period 2001-2011 and tourism expenditure on KI was projected to grow by 49 per cent over the period 2011-2020. These projections appear to have been optimistic - the results for international holiday stopovers have been more mixed in the following four years, as shown below:
The Case for Kangaroo Island

Figure 17: Kangaroo Island holiday stopovers by international tourists (International Visitors Survey, Tourism Research Australia, 2015 (forthcoming))

Kingscote airport

The future development of Kingscote Airport has been evaluated in detail elsewhere and is currently subject of consideration. It is worth noting, however, that passenger movements in and out of Kingscote Airport have declined enormously since the late 1990s and are now at a level approaching that of the late 1980s.

This substantial decline is contrary to the trend for other regional airports and indeed for Australian passenger numbers as a whole, including the airport on King Island and the closest regional airport to Denmark, located at Esperance. (Refer to Kingscote Airport Compared 1985-2014 figure below.)

Figure 3: Kingscote Airport compared 1985-2014 (Total Revenue Passengers, Regular Public Transport operations only; BITRE 2015)
The Case for Kangaroo Island

Competitiveness

The comparison of Kangaroo Island with the reference regional LGAs around Australia provides an overview of the relative competitive strengths and challenges within the local economy.

The overall competitiveness of any region is best understood by considering three groups of themes.

- **three themes** – economic fundamentals, labour market efficiency and business sophistication – provide a read on how the current state of the economy is supporting local economic success (top right hand area of the graph).
- **five themes** – innovation, technological readiness, human capital, infrastructure and institutional foundations – capture the state of long term endogenous growth factors that enable a local economy to succeed over time (bottom of the graph).
- **two themes** – demography and natural resources – indicate how the fundamental forces of population change and natural resource endowment are supporting competitiveness and economic opportunity (top left).

*Figure 19: [In]Sight: Australia's regional competitiveness index, RAI 2014 (LGA Rankings (n=560))*

According to the RAI’s [In]Sight index, competitiveness KI’s economic fundamentals and labour market efficiency is strong compared to the comparator regions – primary a result of low unemployment. Strong business turnover, building approvals, low unemployment and high participation are competitive strengths for KI. Business sophistication is weaker due to a lack of economic diversity and lower incomes for micro businesses.

Overall, the long term capacity for endogenous growth is less competitive. Institutional foundations is the strongest area in this group of themes reflecting high rates of volunteering and good community skills and leadership capacity.

KI is less competitive in access to infrastructure and essential services, human capital, innovation and technological readiness - creating challenges for long term economic development. This pattern is common to the comparator regions with the exception of human capital in Denmark which is consistently more competitive overall and relative to this group of LGAs.

In contrast, natural resources are a fundamental competitive strength for KI, reflecting the diversity of resources available including agriculture, timber, fishing, coastal access and national parks.\(^{31}\)
This comparative look at competitiveness shows that KI’s competitive position is generally aligned to similar regions in other areas of Australia. Good engagement of the local population in jobs and the community and some strong economic fundamentals as well as the diverse natural resource base are natural sources of competitive strength.

However the island will be challenged to overcome less competitive human capital and less competitive population dynamics to develop new sources of growth. Limits to technological readiness and infrastructure access can be lowered through smart investment, and innovation improved through the development of the start-up and business culture. This investment and change may also help to increase the flows of population and human capital into the community helping to lower other competitive barriers.

Forecasts

The RAI’s model of the national economy enables consideration of regional economic strengths, weaknesses and forecasts. The model data itself was supplied by PricewaterhouseCoopers, using their Geospatial Economic Model. The RAI has taken this information and developed a set of frameworks for putting region’s futures into the context of the national economic picture. The data include a historical breakdown from 2001 – 2013 of output and employment, by industry, by LGA.

A set of forecasts are also included in this data, and commence in 2013 and extend out to 2031. The forecasts are predicated on three scenarios of the evolution of the national economy. A baseline scenario, which assumes Treasury medium term projections, an optimistic scenario (akin to John Edwards’ views on the future for the Australian economy), and a pessimistic scenario (akin to Ross Garnaut’s ‘dog days’ scenario for the economy). One of the main insights generated from this analytical approach has been a means of categorising LGAs’ expected performance, and the sensitivity of their growth to various factors. Having that range of scenarios – rather than point forecasts, has allowed RAI to categorise the sensitivity of various regions to change. The following graphic sums up some of the main insights of this approach.

**Figure 20: Regional potential matrix (Pathfinder Initiative, RAI 2015)**

- **High performance zones**
  - outperform all other LGAs, regardless of macroeconomic conditions
  - diverse & dynamic economies with medium to large-size populations
  - typically strong services focus

- **In-tune economies**
  - outperform other LGAs in good times, fall behind in tough times
  - sensitive to macroeconomic conditions
  - diverse economies with medium-sized populations

- **Tailing communities**
  - LGAs whose relative share of the economy falls regardless of conditions
  - usually centred around primary production
  - typically have small populations with minimal dynamism

- **‘Barbell’ regions**
  - futures are inversely linked to macroeconomic conditions or external factors
  - lack a typical economic structure, however industry diversity is relatively uncommon
How does Kangaroo Island fit into the model?

Under this framework, Kangaroo Island is a ‘barbell region’. This means that the Island’s economic future is independent of macroeconomic conditions, when considered in the context of the performance of other LGAs in the country.

This implies that there is some other driver of economic performance which determines the Island’s future which is exogenous to the Australian business cycle. This can be positive (such as during an agricultural commodities boom that is unrelated to the Australian business cycle) or negative (such as a place undergoing a rough transition after losing a major industry while the rest of the national economy has been growing steadily).

The GVA forecasts for Kangaroo Island provide some insight into the nature of this exogeneity. The chart below shows that the value of agriculture is expected to continue to increase (as productivity continues to improve) along with steady increases in GVA for Construction and most of the service industries – especially tourism related Retail and Accommodation & food services, and national growth industry Health care & social assistance. The overall forecast is for GVA to increase by 41 per cent from $185 million in 2013 to $260 million in 2031.

Figure 21: Gross value added by industry sector, Kangaroo Island 2013 and 2031 (RAI Pathfinder Initiative, modelled estimates, ($m) 2013 and 2031)
Socio Economic Characteristics

Commonalities

Many of Kangaroo Island’s socio-economic characteristics are shared with other agricultural/tourism regions – especially those over three hours drive from a major city. These features were highlighted earlier:

1. slow (or declining) population growth rate;
2. agriculture the most significant industry sector;
3. seasonal tourism, leading to difficulty maintaining hospitality and tourism businesses year round;
4. relatively low average incomes;
5. high freight costs;
6. the absence of educational and other opportunities locally leading to relatively fewer 15-25 year old residents; and
7. a tight labour market with relatively poor employment opportunities.

Differences

Despite these similarities, Kangaroo Island is distinct from other regions.

The ‘Water Gap’

The ferry service has a series of impacts on Kangaroo Island:

- additional freight costs – particularly for businesses;
- delays in receiving parts/components (eg for construction and maintenance);
- disruptions caused by services cancelled in bad weather; and
- additional time and cost to reach specialist health, education and other services on the mainland.

Small regional centre

Kingscote’s resident population is around 1,600 people – relatively very small for the largest population centre in a local government area. This low population, coupled with the low population density across the rest of Kangaroo Island, places limits on the extent of services (public and private) that can be delivered efficiently across the Island. It has been difficult for service providers to provide the breadth and depth of services expected by the Island’s residents in this low density and dispersed population environment.

High peak population

Kangaroo Island has a high proportion (around 40 per cent) of non-resident ratepayers using their homes for holidays. This, coupled with the Island’s role as a popular holiday destination for occasional visitors, brings a much larger service population in peak times than the official ‘estimated resident population’ would suggest. The peak service population is likely to be at least double the long term resident population. Providing services in this environment of a low off-season trough and very high season peak is difficult for both private providers (services, retail etc) and public providers (community, health, recreation etc).

Fewer older people than expected

A closer look at the age profile of Kangaroo Island residents shows that there are fewer people aged over 65 than in other comparable regions. Compared to both the reference regions on the Fleurieu Peninsula, Kangaroo Island has a significantly lower proportion of the estimated resident population aged 65 years and over at 24.1 per cent, compared to Yankalilla 35.8 per cent and Victor Harbor 35.9 per cent.

This may be because of the perceived isolation of the Island, which may lead to people leaving for larger settlements (with better medical services available on demand) as they age. While there are clearly some people coming to Kangaroo Island to retire (162 new residents aged 55 to 69 arrived between 2006 and 2011 – 19 per cent of all new residents), there are others leaving as they age.
Fewer young people than expected

At the other end of the age spectrum there are fewer people aged 10 to 15 on Kangaroo island in comparison to other similar regions. This may well be due to students being sent to mainland boarding schools quite early so they can settle in and prepare for the HSC, rather than completing Year 10 on the Island and then leaving.

Rental accommodation buffer

The high proportion of non-resident ratepayers in the housing stock is considered a buffer on medium-long term rental stock. With sale prices low, as in the current market, if rental demand were to increase due to some business growth the owners of some of these properties are likely to offer their properties to the rental market. This is potentially important as the current stock of rental properties is quite low, as are returns on investment properties – a combination which could lead to a short-term squeeze on rental housing if demand were to increase quickly.

Discussion Points

1 Shared vision

There are signs that different parts of the community hold different values in relation to decision-making, tourism, agriculture, lifestyle and land use conflicts. The pursuit of development of the island’s tourist facilities, for example will continue as a challenge for island residents, particularly in relation to protection of environmental values.

What’s the shared vision for KI? Are some segments of the community more likely to resist change, and others to embrace change? What has been the community reaction to new investment proposals – eg new subdivisions or new hotels? Are differing views (if they exist) acting as a brake on economic development? If so can a shared vision for KI be determined?

2 Freight costs

Reduced freight costs would improve business profitability. Freight costs are borne more by businesses than consumers, and are not always passed on. Reduced freight costs would improve profitability of businesses selling on the Island and competitiveness of businesses exporting products off it. But how could the cost reduction happen – greater subsidies or stricter ‘community service obligations’?

What are the realistic options for resolving the comparative expense of SeaLink freight?

3 Accessibility of essential services

Our benchmarks show that in relation to comparable regions Kangaroo Island faces challenges in accessing some essential services, including training and health.

How can services be delivered more efficiently to meet peak need and service all residents?

4 Labour force

Few residents are unemployed or available for additional work. Most residents seem to have assembled a mix of work which suits their needs, leaving few available for new work should vacancies and opportunities arise. Availability of labour, and of labour with the right skills in particular, is likely to be a constraint on economic growth.

Is there a role for the SA government in establishing a needs-based ‘skilled migration’ program for KI?

5 Industry growth

Kangaroo Island is significantly more reliant on the tourism industry than the rest of the State’s regions.

Is KI’s future best served by industry diversification or consolidation? Either pathway is a means to an end – not an end in itself, with the end being that average incomes rise to increase per capita spending and broaden the business mix. For consolidation, what can be done to increase agriculture and fishing value adding and/or profitability? And for diversification, it will rely on new investment/additional spending by residents and visitors, or leveraging some other aspects of the Island’s business environment to improve firm competitiveness. Seasonality will be a constraint, as will the lack of motivation/incentive/financial returns to, for example, stay open on the weekend. Few shops are open on the weekend as business owners too like their sports on Saturday and dislike paying penalty rates, but there is a vicious cycle here preventing upscaling of the hospitality offer on the Island.
Can businesses be supported somehow to be more entrepreneurial and take more risks?

6 Realistic Development Goals

Over recent years a range of aspirational goals for Kangaroo Island’s development have been set. Goals such as ‘doubling farm gate incomes and the tourism industry’ within a decade need to be underpinned by a set of actions which will underpin progress.

- What are the realistic opportunities for development of agriculture on the island?
- What are the particular constraints on growing the island’s agricultural output? Is access to land critical or can productivity of the existing acreage be improved? What agricultural products are most suited to the particular climate and water supply on Kangaroo Island? Are the costs of production inputs and transportation of products to the mainland prohibitive for the competitive supply of certain products?
Appendix 1: Review of related reports, strategies & plans

Kangaroo Island’s future has not lacked a volume of consideration in recent years. The following review encompasses several detailed reports which provide useful insights into the issues and prospects facing Kangaroo Island.

TOMM Kangaroo Island Committee Residents Survey
Greenhill Research and Planning (February 2015)

The most recent residents’ survey found that economic circumstances are more positive for residents than they were two years ago. The survey found that ‘lifestyle’ is the most frequently cited reason for living on KI. Tourism is perceived to have a positive impact on quality of life, although there are concerns that tourism development might have adverse impacts. Indicators which continue to decline are those that measure more external impacts such as the impact of tourism for region, the perceived balance between tourism and environmental sustainability, and the opportunity to influence the direction of tourism.

Second homes and changing populations:
Impacts and implications for local government in South Australia
Chris Paris, Charmaine Thredgold, Bradley Jorgensen & John Martin (June 2014)

This study addresses an important characteristic of KI’s housing sector – the high proportion of second homes (owned by non-resident ratepayers).

- In June 2013 there were 3,126 dwellings on Kangaroo Island, with around 60 houses having been built per annum between 2001 and 2013. With around 40 per cent of dwellings on the Island being unoccupied, most new development has been holiday homes.

The study noted that across South Australia high proportions of holiday homes equate to high ‘peak season’ service loads not recognised by the official population statistics:

- Many LGAs consider that Grants Commission funding should reflect the impact of seasonal variations in service demand rather than census-based populations.

The study noted that recent changes to the Island’s development plan have removed policy limiting tourism development in rural areas, including local policy that had established an Island-wide limit on the number of tourist accommodation units that might occur outside of defined zones (e.g. townships, tourist accommodation zones etc).

The study confirmed findings of other work in relation to employment levels on KI, noting that many permanent residents of country areas, for example on Kangaroo Island, may have several low-paid part-time jobs, so a low recorded level of unemployment may not equate with high incomes.

Promoting Growth in the Kangaroo Island Economy: Suggestions for an Action Blueprint
Kangaroo Island Futures Authority (2013)

The Kangaroo Island Futures Authority was formed in response to recommendations by the Kangaroo Island Development Board in 2011. KIFA’s blueprint focused on the governance and coordination improvements required to drive the island forward.

Importantly, the report highlighted the need to engage the local community to work together, the imperative to increase the profile of KI with commonwealth and state agencies, and identified a need to differentiate KI from the broader south-east SA region for policy purposes.
The blueprint recommended:

- a whole of Island governance structure be established;
- one organisation should have clear overall responsibility for the governance structure;
- KI Plan implementation should have Executive and Action groups with clear mandates; and
- improved co-ordination between the discrete plans and reports.

The eight key priorities comprised land use planning, government services and administration, branding, tourism, infrastructure utilities and communications, business and economy, sea and air access, and community.

In terms of economic development, growth in the agriculture and tourism sectors were viewed as pivotal. The report recommended an integrated approach to addressing barriers to growth including a constrained energy supply and the high costs of business inputs.

**Impact of Agriculture and Tourism Industries on the Kangaroo Island Economy**

Econsearch on behalf of KIFA (June 2013)

The KIFA-commissioned study conducted by Econsearch in 2013 presents the results of economic impact modelling and scenario implications for the Agriculture and Tourism Industries on KI.

The study provided an economic impact analysis under three scenarios – low, high and moderate growth. The analysis considered the following in detail:

- profile of economic activity on Kangaroo Island;
- economic contribution of tourism;
- economic contribution of agriculture; and
- pathways to growth through (a) tourism and (b) agriculture.

The study reiterated that KI's economy is highly-dependent upon the agriculture and tourism sectors and these will remain the mainstay of the island’s economy. According to Econsearch, the pursuit of diversification as a key strategy has seen the island’s economic base expanded slightly. Recently there has been growth in new industries – horticulture, aquaculture and sustainable energy (including the development of wind energy).

The report identified the allocation of water resources as a growth limiting factor for agriculture and the impact of land use planning and environmental considerations as constraints on economic development. Declining population growth and high labour force participation were also identified as potentially problematic.

The authors also cited the lack of availability of consistent data as a further potential growth constraint.

**Paradise Girt by Sea: sustainable economic & social development for Kangaroo Island**

South Australian Economic Development Board Report to Government (2011)

This study emphasised the extent to which local services businesses (and community organisations) struggle to achieve a viable scale because of the low, geographically dispersed population. Administration and delivery of state government services is fragmented and Kangaroo Island Council revenue is stretched because of its small taxpayer base and conflation of responsibility to provide both municipal services and tourism infrastructure. KI has an ageing population, a relatively low average income, poor educational outcomes and a high vacancy rate.

The study noted that the causes are chronic, complex and long standing – they include cost of inputs, cost of delivery, infrastructure exhaustion and bottlenecks.

The study recommended solutions that create a sustainable social and economic future for KI, whilst preserving the island’s environmental assets. The main issues were upgrade of the airport and runway, exclusive accommodation, power supply and distribution network and the island’s road network.

Recommendations were for actions to advance:

- ‘joined up government’;
- double tourist numbers and farm-gate incomes within a decade;
- youth labour force engagement;
- airport improvements;
roads capacity improvement by designating a sealed road loop a 'state road';
• farming freight subsidy and cost of freight to be subsidised - or charges for Sealink to be subject to price control;
• reviewing power and telecommunications requirements;
• development of the Kingscote wharf precinct; and
• financial and tax reforms to through:
  • Kangaroo Island Council financial sustainability;
  • Kangaroo Island free of State Land tax and Conveyancing Duty for a five year period; and
  • establishment of the Kangaroo Island Futures Authority.

Kangaroo Island Plan: A volume of the South Australian Planning strategy
Government of South Australia, Department of Planning and Local Government (January 2011)

The State Government’s Kangaroo Island Plan highlighted as key issues for the island:
• environment and culture;
• economic development;
• population and settlements; and
• infrastructure and services provision.

This document was limited in its consideration of the specific circumstances or developmental requirements of Kangaroo Island and contained general policy priorities only.

Kangaroo Island Watergap Recognition Project, 2009
Prepared by Meyrick and Associates (June 2006)

This report explored the extent to which Kangaroo Island’s residents and businesses are disadvantaged relative to their mainland counterparts, provides recommendations for addressing the high cost of ferry services and presented estimates of the economic impact that would result from the proposed policy measures.

The report identified a 'raft of social disadvantages' imposed by the transport high cost of transport to the mainland and found that the tourism and agriculture industries have a resultant competitive disadvantage.

The report suggested that a Commonwealth government freight subsidy was feasible given the intrastate extension of the Tasmanian Freight Equalisation scheme. A South Australian Government passenger vehicle subsidy was deemed feasible due to the policy precedent set by the funding of Murray River crossings.

Kangaroo Island Strategic Tourism Plan, 2006
Prepared by Urban & Regional Planning Solutions in association with Ecological Associates (June 2006)

The Integrated Strategic Plan for tourism addressed the following key areas:
• the economic contribution of tourism to the region and how to enhance it;
• growth scenarios and targets;
• current trends in who is visiting the region;
• ways for Kangaroo Island to differentiate itself from other regions through positioning, branding and marketing initiatives;
• an understanding of the value of the Island’s ecological assets and how to protect these;
• the characteristics of the markets (visitor segments) we want to attract and how best to match their needs with available product;
• product gaps and opportunities for product reinvigoration;
• additional infrastructure and facilities required to support tourism experiences;
• building a culture of service and support; and
• the need for changes to planning policies to facilitate sustainable tourism development.

The plan recommended actions – including clearly identifying their target market and their values – enabling Kangaroo Island to increase total visitor numbers by 1-2 per cent per annum, increase the average length of stay for domestic travellers to 6 nights and international visitors to 3 nights and increase average daily

The Case for Kangaroo Island
The estimated increase in the economic contribution of tourism over the following 5 years was 5-8 per cent and the increased in the number of jobs in tourism related businesses was 5 per cent.

**Kangaroo Island Destination Action Plan, 2012-2014**

Developed by the South Australian Tourism Commission & Kangaroo Island Council (May 2012)

The Kangaroo Island Destination Action Plan, 2012-2014 provides a summary of the Kangaroo Island tourism industry over recent years, largely presenting a favourable picture of the industry’s recent growth and potential.

Over the last 10 years, tourism to Kangaroo Island has increased, with total visitation up 32 per cent, bucking the national and state trends over the same period (Source: Tourism Research Australia, 2011).

KI enjoys a pretty even mix of Intrastate, Interstate, and International visitation, but its growth has been driven by the International market, and in the last several years, the interstate market as well.

**Future Growth – tourism expenditure in Kangaroo Island is projected to grow by 49 per cent by December 2020** (Source: BDA Marketing Planning from TRA/NVS/IVS/Access Economics, 2011). By focusing on key strategic areas outlined in this plan, Kangaroo Island has the potential to contribute to the 2020 SA Strategic Plan goal by potentially growing 79 per cent over that period into an industry worth $180 million to the region (SASP 2020).

In consumer testing, Kangaroo Island rates as one of the most appealing regions in South Australia to both the Intrastate and Interstate markets, however significant caveats are required:

- the number of people that actually convert to a holiday there is relatively low – 85 per cent of people wanting to go there never do;
- fourteen per cent of SA residents have a preference to travel to KI, but only 2 per cent travelled there in 2010;
- ease and cost of access is Kangaroo Island’s #1 issue to be addressed to grow tourism;
- the diversity, cost, and ease of booking tourism products, and awareness of high-end options, are also perceived barriers to conversion for consumers;
- seventy per cent of the domestic market is unaware of what a KI holiday can offer, so there is still work for marketing to do;
- events on KI rate well because KI rates well, but accommodation limits the viability of some event concepts; and
- the current room mix is very good, although 13 per cent of room stock could be shifted from three to four-star.

Target Markets for KI include high yield visitors, however given the destination’s high appeal across markets, visitors are targeted from within South Australia, domestically and internationally.

**Strategic Focus**

Kangaroo Island is one of South Australia’s strongest tourism assets. It has the potential to grow even further without sacrificing its consumer appeal as ‘Australia’s Galapagos’. To do that, we must address the logistical barriers of a Kangaroo Island holiday to maximise conversion of high appeal: ease and cost of access. In the short to medium term, Kangaroo Island will remain a priority for marketing activities, domestically and internationally, while ground and access development will bolster the Island’s offering in the long term.

**Key Findings**

Several key challenges facing Kangaroo Island were reiterated:

- high costs due to sea freight charges: these act as constraints upon both businesses and the accessibility of mainland services available to residents;
- labour market opportunities: whilst there is relatively low reported unemployment, the opportunities available to most residents are relatively low-wage and seasonal such that many residents have assembled a portfolio of work to meet their needs;
- industry: The need for both industry diversification whilst better harnessing the island’s key strengths (agriculture and tourism);
- land use planning and conflicts between tourism and other land uses operate as constraints upon economic development; and
- the adequacy of on-island services to meet the needs of its population require attention: service delivery is subject to a peak loads for infrastructure and service delivery – i.e. service population higher at peak times than official statistics suggest.
Appendix 2: Reference Regions

To assist comparison, a group of reference regions within Australia have been selected.

Kangaroo Island, Yankalilla & Victor Harbor

To compare Kangaroo Island to regions nearby on the South Australian mainland, Yankalilla and Victor Harbor have also been included. These comparisons are particularly important as they provide evidence of the significant economic and demographic differences between Kangaroo Island and the Fleurieu Peninsula.
King Island

Denmark
<table>
<thead>
<tr>
<th>Population</th>
<th>Kangaroo Island</th>
<th>Yankalilla</th>
<th>Victor Harbor</th>
<th>Denmark (WA)</th>
<th>King Island (TAS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Resident Population (persons)</td>
<td>4,553</td>
<td>4,532</td>
<td>14,639</td>
<td>5,811</td>
<td>1,605</td>
</tr>
<tr>
<td>Growth rate</td>
<td>0.42%</td>
<td>0.64%</td>
<td>2.03%</td>
<td>3.4%</td>
<td>-1.02%</td>
</tr>
<tr>
<td>Area (sq. km)</td>
<td>1859.9</td>
<td>55,408</td>
<td>128.3</td>
<td>2,759.7</td>
<td>100.6</td>
</tr>
<tr>
<td>Children (0-14 years)</td>
<td>20.0%</td>
<td>12.8%</td>
<td>12.7%</td>
<td>16.0%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Youth (15-24)</td>
<td>7.9%</td>
<td>6.1%</td>
<td>6.0%</td>
<td>9.8%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Working age (15-64)</td>
<td>55.8%</td>
<td>51.4%</td>
<td>51.4%</td>
<td>62.5%</td>
<td>65.2%</td>
</tr>
<tr>
<td>Seniors (65 &amp; over)</td>
<td>24.1%</td>
<td>35.8%</td>
<td>35.9%</td>
<td>21.5%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Population density (persons/ sq.km)</td>
<td>2.45</td>
<td>0.08</td>
<td>114.10</td>
<td>2.11</td>
<td>15.95</td>
</tr>
</tbody>
</table>
Appendix 3: 'Island Life' Case Studies

Case studies of international experience in island economic development

This section presents short case studies of three island economies that are to some extent similar to Kangaroo Island in terms of factors such as population size, industrial structure, geographical features, and local governance context, from which lessons can be drawn. The islands selected for case studies are the Aran Islands (Ireland), the Isle of Bute (Scotland), and Anglesey Island (Wales).

The Aran Islands, Ireland

The Aran Islands is a remote community of islands off the west coast of Ireland with a population of 5,045. Their remote location gives rise to low levels of development in infrastructure, lagging the national average.

These islands have experienced a much higher level of unemployment compared to the national average. In 2006, the rate of unemployment in Aran Islands was about 20 per cent, four times higher than the then national average, and rose to 27 per cent in 2011.

As of 2011, the structure of the Aran Islands’ economy is characterised by a higher than national average concentration of lower value industries – mainly agriculture, forestry and fishing. Access to technological infrastructure in the Aran Islands also lags the national average, and the average in the West of Ireland, with over half of the islands' households having no broadband internet access as of 2011.

One of the key public services provided for the Aran Islands is the public service obligation (PSO) air service. The main rationales for the Irish governments at the national and state levels to support and fund the PSO air services program are the social values of the program as well as implementing the redistributive function of public spending in support of disadvantaged regions. Specifically, regional public policy in Ireland for inhabited islands focuses on key aspects including sustainable development, improved access, promotion of the Irish language and tourism.
In addition to the ferry service, the PSO air service is a key transport service aimed at improving the connectivity between the Aran Islands and the Irish mainland. According to a recent commissioned review of the air service, although a tourism-motivated justification for the necessity of the air service was particularly strong in the case of the Aran Islands, there is also a strong socio-economic business case for funding the on-going operation of the air service.  

Isle of Bute, Scotland

The second case study is the Island of Bute, which is a part of the Bute and Cowal administrative area of the Argyll and Bute Council off the west coast of Scotland.

With a population of 7,228 (as of 2001), Bute Island is the most populated of the island group, accounting for nearly half of the total population of all Argyll and Bute’s inhabited islands.

There is one main population centre, Rothesay and several villages on the island. The sparsely-populated northern part forms part of a ‘National Scenic Area’.

Whilst the island hosts an annual agricultural festival showcasing a multitude of products – including cattle, sheep, dogs and even pigeons, it’s perhaps not the most fertile ground for agricultural activity: the area is not regarded as particularly favourable for the production of high-value added products.
The Isle of Bute faces a number of challenges reminiscent of those facing Kangaroo Island including lack of population growth and a sluggish tourism-dependent economy.

There are two ferry services connecting the island to the Scottish mainland. From the main town, Rothesay, Bute can be reached by ferry the Scottish mainland to Wemyss Bay. The trip takes 35 minutes and there is an onward rail link to Glasgow. European rules require that the provision of ferry services are open to competitive tender. Generally lacking of profitability requires substantial state subsidisation.

Although the operating vessels are relatively new, as a result of major mechanical difficulties, there have been substantial delays and interruptions to the service connecting the island’s major centre. Rothesay has also been granted a multi-million pound harbour development project just in time for an arrival of the next generation lower firth ferries Argyle and Bute37. Whilst a positive development, construction activities due to commence later this year at the port will see the crossing time from a temporary location stretch out to one hour.

Whilst domestic tourism has increased since the 2007 recession, the island is no longer quite the tourist destination it used to be with more domestic tourists going to warmer countries such as Spain.

The local economy is relatively volatile given its dependence on tourism – an industry highly subject to the increased accessibility of international destinations, the seasonal nature of the island and the reliance upon sea transportation. As on Kangaroo Island local workers take multiple jobs during the tourism low season and commute to other areas for opportunities of employment or better pay. The low level of employment availability is also evidenced through the limited level of business start-up activities – just 13 business start-ups occurred in the three first quarters of 2014.

As on Kangaroo Island, educational services on Bute have seen rationalisation. There are three primary schools in the main town, however the only secondary school campus was in 2007 merged with one of the primary schools to form a joint campus school.

Evidence of the effects of the challenges presented above is perhaps demonstrated in the marked decline in its population. In 2011 Bute’s resident population was 6,498, a decline of over 10 per cent from the figure of 7,228 recorded in 2001. This decline is substantial against a 4 per cent increase for Scottish island populations as a whole over the same decade.38

Anglesey Island, Wales

The Isle of Anglesey Island in Wales is another example that represents an island economy facing challenging times, albeit one having a much larger population size (69,751 in 2011) than that of Kangaroo Island.
The level and growth rate of economic output in Anglesey has continued to lag other regions of the UK. The island experienced a 1.5 per cent reduction in GVA per capita between 2012 and 2013. The island produced the lowest economic value add in the UK in 2013 with a Gross Value Added (GVA) per head at £11,368 (just 48.6 per cent of the UK average per head). This poor performance was attributed to the limited new inward investment and business growth on the Island.

The local reality represents a stark contrast to the targets set by the Anglesey’s economic development authority in their 2004-15 strategy, one of which was to raise the island’s total economic output growth from 64 per cent of the UK average in 2003 to 72 per cent in 2015.
Appendix 4: Kangaroo Island as biodiversity hotspot and authentic environmental experience

Dr Amber S. Beavis, Regional Australia Institute, September 2015

Australia has fifteen National Biodiversity Hotspots that have been identified by the Australian government as containing particularly high levels of biodiversity that are under threat. Kangaroo Island constitutes the seventh most significant of those biodiversity hotspots.

A biodiversity hotspot is a geographic area that:

- supports natural ecosystems that are largely intact with good representation of native species;
- has a high diversity of endemic species, that is, contains species that are exclusively found inside a specific geographic region and nowhere else;
- is undertaking management activities that expose natural resources to risk; and
- has the potential to provide value-for-money in conserving biodiversity.

Kangaroo Island contains the proportionally greatest area of native vegetation in South Australia’s agricultural zone, and it is one of the largest areas in Australia that is rabbit and fox free. The island is home to fourteen nationally threatened plants (including the endangered Pink-lipped Spider-orchid and the White Spider-orchid), and four nationally threatened animals: the Glossy Black Cockatoo, the Kangaroo Island Dunnart, the Southern Brown Bandicoot and the Heath Rat.

In addition to the threatened and endangered species that inhabit Kangaroo Island, the island is home to a remarkably diverse range of native flora and fauna. Twenty-five species of non-marine mammals (including bats and platypus) and seventeen species of marine mammal are known to occur on Kangaroo Island. Over 250 species of bird reside on the island, ranging from the Little Penguin to the Glossy Black Cockatoo to the Grey Currawong. Kangaroo Island has a strong birding community with excellent resources for visitors. In fact, a range of ecotourism activities are well established on the island.

If well managed, biodiversity hotspots provide excellent opportunities for sustainable ecotourism. Kangaroo Island provides opportunities for visitors to see native wildlife up-close and in their natural habitat. Consequently it is an attractive destination for both tourists and business travellers to the region. Authenticity is increasingly important in engaging visitors to cultural and natural attractions. Consequently, close encounters with wildlife such as the little penguins at Penneshaw constitute unique experiences for Australian and international tourists.
Appendix 5: Supplementary Data

Kangaroo Island Population Inflow
(Residents living elsewhere 5 years ago by age group, ABS 2011)

Estimated Resident Population, 2025 compared to 2014
(percentage of total population by 5 year age groups)
About the Regional Australia Institute

Independent and informed by both research and ongoing dialogue with the community, the Regional Australia Institute (RAI) develops policy and advocates for change to build a stronger economy and better quality of life in regional Australia – for the benefit of all Australians. The RAI was established with support from the Australian Government.

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Regional Development Australia – Adelaide Hills, Fleurieu Peninsula & Kangaroo Island (September 2013). Regional Roadmap 2013-2016. Strathalbyn, South Australia.


End Notes

1 The findings of three case studies are presented in Appendix 3.


3 Refer to figure 11, Average wage & salary earner statistics.


5 Various sources, accessed September 2015.

6 According to Rex, their existing services could cope with demand of 60,000 passengers per year.

7 Refer to A Business Case for the Upgrade of the Kangaroo island Airport at Kingscote, Kangaroo Island Council, May 2013.

8 Refer to the Kangaroo Island Watergap Project report commissioned in 2009 and summarised in Appendix 1.

9 Despite some of the challenges and additional costs associated with owning stores on the Island, it is interesting to note that both the supermarket manager and the hardware store owner noted that one of the advantages of living on the Island for their business was that there was little competition. To some extent this domination of the local market may compensate for some of the freight costs incurred. However, as the hardware store owner noted, despite a lack of competition, it is equally a small market and therefore it is hard to grow your business beyond a certain point.

10 TOMM Kangaroo Island Committee Residents Survey, Greenhill Research and Planning, February 2015.

11 61.6% of private dwellings were occupied and 38.4% were unoccupied, 2011 Census of Population & Housing, ABS.

12 40% of its residential ratepayers (4,223 persons) residing outside the Council area. Some 25% of these (1,090 persons) own vacant land, with the remainder either renting their properties to others or using them as ‘holiday homes’ for weekend getaways or summer holiday ‘shacks’. Over the summer holiday season the Victor Harbor population almost trebles within the space of a few days. In contrast, during the winter months, up to 900 households head north each year seeking warmer weather. Refer to Victor Harbor Urban Growth Management Strategy 2013-2030, City of Victor Harbor, September 2013.

13 See appendices for ‘Kangaroo Island Residents living elsewhere 5 years ago by age group’.

14 National Regional Profile, ABS 2013.

15 The Australian Early Development Service (AEDC) is a full-population census of children’s health and development in their first year of full-time school. It provides a picture of early childhood development outcomes for Australia and was conducted nationwide in 2009 and 2012. The results from the AEDC provide communities and schools with information about how local children have developed by the time they start school across five areas of early childhood development: physical health and wellbeing, social competence, emotional maturity, language and cognitive skills (school-based), and communication skills and general knowledge. The AEDC results report on the number of children scoring in the following percentile ranges: 0 to 10th percentile (developmentally vulnerable), 11th to 25th percentile (developmentally at risk) and above the 25th percentile (developmentally on track).

16 Regional Overview – Kangaroo Island, Department of Infrastructure, Government of South Australia, p.164.


19 A proposal to install a second submarine cable has received support from the South Australian Government to ‘avoid unnecessary impacts for the community and the Island’s reputation as a tourist destination’ and ensures a secure electricity supply to KI in the long term. Kangaroo Island submarine cable – Additional information, July 2015, accessible at: https://www.aer.gov.au/system/files/SA%20Power%20Networks%20-%20G.1a_PUBLIC_KI%20Submarine%20cable_add%20information%20-%20July%202015.pdf


21 Potential opportunities in clean energy technology for Kangaroo Island, Centre for Energy Technology, University of Adelaide.


23 Further detail is provided in the ‘The Island’s Economy’ chapter.


According to ANZSIC (Australian & New Zealand Standard Industry Classification), the classification used by the Australian Bureau of Statistics.

A range of service industries each accounted for around $10-$12 million of value added, and Accommodation & food services accounted for around $14 million.


Tourism Research Australia, 2011.

The proposal for the Kingscote airport redevelopment has been dealt with in detail in a number of other documents.

Refer to the appendices for a summary of the island’s biodiversity profile.

Australia after the boom – a blueprint for the nation after the boom, Black Inc., Collingwood, 2013.

As Kangaroo Island is a small LGA in terms of employment and gross value added figures, the forecasts for the LGA itself should be considered as indicative rather than prescriptive. Modelling accuracy improves as regions become larger.

Population projections for 2025 have been examined for this report. These projections, shown in the appendices, require further consideration and inquiry. The projections rely upon projections of ageing of the existing population and do not take into account the effect of in and out migration.


According to one historian, ‘It must be admitted that the county of Bute presents greater attractions to the man of science, the archaeologist, and the historian, than it does to the agriculturist. A region dear to artists and tourists is not generally much accounted of by the practical farmer. Winding ravines, frowning precipices, and rugged mountain slopes are all very fine to look at, but are of little avail towards raising good crops.’ (Archibald M’Neilage, Junior, Glasgow, ‘On the Agriculture of Bute and Arran’, Transactions of the Highland and Agricultural Society of Scotland.


http://www.dailypost.co.uk/business/business-news/anglesey-worst-performing-part-uk-8263444
