

# INVESTING IN A NEW HOSPITAL FOR MELTON

AN ECONOMIC IMPACT ANALYSIS  
2020

**WoMEDA**

WEST OF MELBOURNE  
ECONOMIC DEVELOPMENT  
ALLIANCE



## ABOUT WoMEDA

The West of Melbourne Economic Development Alliance (WoMEDA) was established with an independent board and the support of Victoria University in 2017.

Our objective is to influence new economic development opportunities and create more local jobs in the West of Melbourne.

Since its establishment, WoMEDA has launched a number of landmark reports, including an *Economic Development Strategy for the West of Melbourne*, *Investing in a Health Cluster in Footscray*, *Sunshine: Daring to be Great*, and more recently, *Melbourne's North and West City Deal Plan*.

WoMEDA is focussed on the area covered by the six Councils that work together through LeadWest (the regional organisation for the west): Brimbank, Hobsons Bay, Maribyrnong, Melton, Moonee Valley, and Wyndham.

## ACKNOWLEDGMENT OF COUNTRY

WoMEDA acknowledges, recognises and respects the Ancestors, Elders and families of the Boonwurrung, Waddawurrung and Wurundjeri of the Kulin who are the traditional owners of the land. We celebrate its rich Indigenous history, the diversity of its people and their important on-going connections to Country.

Cover Image and above: Artist impression of the Melton Hospital, courtesy of Melton City Council.

## FOREWORD BY CHAIR, THE HON. STEVE BRACKS, AC WEST OF MELBOURNE ECONOMIC DEVELOPMENT ALLIANCE

**The Victorian Government has committed to building a new hospital in Melton and has given management responsibility to Western Health.**

The Victorian Government is currently developing a Business Case for the new Melton Hospital, originally targeted for completion by the end of 2020. The Business Case will determine the capacity and range of services offered at the new Melton Hospital and construction timelines including any potential staging to coincide with population growth. It will also identify how the facility will link into other hospitals in the region, including Western Health's Footscray, Sunshine and Williamstown Hospitals and Djerriwarrh Health Service's Bacchus Marsh Regional Hospital.

This will involve a detailed investigation into the health needs of the Melton and broader western regions, now and into the future, with the inclusion of community engagement to ultimately set the groundwork for designing a hospital that will meet growing demand for many years to come.

The siting of such a large hospital is particularly important. Hospitals are important social institutions, linking patients with workers. While patients attend occasionally, service providers attend frequently, and staff attend every day. Access to fast efficient transport is important for patients, accommodation nearby will need to be considered, but local service provision and employment has the deepest continuing economic and employment impacts.

The hospital will be the anchor institution for attraction of commercial investment into health, education, allied services and regional business services. Importantly it should be planned to be a very large institution and one which attracts around it a range of medical and research industries in its mature state.

The preferred location for the new hospital is near the new Cobblebank railway station. This is considered the best location for the hospital given the potential significance of the Cobblebank Metropolitan Activity Centre (previously Toolern) and the potential of such a large anchor institution to attract investment and provide very significant direct and spill-over employment benefits which will catalyse growth of the Centre.

The new hospital will also make a significant contribution to the local economy. It will create about 375 new jobs during construction, and some 2250 ongoing roles by 2035. The direct and spill-over benefits will add at least \$300m to the local economy during the same period.

This report outlines the importance of a new Melton Hospital to the local economy and explains how the hospital will be a job-generator for the region.



**The Hon Steve Bracks AC**  
Chair, WoMEDA



### KEY POINTS:

- Melton already needs a 250-bed hospital and the need will double by 2035
- This will help address both an urgent health need and growing unemployment challenge
- It should be located close to the Cobblebank Metropolitan Activity Centre to maximise the employment spill-overs
- It will create about 375 new jobs during construction, and some 2250 ongoing roles by 2035
- Direct and spill-over benefits will add at least \$300m to the local economy by 2035.



# INVESTING IN A NEW HOSPITAL FOR MELTON

Report prepared by Professor Rod Maddock, WoMEDA

## THE EMPLOYMENT OBJECTIVE

Unemployment and underemployment are significant issues in the Melton area. Using the 2016 Census data, we note that unemployment in Melton was more than one percentage point above the Victorian average at 7.6% versus 6.8%. COVID-19 may have increased the gap.

The problem is particularly acute for younger workers with 15% to 17% of people aged 20 to 24 not engaged with the workforce, not in employment, education or training.

The JobKeeper numbers for Melton during the pandemic are also very significant with some 9803 people registered in the LGA on 24 June, which represents nearly 10% of the workforce on top of the already high numbers of unemployed and discouraged workers.

The employment impact of the hospital is likely to be very significant, and particularly so in Melton with:

- a large number of unemployed
- a large number of discouraged workers
- a significant shortage of jobs for youth
- overlain with an immediate problem with people losing jobs as a result of COVID-19.



Artist Impression only

### DISENGAGED WORKERS IN THE WEST'S LGAS AS % OF COHORT POPULATION

	FEMALE 15-19 YEARS		MALE 20-24 YEARS	
Brimbank	5%	7%	14%	13%
Hobsons Bay	5%	6%	13%	13%
<b>MELTON</b>	<b>5%</b>	<b>7%</b>	<b>17%</b>	<b>15%</b>
Wyndham	5%	7%	17%	13%
Maribyrnong	3%	4%	9%	9%
Moonee Valley	2%	4%	6%	9%

Source: Census 2016



## MELTON HOSPITAL'S ROLE IN WESTERN HEALTH NETWORK

The Australian average is that there are 2.5 beds in public hospitals and 1.3 beds in private hospitals per 1000 population, for a total of 3.8. In Victoria the numbers are 2.32 and 1.45 for a total of 3.77. (Source: Health Resources 2017-2017: Australian hospital statistics, June 2018 ed, AIHW).

Note that it is now common to refer to points of contact (POC) rather than beds. In this paper we calibrate on "beds" which is how the public data, and Western Health's Annual Report, describe hospital capacity. The POC metric would be about 10% larger.

Change is underway in treatment methods and the hospital sector is convinced that there are further efficiencies to be made. For example, Schluter et al (2016) in New Zealand estimated an 11% reduction in the need for beds had resulted from implementing an integrated health system with high quality out-of-hospital care models. In what follows we will model two cases - a 20% improvement which will result in 20% fewer beds per head than the current case in Australia, and the current ratio.

Our caution is a consequence of experience during the current COVID-19 pandemic which suggests that the number of beds available in Italy, for example, were not sufficient during the crisis. Even China, which has a higher proportion of beds than Australia, rushed to build additional emergency hospitals during the most extreme part of the crisis. As the figure at right shows Japan, Germany and France all have many more beds than does Australia (adjusted for population).

Crisis management in many countries (including Australia) was designed to try to prevent the number of hospitalisations within manageable bounds.

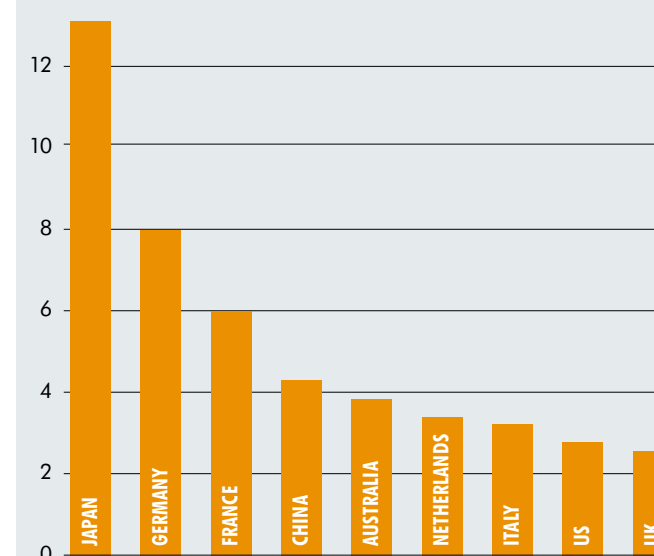
Since the planning life for hospitals is around 50 years, any hospital built today is likely to still be servicing its community in 2071. Building hospitals involves planning for the long term.

The Government's consultants are undertaking master planning and a feasibility study working with Western Health to determine



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### HOSPITAL BEDS PER 1000 POPULATION



Source: OECD (<https://data.oecd.org/healtheq/hospital-beds.htm>)

the services, design, staging and cost that will inform the Business Case for the Melton Hospital. It will also look at how a new Melton Hospital will link into services at other public hospitals in the western region. Western Health – which also operates the new Joan Kirner Women's and Children's Hospital, and the new Footscray Hospital – will need to ensure the new hospital is integrated into its other acute hospitals in the network.

The presence of a suite of hospitals at Sunshine and Footscray, inevitably means that a significant number of cases will be treated there. The projections of health care delivery and planning from across the Western region support the need for the Melton Hospital. The City of Melton population for 2020 is about 172,017, and is forecast to grow to around 332,951 by 2036. Clearly a 500-bed hospital in Cobblebank should be accommodated to support the growth of Melbourne's outer west.

Melton's population is expected to grow from **172,000** in 2020 to **333,000** in 2036.



The best location for the Melton Hospital is for it to be located on a green-field site in Cobblebank as part of the broader Metropolitan Activity Centre. Melton Council is calling for the land acquisition to be included in the 2020/21 Victorian State Budget.

**The benefits to this site are:**

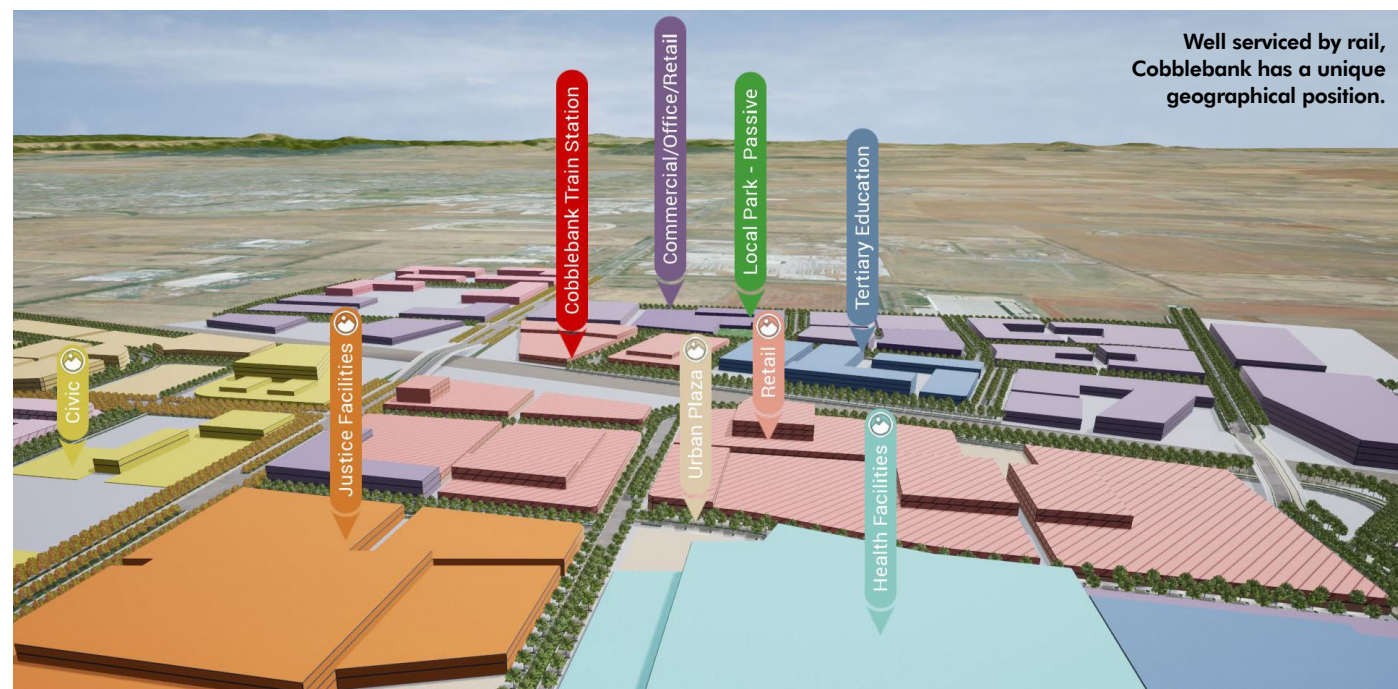
- it is near the proposed residential and commercial developments in Cobblebank
- it is near the new railway station at Cobblebank that will be electrified as part of the Western Rail Plan
- there would be broad value uplift and faster commercial development for Cobblebank
- near significant population growth and supports the case that an additional hospital in Melbourne’s outer west is required by 2026.

This site meets the dual goals of ease of access for patients, and maximum employment gains for the Melton region.

**PLANNING PREFERENCE**

Victoria’s town planners were very clear about the significance of the Cobblebank area as the key focal point for the north-western expansion of the city. It is worth remembering that Melton is 30 kilometres west of Sunshine and 37 kilometres from Footscray, so that the economic role of the Melton Hospital will be very different from that of those inner-western centres.

The Victorian Planning Authority was very explicit in the Western Growth Corridor Plan: “The Toolern Town Centre (now Cobblebank Metropolitan Activity Centre) will be the primary centre for the north-western portion of the West Growth Corridor, as well as the regional hinterland, including Bacchus Marsh. It is well connected to the Growth Corridor, and to regional areas by the Western Freeway and Western rail line and the PPTN along Ferris Road”.



**LONG TERM CONTRIBUTION OF HOSPITAL TO THE LOCAL ECONOMY**

	DIRECT JOBS	INDIRECT JOBS	TOTAL JOBS	ANNUAL WAGES
500 beds	2250	1575	3825	\$306m

Source: Described in text

The emphasis is very clear – this will be the primary centre for the one million people who will live in this part of the city by mid-century.

**EMPLOYMENT AND ECONOMIC CONSEQUENCES**

Australian hospitals employ 427,000 full time equivalent staff for its 94,100 beds, or a ratio of 4.5 staff per bed. Western Health in its Annual Report lists 1100 beds and a full time staff level of 4875, producing almost the same ratio of 4.43 staff per bed.

Consequently, the ongoing operation of a 500-bed hospital will employ about 2250 people directly. Evidence from other locations suggests that about two indirect roles are created for every three direct positions. We can thus expect a 500-bed hospital to employ 2250 staff directly and to generate another 1575 roles in the proximity. Given the relevant salaries, this level of employment would add about \$306m to local wages (in current dollars).

Construction adds to these numbers. From the evidence of similar projects in Australia, such as the 600 construction jobs associated with the development of the Latrobe Regional Hospital and 750 construction jobs associated with the new Footscray Hospital, a 500-bed hospital on a greenfield site is likely to generate over 750 roles during the construction phase: a smaller hospital somewhat less, perhaps 375.

**APPENDIX HOW IMPORTANT ARE THE SPILL-OVERS?**

There are limited studies of the consequence of hospital building on regional employment. The best Australian examples from the Regional Australia Institute of hospitals in regional NSW find that every direct full time employee creates about 0.7 additional jobs in the local economy. This is supported by more qualitative statements for Wagga such as, “In terms of health industry business counts by turnover size, the number of businesses increased over 2015 and 2016. The group of health businesses with turnover between \$0.5m and \$2m per annum has increased sharply.”

Victoria University’s modelling of the employment impact of the expansion of the Footscray Hospital capacity by some 200 beds, was that it would increase local employment by about 1500 jobs (of which 100 to be displaced from other parts of Melbourne). This accords quite closely with the NSW estimates that an addition of about 900 jobs directly will add about 600 other jobs, or 0.7 jobs for every direct role.

These are slightly lower than the estimates in the US which find that, “The strong positive spill-over effect that hospitals have on non-health care employment suggests that hospitals are an important institution for job creation” (Mandlich et al 2014). For example, the South Lafayette hospital was expected to generate about one extra induced job for every direct hospital position (Fourth Economy 2017). Similarly, and more optimistically, North Carolina found that each hospital job resulted in 1.4 additional jobs (RTI International 2017).

The addition of 2250 full time equivalent health-sector roles, at a typical salary of \$90,000, will add some \$202m in additional salary being earned in Melton. When fully expanded and incorporating direct and indirect employment, the wage bill paid locally will rise by over \$306m per year. Some of this will spread to adjacent areas, but given Melton’s relative isolation from other centres, most of the benefit should be captured locally.

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**1** Endorse this critical transformational project as one of significance to the broader region

**2** Support the following timelines for the delivery of the new hospital:

- Delivery of business case in the last quarter of 2020
- Commence construction by 2022 or soon after
- The hospital is operational by 2026

**3** Support the land acquisition to be included in the 2020/2021 Victorian State Budget

**4** Endorse the hospital to be part of a North West Melbourne City Deal as an anchor project to a regional and state significant health precinct providing quality health services, regional jobs and regional business services.





For further information go to  
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