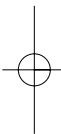
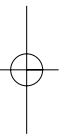


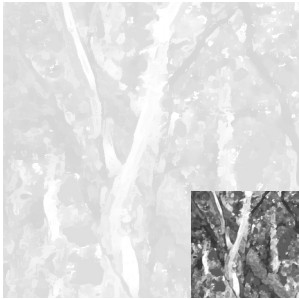
# Sustaining Regions

Volume 5 - Number 1 - Spring 2005

## Table of Contents

		Page
<b>Editorial</b>	Local Governments, Excellence and Regions	3
<b>Feature Articles</b>		
Brian Dollery, Shane Burns and Andrew Johnson	Structural Reform in Australian Local Government: The Armidale Dumaresq-Guyra-Uralla-Walcha Strategic Alliance Model	5
Raymond Bunker, Darren Holloway and Ian Sinclair	Land Use Planning Issues in Sydney's Rural-Urban Fringe	14
Robyn Eversole and John Martin	Bridging the Development Gap: Community and Industry Development in Rural Australia	19
Scott Prasser and Geoff Cockfield	The Federal Budget and the Regions	26
Martin Perry	Cluster Confusion	28
Burnie City Council	Saving the Burnie Airport, North West Tasmania Organisations	34
<b>Book Review</b>	Sustainability and Change in Rural Australia	38
<b>News, Conferences and Happenings</b>	International Geographical Union Regional Conference, Brisbane, 3 – 7 July 2006.	41
	Infrastructure Overview for Regions	41
	Sustainable Australian Cities – making it happen	42
<b>Regional Services Directory</b>	South Australia	44
	Victoria	45
	Western Australia	46





## Editorial

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### Local Governments, Excellence and Regions

In early September I participated for a second year in the National Awards for Innovation and Excellence in Local Government run by the Australian Government's Department of Transport and Regional Services (DOTARS). For those of you who are not familiar with these awards, entries are received throughout Australia in a number of categories - such as youth, strengthening Indigenous communities, transport engineering, regional development and community business partnerships - with winners selected in each category and four or five entrants selected for the national awards. While the category winners have already been selected and announced, the national award winners will not be made public until early November.

Who wins at the National Awards is not as important as the overall quality of the applications. Over two days the judges saw almost 30 presentations in which local governments demonstrated their ingenuity and commitment to their regions. The projects covered virtually every area of public policy in Australia - ranging from dealing with the generation of greenhouse gases, through to bushcare, the wellbeing of Aboriginal and Torres Strait Islanders, new approaches to building and maintaining bridges and piers, and helping both the young and the old within society.

Local governments play an important role in the wellbeing and sustainability of regions. Often they provide crucial economic, social and environmental

infrastructure but they are frequently under pressure themselves. A recent independent Inquiry into the Financial Sustainability of Local Government in South Australia (The Cossey Inquiry) found that:

Councils have, in recent years, put community needs and demands for services ahead of their own financial sustainability and that this cannot continue. The inquiry also found that Councils have very low net debts but extraordinarily large amounts of community infrastructure which is slowly decaying without the level of maintenance and renewal funding it deserves. It also found that SA Councils are not getting a fair share of Commonwealth funding for Local Government and that the SA Government provides the lowest per capita funding to Councils of any mainland State or Territory government. It made 62 recommendations to address these issues. (LGASA 2005)

Importantly, the Cossey Inquiry concluded that local governments have the power within them to fix many of the factors challenging their sustainability. Some of these actions are clearly needed: local governments in South Australia, for example, have allowed wage increases to exceed community standards. However, there are other areas where we should question whether we really do want local governments to spend less. Should we be asked to accept poorer quality local and community infrastructure at a time when the Australian, State and Territory Governments are enjoying record tax revenues? Local governments deliver outcomes for their communities and improve the quality of life -

and the productivity - of many regions. A more equitable distribution of tax revenues amongst the three spheres of government would generate significant benefits for many Australians.

This issue of *Sustaining Regions* covers a wide array of issues, including many that are central to the concerns of local government. Brian Dollery, Shane Burns and Andrew Johnson discuss the use of a Strategic Alliance Model amongst local governments in northern NSW. They argue that Strategic Alliances can be a viable alternative to amalgamations.

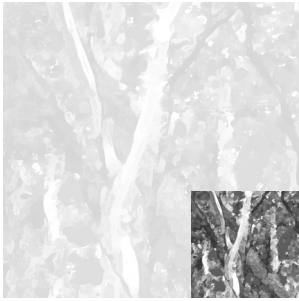
Ray Bunker, Darren Holloway and Ian Sinclair discuss land use planning on Sydney's fringe and land use planning is, of course, part of the 'core business' of local governments. Robyn Eversole and John Martin then examine the relationship between community and economic development in Australia's small rural communities. They argue that globalisation has contributed to local stakeholders no longer controlling their regional economy and there is therefore a greater need than previously to consider both community and economic development.

Finally this issue presents three short contributions. Scott Prasser and Geoff Cockfield of the Sunshine Coast consider the impact of the Australian Government budget on the nation's regions. Martin Perry from New Zealand's Massey University then comments on industry clusters, and suggests that they are, to a certain degree at least, a confused concept that needs to be reviewed. We conclude with the Burnie City Council's winning entry in the regional development category in last year's awards for Innovation and Excellence in Local Government. It provides a fine example of how local governments can 'think outside the square' and generate substantial benefits for their communities.

Andrew Beer  
Editor

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# Structural Reform in Australian Local Government: The Armidale Dumaresq-Guyra-Uralla- Walcha Strategic Alliance Model

Brian Dollery, Shane Burns and Andrew Johnson\*

## 1. Introduction

Structural reform aimed at enhancing the efficiency and effectiveness of Australian local government is once more under way; this time in the guise of a program of compulsory amalgamation in NSW, and with the prospect of substantial municipal reform looming in Western Australia. In common with earlier episodes of Australian local government reform, most notably the Victorian experience in the 1990s, municipal amalgamation is again the favoured instrument of state government policymakers. Indeed, Anne Vince is surely correct in describing council amalgamation as the dominant 'thread which runs through Australian local government history' (Vince 1997, p. 151).

However, unlike previous efforts directed at enhancing the efficiency of municipalities through the amalgamation of small councils into larger local government units on the uncritical acceptance of the presumption that 'bigger is better' in local governance, significant sections of the Australian local government policy community are no longer convinced that amalgamation represents an efficacious means of improving council performance. This scepticism is well founded. For instance, in the recent NSW Government Inquiry into the structure of local government in Sydney, Commissioner Kevin Sproats (2001 p. 6 and p. 36) was obliged to conclude in relation to the purported

\* The views expressed in this paper are the sole views of the authors and may not represent the views of their employers or any other organisations with which they are associated. The authors would like to thank an anonymous referee for helpful comments on an earlier version of the paper.

benefits of amalgamation that 'conclusive evidence is not available' and existing evidence is 'suggestive rather than conclusive'. Moreover, after an analysis of both the international literature and Australian experience on municipal consolidation, Dollery and Crase (2004 p. 274) have argued that 'there are scant grounds for anticipating substantial financial benefits to flow from amalgamation, except possibly in terms of local government capacity and scope economies'. Along similar lines, in an exhaustive study of all available Australian and international evidence on economies of scale in municipal operations, Byrnes and Dollery (2002, p.405) observed that 'the lack of rigorous evidence of significant economies of scale in municipal service provision casts considerable doubt on using this as the basis for amalgamation'. After assessing the outcomes of recent council amalgamation programs in New Zealand, Australia (and more particularly Victoria and Tasmania), Britain and Canada (especially Nova Scotia and Ontario) in his *Merger Mania*, Andrew Sancton (2000, p. 83) concluded that 'the efficient delivery of municipal services does not require large municipalities'. Finally, Percy Allan (2003, p. 80) has presented a strong case that in Australia 'at the administrative level the efficiency and effectiveness of a local council is not a function of size' and 'all the empirical evidence suggests that big is not better when it comes to local government'. Similar arguments have been advanced by Jones (1989), Thornton (1995), Dollery (1997), Oakerson (1999), Bish (2000), Allan (2001), Dollery (2003), May (2003) and Katsuyama (2003) on theoretical and empirical grounds.

Almost no dispute exists within or without the Australian local government community that most local authorities can further increase both the efficiency and effectiveness of their service delivery. Over the past decade, significant progress towards improving the operation of local government systems across Australia has been achieved. Several factors can account for this welcome progress: Substantial statutory reform, especially the introduction of more efficacious Local Government Acts, various initiatives by the state and territory Departments of Local Government and by Local Government Managers Australia to enhance managerial practice, train new Councillors and adequately define the roles of elected Councillors, as well as structural reform and boundary changes, have all contributed to these improvements.

Nonetheless, growing scepticism over continued reliance on council amalgamations as a major instrument of municipal reform by state government policy makers has led to two interrelated developments in Australian local government. In the first place, there is now a widespread recognition that 'one size does not fit all' in local governance and that the tremendous diversity evident amongst Australian local authorities (Worthington and Dollery 2001) demands a range of solutions to ongoing problems of inefficiency in service delivery rather than continued confidence in amalgamation with its misplaced belief that 'bigger is always better'. Secondly, this has spawned a search for alternative models of local governance tailored to suit the specific circumstances of individual councils and groups of councils. Scholars and practitioners alike have designed several models aimed at enhancing the efficiency of municipal service delivery that avoid the heavy hand of amalgamation with all its divisive and disruptive effects. Urban parish models (Thornton 1995), joint board models (Shires Association of NSW 2004), *ad hoc* resource sharing models (Ernst and Young 1993), Regional Organisations of Councils (ROCs) (Marshall *et al.* 2003), virtual local governments (Allan 2001; 2003; Dollery 2003) and agency models have been joined by actual real-world organisational structures that include regional organisations of councils, like the Riverina Eastern Regional Organisation of Councils (REROC) (Dollery *et al.* 2004) and the Wellington model (winner of a 2004 National Local Government Award). This paper seeks to add to this literature by examining the

Armidale Dumaresq/Guyra/Uralla/Walcha Strategic Alliance ('Strategic Alliance') model in the New England region of northern NSW.

The paper itself is divided into five main sections. Section 2 provides a taxonomic description of the seven generic models of Australian local governance identified by Dollery and Johnson (2005) and attempts to locate the Strategic Alliance within this conceptual schema. Section 3 provides a synoptic description of the background to the development of the Strategic Alliance. Section 4 outlines the conceptual foundations of the Strategic Alliance, whereas section 5 attempts to evaluate the impact of the model. The paper ends with some brief concluding remarks in section 6.

## 2. Conceptualising the Strategic Alliance Model

Dollery and Johnson (2005) have developed a typology of alternative models of municipal governance specifically adapted to the narrow range of 'services to property' characteristic of Australian local government. The conceptual basis for this taxonomic system is based on the notion that existing and potential models feasible in the Australian local government milieu can be located along a bipolar continuum given by the degrees to which political and operational control can be centralised or decentralised between local councils and the new organisational entity they join. In terms of this system, operational control refers to the ability to administer and undertake local service provision and delivery, whereas political control focuses on the capacity to make decisions over the domain and mix of local services. On the other hand, the degree of centralization indicates the extent of concentration of control vested in the new governance structure as opposed to the original small councils that comprise the new arrangement.

Seven alternative models were identified in the Dollery and Johnson (2005) typology. In the first place, existing small councils possess the most operational and political autonomy as well as highest degree of decentralization within the constraints of their respective state government acts and are thus located at one end of the continuum. Secondly, the next most autonomous and decentralised model resides in voluntary arrangements between geographically adjacent councils to share resources on an *ad hoc* basis

whenever and wherever the perceived need arises (Ernst and Young 1993). Thirdly, ROCs (Marshall *et al.* 2003) represent a more formalised version of the *ad hoc* resource sharing model, typically consisting of between five and fifteen councils, with considerable diversity in both geographic size and population, and are usually financed by a set fee from each member council as well as a pro rata contribution based on rate income, population, or some other proxy for size.

In the fourth place, joint board (Shires Association of NSW 2004) or area integration models (Thornton 1995) are based on the retention of autonomous existing councils and their current spatial boundaries, but with a shared administration, and operations overseen by a joint board of elected councillors from each of the member municipalities. Constituent councils each retain their current political independence, thus preserving extant local democracy, whilst simultaneously merging their administrative staff and resources into a single enlarged bureau, in an attempt to reap any scale economies, scope economies, or other benefits that may derive from a bigger administration. Fifthly, virtual local government (Allan 2001; 2003; Dollery 2003; May 2003), defined as an elected body with a small administrative support system that outsources almost all of its activities, rests in two fundamental presumptions about the nature of Australian local government. Small councils, with limited populations and a low ratio of elected representatives to constituents, provide superior decision-making units in terms of the appropriateness and effectiveness of service provision since they are 'closer to the people'. Secondly, a distinction should be made between the provision of council services and their production and councils should thus only produce services where they enjoy a comparative economic advantage over other potential service providers. A virtual council would thus consist of several small adjacent actual councils with a common administrative structure or 'shared service centre' that would provide the necessary administrative capacity to undertake the policies decided upon by individual councils. Service delivery itself would be contracted out either to private companies or to the service centre depending on the relative costs of service provision and the feasibility of using private firms.

The sixth model along the Dollery and Johnson (2005) continuum is the agency model:

municipalities would surrender completely operational control of the services they direct, but at the same time still enjoy political autonomy as elected bodies for a spatially defined jurisdiction. All service functions would be run by state government agencies with state government funds and state government employees in the same way as state police forces or state emergency services presently operate. Elected councils would act as advisory bodies to these state agencies charged with determining the specific mix of services over their particular geographical jurisdictions. Finally, the most extreme form of centralization occurs when several small councils are amalgamated into a single large municipality. Under amalgamation, constituent councils surrender completely all political autonomy and operational control to the new entity.

The Strategic Alliance has several features in common with some of the alternative models identified by Dollery and Johnson (2005). The key characteristic of the Strategic Alliance model is that each constituent local authority retains its political autonomy as if it was an individual council, while staff and resources across the participating councils are pooled, and divided into a number of functional units (nineteen in the case of the Armidale Dumaresq-Guyra-Uralla-Walcha Alliance), which provide services to all the councils involved in the process. Each council continues to pay for their existing resources and recovers the cost of those resources used in the provision of shared services from the other councils utilising the service on an agreed basis (i.e. hourly rates, number of transactions processed, equal shares, and so forth). In its most simplistic form the model seeks to maximise the advantages that a larger amalgamated organisation could provide, like enhanced technical capacity and scope economies (Dollery and Crase 2004), while at the same time avoiding the many disadvantages associated with larger amalgamated organisations, such as the loss of local autonomy, local democracy and a 'sense of place', and the inefficient 'one size fits all' approach to service delivery, thus improving decision making by decentralising it to the local level. The Strategic Alliance model embraces numerous parallels with contemporary business practice in the modern corporate sector such as those employed by Australia Post, Qantas, various credit unions and other financial institutions, and more recently by several state governments in Australia (most

notably Queensland, Western Australia and, to a lesser extent, New South Wales).

The Strategic Alliance model is located somewhere between the ROC and the joint board models in the Dollery and Johnson (2005) continuum. The Strategic Alliance model involves substantially more than the *ad hoc* sharing of resources typically associated with ROCs, but nevertheless stops short of creating an additional entity to provide centralised shared administration along the lines of the joint board model. The Strategic Alliance model thus alleviates the need for an additional separate political and bureaucratic structure associated with managing this additional entity and its attendant costs. The Strategic Alliance model also contains some parallels with Allan's (2001) virtual local government concept with political autonomy retained by each council and many services provided by a 'shared service centre'. The primary difference between these two models is that in the Alliance model the member councils retain all existing staff and other resources, and the 'shared service centre' is a virtual centre in that it is not a separate entity but rather existing staff are grouped into functional areas to provide services to all participating members. The retention of existing staff by the individual councils assists in scaling services to ensure their most efficient and effective provision. Put differently, a service might be provided by each individual council autonomously and locally, or a service may be provided between two councils, or the services may be provided on behalf of all participating councils. The aim of the model is thus to achieve 'aggressive reform with local voices'.

### 3. Background to the Strategic Alliance Model

Following an abrupt reversal on its previous policy of voluntary local government amalgamation in NSW in the immediate aftermath of the most recent state government elections, the NSW Minister for Local Government (the Honourable Tony Kelly MLC) set in motion a broad-ranging review of local government boundaries in NSW, including the Armidale-Dumaresq Council, the Guyra Shire Council, the Uralla Shire Council, the Walcha Council and the Inverell Shire Council. Mr Chris Vardon was appointed Facilitator of the Regional Review and charged with providing the Minister

with advice on possible changes to local government boundaries and structures. The Proposal for the Creation of a New England Regional Council (the so-called 'Vardon Report'), presented on 17 December 2003, represented the outcome of this process.

The Vardon Report on the New England Regional Council called for a drastic reorganisation of local government involving a 'merger of the whole of the Armidale-Dumaresq Council, the whole of the Uralla Council [and] a major portion of each of the Guyra and Walcha Shires' (p.4). A new entity entitled the New England Regional Council, centred in Armidale, would replace existing councils under an entirely new system of representation: 'It would transcend, and supercede, both the political and operational structures of those Councils, which would then cease to exist' (p.4).

The Mayors of Walcha, Uralla, Guyra and Armidale Dumaresq councils sought a meeting with the Minister for Local Government to propose a Strategic Alliance model based around business process reviews, benchmarking, continuous improvement and shared services arrangements, which had the potential to deliver \$1.7m in annual savings in the short term and even more over the medium to long term. The NSW Minister for Local Government indicated that he was prepared to look at alternatives to compulsory amalgamation and that he would thus consider allowing the time for councils to realise the promised savings. The NSW Department of Local Government sent representatives to Armidale to hold extensive discussions and receive presentations on the model and the alliance. The NSW Minister for Local Government was advised at the end of the information gathering exercise that the model was robust and based on sound methodology.

After an abbreviated public consultation period and consideration of various alternative proposals by the affected councils, the NSW Local Government Boundaries Commission recommended that Uralla, Guyra, Walcha and Armidale Dumaresq Councils be amalgamated and identified the potential for \$1.1m in recurrent savings within the first twelve months. Upon receipt of the Boundary Commission recommendations, the Minister nevertheless decided to defer a final decision on amalgamation to allow time for the councils to develop and implement the model. Moreover, the Minister emphasised the need for councils to deliver on the

promised savings or he would have no choice but to give effect to the Boundaries Commission recommendations.

#### 4. Conceptual Basis for the Strategic Alliance Model

The key objective of the Strategic Alliance model is to provide a vehicle for the efficacious reform of the councils in question while retaining local representation by creating the ability to demonstrate efficiency and effectiveness through the development of objective local government performance measurement and management systems. Other strategic models and older as well as new merged entities were assessed and considered prior to selecting the Strategic Alliance model. Despite the fact that some of these other models were able to generate significant savings, they nonetheless struggled to objectively demonstrate many desired outcomes and in most cases still retained constraints to efficiency, such as duplication of effort and infrastructure, and incompatible systems and processes.

One of the challenges for councils that have experienced some kind of consolidation is an inability to assess the benefits of the merger and this is usually due to the lack of adequate information upon which to make this assessment. It is typically difficult to make an evaluation because merged councils often do not have a clear picture of where they have come from and thus cannot properly plan where they need to go. Questions are often posed as to the appropriateness of the adopted new structure: Is it efficient? How do we objectively measure efficiency? Any model adopted must therefore meet this shortcoming.

The Strategic Alliance model adopted by the councils of Armidale Dumaresq, Guyra, Uralla and Walcha is based around the conduct of business process reviews, benchmarking, and continuous improvement programs underpinned by an enabling information technology and connectivity platform and shared service arrangements over nineteen activity operational areas. Although nowadays a common business strategy in the corporate world, this approach has not to any major and successful degree been applied in an integrated way to the Australian local government environment, despite the fact that some of these practices have been employed in isolation in some local government

systems in Australia over the recent past - with the use of performance indicators springing immediately to mind.

The Strategic Alliance model encompasses the following key elements:

- A detailed analysis of workloads and workflows;
- Demonstrated and credible efficiency savings;
- Benchmarking for provable performance measurement;
- Demonstrated effectiveness of operations;
- Production of objective performance measurement and measurement systems;
- Mechanisms for changing the culture of employees to focus on performance;
- Continuous improvement programs;
- A sound business case for change;
- New methods of delivery; and
- Retention of local decision-making.

The process itself commenced with the development of business cases for rapid results in plant utilisation, risk management, banking and investments, and Geographical Information Systems (GIS). This was followed by an assessment of all the business processes within the four councils which involved the construction of templates, assessment of IT efficiency enhancement processes as well opportunities for process improvement, and the determination of key output and outcome measures which will support future performance systems. This information will form the basis of benchmarking analysis by the Centre for Local Government at the University of New England, which will compare like-sized organisations in Australia and abroad in order to identify benchmarking levels and in turn allow for the development of continuous improvement programs. This exercise will identify opportunities for significant savings by reducing duplication amongst the four councils and establishing the workloads, workflows and structure through which to deliver shared services across the four municipalities.

The product of the business process and benchmarking information also enables the development of business cases for change that set out justifiable structures and identify efficiency savings that can be reinvested into asset sustainability, increased services, new services and value-adding areas that will give an even greater

return, such as human resources, risk management, asset and project planning. These functions have tended to worsen over time due to financial constraints on NSW councils. This has proved to be poor strategy since these very areas have the greatest potential to generate efficiency gains. Indications to date are that the Strategic Alliance will deliver even greater savings than first predicted, with the added intangible benefits of employee input and ownership proving a critical component of the change process and delivery of the desired project outcomes. This aspect of the model will produce additional productivity savings to those already pinpointed in the earlier business cases and substantially add to the growing list of real and recurrent savings. Further savings over time will be realised through streamlining of the shared services operations.

The Strategic Alliance model structure will allow the retention of local council entities as well as their elected bodies, thereby maintaining local autonomy and democracy as well as local decision making for the four constituent communities. Although it can be validly argued that there is an undoubted cost in retaining the four existing elected bodies, proponents of the Strategic Alliance model contend that these costs are more than offset by the social benefits flowing from continued local representation.

The four General Managers under the Strategic Alliance model have all been assigned portfolio areas of responsibility that incorporate a number of shared services areas and are assigned with the task of leading the development of the business cases and facilitating the necessary planning for the new operational structure and delivery of the shared services. Each General Manager's time will be divided between Strategic Alliance responsibilities and their individual council responsibilities. The required commitment by General Managers to the Strategic Alliance will significantly reduce over time as the shared services are implemented with the respective parties taking more a 'trouble shooting' and continuous improvement focus.

## 5. Outcomes of Strategic Alliance Model

The Strategic Alliance model has planned to go much further than other comparable cooperative

models in pursuit of cost efficiencies. The original goal was to achieve \$1.7m in recurrent savings in the short term, and \$3.2m in the longer term out of a current combined budget of the four councils of approximately \$50m. The areas that were identified as potentially contributing towards the required savings may be termed 'quick wins', reduced duplication, works productivity, and streamlined council administration.

### *'Quick Wins'*

Member councils initially identified the following 'quick wins' areas of their operations upon which to base a business case for change. The areas selected were plant utilisation, investments, risk management and Geographical Information Systems (GIS).

**Plant Utilisation** - An analysis of plant operations was undertaken across the four councils looking at utilisation rates, age of plant, replacement programs, future works programs, and hiring arrangements. The operations were benchmarked initially between councils and then against comparable private enterprise benchmarks. It was obvious that there was enormous potential for cooperation between the four councils that could result in greater plant utilisation, significant potential for plant rationalisation, and hire of plant from cooperative partners instead of the previous practice of external hiring machines from private firms. The business case indicated that \$905,000 in one-off capital returns was possible in rationalising plant with a further \$226,000 realisable savings in recurrent expenditure.

**Investments** - The four member councils were able to conclude a joint agreement that gave the three smaller councils access to previously unavailable financial services as well as the adoption of common investment strategies and the pooling of investments. As a direct consequence, constituent councils have been able to gain increased investment income valued at \$100,000 per annum.

**Risk management** - Councils with a cooperative approach and common systems have identified premium savings in workers compensation, public liability, property, and occupational health and safety expenses. These savings will be reinvested in audit, systems improvement and compliance services, providing the intangible benefit of less exposure by the organisations and individuals to

Work Cover fines. Moreover, probable savings available for this reinvestment amount to \$133,000.

GIS shared service - A GIS system will be imperative for the efficacious asset management and property shared services areas. One of the member councils did not have GIS and two of the Alliance Councils have set up the service for the previously unserved council generating a net saving of \$68,000. Furthermore, the GIS systems for two councils were upgraded and are maintained under common systems by the two implementing municipalities. This removed the need for the remaining two councils to employ this expertise locally, often a very difficult issue for small councils with limited technical expertise.

### *Reduced Duplication*

The movement to shared services should generate economies of scale and reduce duplication. The Strategic Alliance has estimated that in the administrative core services areas, such as IT, finance, human resources, payroll, records, supplies, stores, plant and GIS, some 10 positions (representing 2.3 per cent total employment) could be abolished in the first instance and redeployed into other value adding positions, realising around \$800,000 in additional savings. Over the longer term, 18 positions were believed initially achievable yielding \$1,450,000 in savings. However, it has been learned thus far in implementing the organisational development project that even greater savings will be achieved that can be reinvested into value adding areas.

### *Works Productivity*

The business process reviews were completed in late December 2004. Nineteen shared services teams undertook an analysis of the business processes of the four constituent councils to identify constraints and best practice amongst the four member municipalities in the first place and later against other identified external benchmarks for continuous improvement. Moreover, the shared services group made suggestions on where IT could facilitate improved processes that would save significant resources. These suggestions will be included in future IT tendering specifications and prototypes to allow the potential savings to be realised.

Works areas have been reviewed and improved. The need for greater works planning was identified as a major engine for creating savings. Due to ongoing financial constraints, Australian local government has typically reduced resources in this area, which have been counter-productive since good planning can reduce inefficiencies.

Total savings in this area have been conservatively estimated at about two per cent of the combined value of labour and contracts/materials, amounting to \$453,000 in recurrent savings in the short term. If five per cent can be achieved in the medium term, this would yield approximately \$1,135,000.

### *Streamlined Councils*

Over time, and with movement to shared services, the streamlining of services and operations should deliver further cost efficiencies. Streamlining savings has been estimated at \$160,000.

Joint funding arrangements opportunities have already resulted and further opportunities will arise under the shared services model adopted. Shared services to the level being proposed under the Strategic Alliance model have already received significant interest from higher levels of government, and the Strategic Alliance has received funding for the development of a single Local Environmental Plan allowing the potential for one member council to offer planning services to the other constituent municipalities, and address the common difficulties experienced by smaller councils in obtaining qualified planning staff. Other funding applications have been made for joint State of Environment Reporting, on-line services and IT connectivity.

### *Performance Management and Measurement: Training and Reward*

Organisational projects of the nature and magnitude being implemented by the Strategic Alliance induce substantial change and the need for employee training becomes critical. Employee redeployment and the changed work practices will place unprecedented stress on training, with the issue of reward also becoming important.

In expectation of the need for training and review of reward, Armidale Dumaresq Council has developed a performance evaluation system for individual, departmental and organisational performance assessment. The performance measures developed

in the business process reviews will be integrated with salary and reporting systems, facilitated by a newly-developed IT performance management and assessment system. The salary system has been restructured to incorporate updated skills and competencies and objective performance components, scaled so that the higher paid the position in the organisation, the greater the performance component.

### *Local Autonomy and Employment Retention*

Finally, two of the outcomes typically associated with Australian municipal structural reform processes involving amalgamation are a loss of local representation and political autonomy by consolidated councils, together with a sharp reduction in local government employment. In small regional and rural centres, a loss of council jobs can set in train a disastrous negative multiplier effect that can permanently damage or even destroy small struggling local economies. The Strategic Alliance model allows for the retention of local representation while still realising the cost efficiencies sought by higher levels of government. It enables local government to evaluate their existing level of efficiency, and identify and demonstrate efficiency-enhancing opportunities. The Strategic Alliance model is thus not premised on a 'slash and burn' reform approach; instead it provides for the redeployment of savings and staff to value-adding services and the allocation of freed funds to under-funded operational areas, such as asset sustainability.

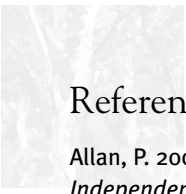
## 6. Concluding Remarks

Amalgamation as a fundamental Australian municipal reform strategy will continue as long as local government remains financially unsustainable or where local government is unable to demonstrate the efficiency or effectiveness of their operations to the satisfaction of state government policy makers. In effect, amalgamation forces the combined new operations of merged councils towards shared services, with little consideration for any attendant social and local representation damage, often leaving a destructive path where organisational turmoil reigns supreme for years, thereby limiting or even negating any desired gains from amalgamation. State governments across

Australia are themselves at various stages in investigating shared services opportunities in their own operations and Australian local government traditionally follows state government reform initiatives. The Strategic Alliance model thus represents a rare opportunity to set a reform agenda ahead of state government policy initiatives that is better able to incorporate democratic and social considerations to enhance the prospects for improved service delivery outcomes for their respective communities rather than simply waiting passively for heavy-handed state government-inspired structural reform. It may also provide a superior position from which to lobby for improved revenue arrangements for financially beleaguered small regional and rural councils.

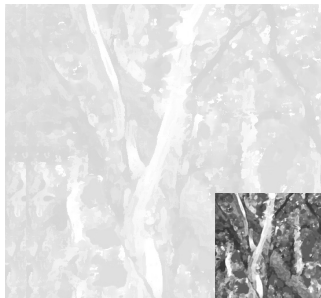
Locally controlled reform along the lines of the Strategic Alliance model developed by the Armidale Dumaresq, Guyra, Uralla and Walcha councils therefore represents a real alternative to a state government imposed reform agenda. The Strategic Alliance model demonstrates that the financial savings sought by the NSW state government can be realised in a timely and sustainable manner, delivering the necessary organisational change without the bitter community opposition and organisational turmoil that typically disfigures the amalgamation landscape. The Strategic Alliance model should be able to provide convincing proof of the efficiency and effectiveness of operations of the four constituent councils and thereby combat the perception by state government policy makers of endemic local government inefficiency. It may thus deflect the relentless push for cost cutting underlying state government structural reform programs, with its inevitable consequences of falling infrastructure standards and reduced services.

Despite its promise, the Strategic Alliance model begs the more general question of who should initiate local government reform in Australia. Should the drive for enhanced efficiency stem primarily from state and territory policy makers, ratepayers associations, general managers, or concerned residents in particular jurisdictions? While the Strategic Alliance model addresses the 'how' of municipal reform, at least in regional areas, it does not answer the 'who' in propagating local government reform.



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## Land Use Planning Issues in Sydney's Rural-Urban Fringe

Raymond Bunker, Darren Holloway and Ian Sinclair

### Introduction

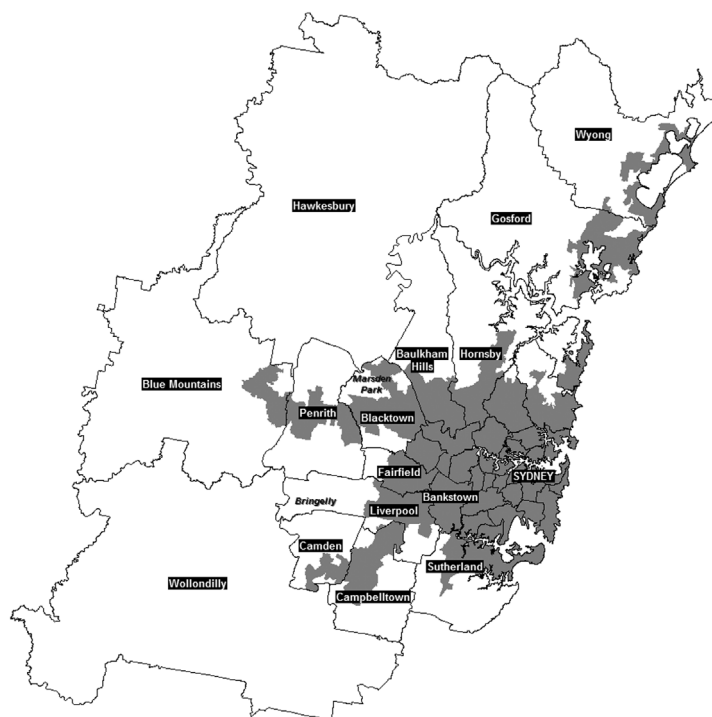
The rural-urban fringes of Australia's major urban centres are a critical arena for improving the sustainability of both the neighbouring city and the countryside involved (Bunker and Houston 2003). Sydney's emerging metropolitan strategy seeks to accommodate 60-70 per cent of future growth over the next twenty five to thirty years in existing urban areas, concentrated in corridors to the north-west at Marsden Park and to the south-west at Bringelly (Figure 1). But this still means a significant extension of the urban boundary into the rural-urban fringe. Probably the most important policy issues are how to replace the important and valuable specialist agricultural production taking place in relatively small holdings at the fringe, and conversely how to amalgamate fragmented land holdings as they are converted to urban use so that sensible urban development and design becomes possible rather than the ad hoc growth which is typical. These broad issues are however complex with many facets which this article describes and addresses.

### Characteristics of Land Use

Recent land use surveys carried out in Sydney's rural urban fringe have clarified these issues, and also exposed the paucity of present policy instruments to deal with them. The surveys covered most of the area of the rural-urban fringe. The inner boundary of the fringe is the extent of the continuously built-up area of Sydney as shown in Figure 1 for 2001, and defined as 'Urban Sydney' in each Census. The outer boundary of the fringe, also

shown in Figure 1, remarkably is that used for the Sydney Region Outline Plan of 1970; by Fiona McKenzie in her study of exurban regions around Australia in 1996 (McKenzie 1996); and by the current authors after analysing commuting patterns from surrounding areas to Urban Sydney in 2003 (except for the addition of Wingecarribee Shire to the south of Wollondilly).

Figure 1: Urban Sydney with rural-urban fringe local government boundaries, 2001



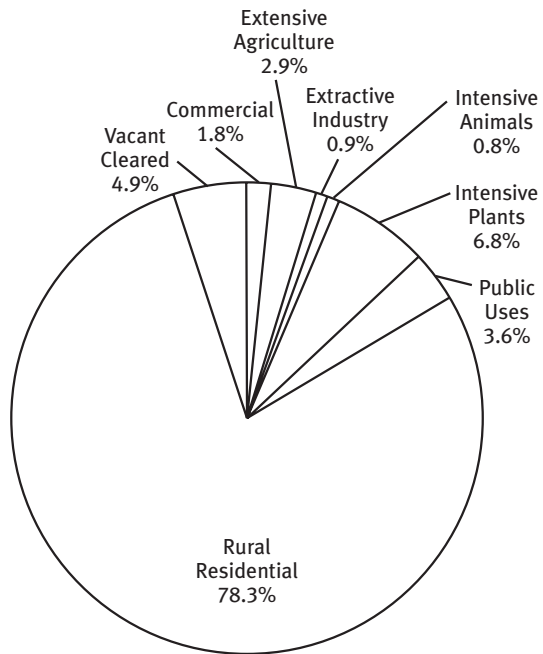
Source: CDATE 2001

These recently completed comprehensive land use surveys by EDGE Land Planning (2003) covered the following nine Council areas to the south-west, west and north-west of Sydney shown in Figure 1: Baulkham Hills, Hawkesbury, Blacktown, Fairfield, Penrith, Blue Mountains, Liverpool, Camden and Campbelltown.

The overall land use for the area is shown in Figure 2. It can be seen that the largest land use, in terms of the number of lots, is rural residential with 78.3 per cent of all rural lots having a residential use as the major use of the property. Intensive plant-growing uses are the next most important with 6.8 per cent. Vacant land comprises 4.9 per cent of lots followed by public uses, extensive agriculture, commercial activity, intensive animal keeping and extractive industries.

An analysis of the lot sizes was carried out, excluding small urban settlements and areas of native vegetation. This is shown in Figure 3. From this it can be seen that there is a dominance of lots in the 0.81 to 3 hectare (ha.) range, mostly around the 2 ha. size. There is also a large number of lots of less than 0.8 ha. most of which are in the 4,000m<sup>2</sup> category. There are very few lots greater than 8 ha. Smaller lots are generally located adjacent to the urban areas, often making future development of the land difficult due to this fragmentation.

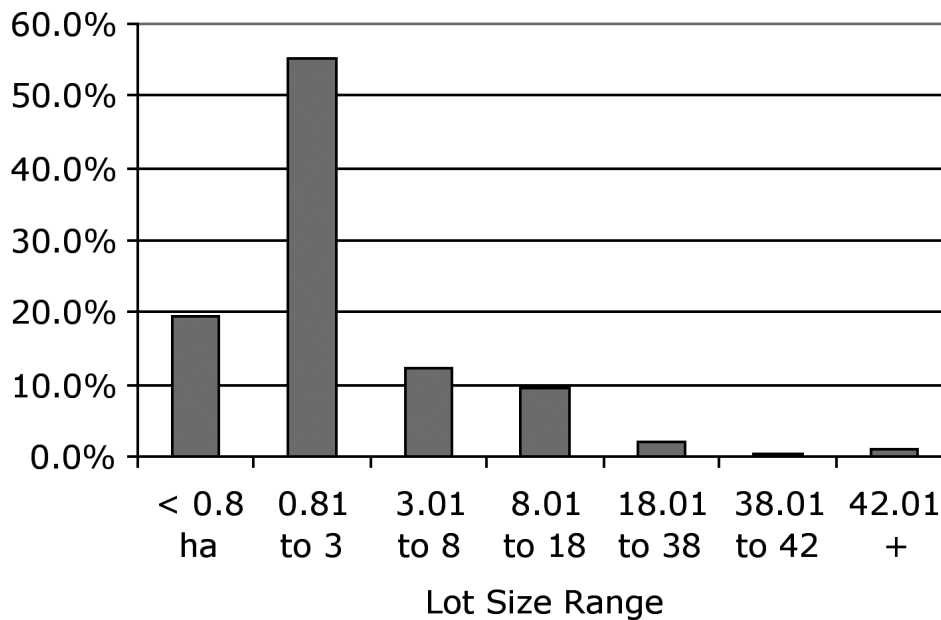
Figure 2: Western Sydney Rural Land Use



Source: EDGE Land Planning 2003

The predominance of lots in the 0.8 to 3.0 ha. range is common in all Council areas. Some, like Blue Mountains, Camden, Hawkesbury and Penrith have approximately 20 to 30 per cent of their lots in the 'less than 0.8 ha.' range with the rest having between 10 and 15 per cent of lots less than 0.8 ha. in size. Hawkesbury and the Blue Mountains have the highest percentage of lots in the ranges greater than 3 ha.

Figure 3: Western Sydney land fragmentation

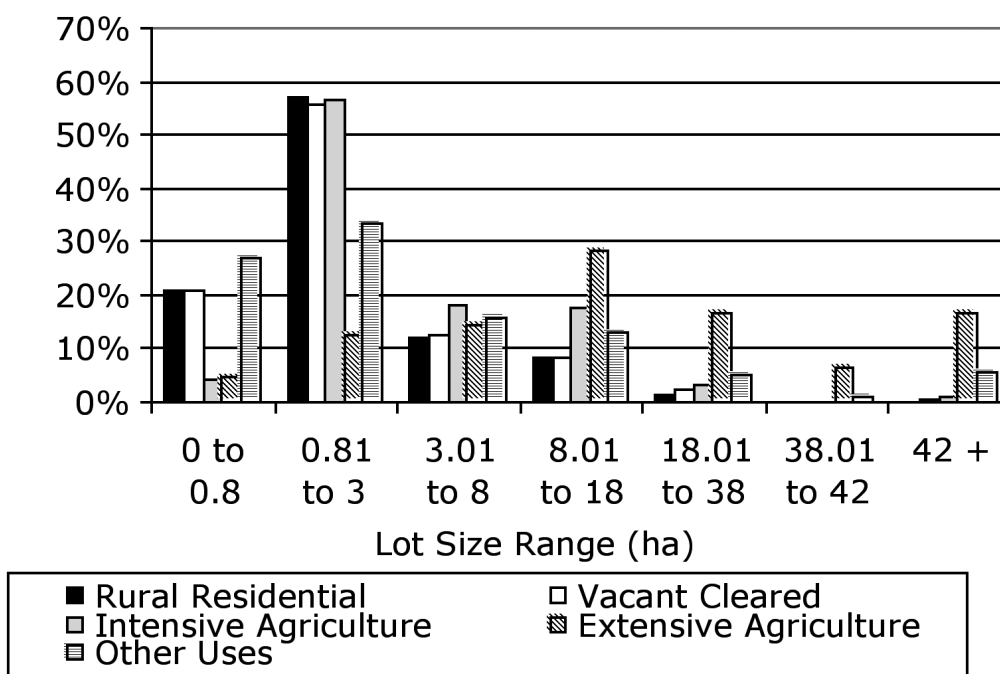


Source: EDGE Land Planning 2003

The land use data has been cross referenced with the lot sizes to show the proportion of land use that is within each lot size range. Figure 4 shows the results of this analysis. The major land use categories of rural residential, intensive agriculture (combining intensive animals and plants), extensive agriculture and vacant land are shown there and the others have been grouped together (extractive industry, commercial, and public uses).

Figure 4 shows that, as expected, in the lot sizes below 8 ha. the most important use is rural residential. The majority of lots used for intensive agriculture are also in the range 0.8 to 3 ha. About 10 per cent of rural residential lots are of 8 ha. and above, or about 3,000 lots. These are scattered between productive agricultural uses, which can lead to conflict between farm operations and arcadian expectations of rural living.

Figure 4: Western Sydney land use by lot size



Source: EDGE Land Planning 2003

Because of the importance of rural residential land uses, it becomes important to differentiate them further in the following manner:

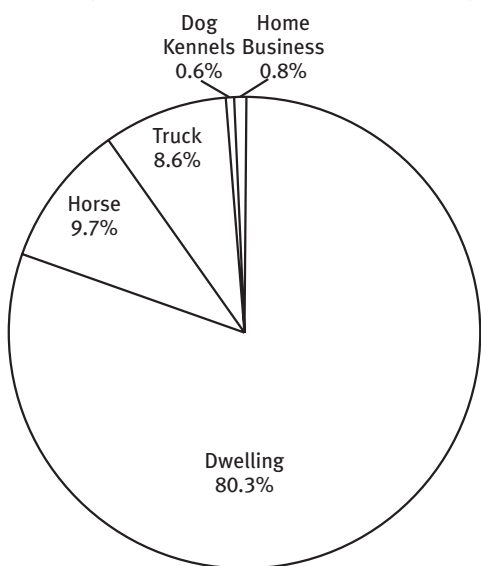
- Dwelling - where there is only a house on the lot.
- Horse - where there is a house plus a horse(s) observed on the property.
- Truck - where there is a house plus a truck usage (bobcat, builder, plumber, etc).
- Home Business - where there is a home business run from the property with a sign advertising this.
- Dog Kennel - where there is a house plus dog kennels with a sign advertising this.

These data are presented in Figure 5, which, while showing the dominance of use for residential purposes, also depicts the importance of horse-keeping and businesses using trucks. Ten per cent

of the rural residential lots have a horse, 8.8 per cent have a truck and 0.9 per cent a home business. The trucks are used in the businesses of builders, backhoe operators, fertiliser and building material suppliers, irrigation and farm equipment merchants, plumbers, tipper truck and bobcat operators. They are located in the 2 ha. areas because of the ability to park and house trucks as well as any bulk materials. This is not feasible in urban areas which also prohibit habitual parking of trucks in residential streets. These activities can cause conflict with adjoining rural residential uses, including the noise of starting trucks in the early hours of the morning. Horses are also common on rural residential lots, either for riding or agistment, and require an area of at least 2 ha. to avoid land degradation.

Rural residential uses are mostly scattered throughout the study area and consist usually of

Figure 5: Types of rural residential land uses in western Sydney



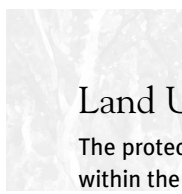
Source: EDGE Land Planning 2003

relatively new houses which are also large (some as big as 1,000 to 2,000 m<sup>2</sup> in floor area). They can be found in clusters of mostly rural residential but are also often mixed with intensive plant uses. As noted, a number are used by the owners for both living and business purposes. This is particularly so for tradespeople and professional people in single practitioner consultancies who run home offices. Table 1 shows the combined impact of people running farms and other businesses from where they live in the fringe, amounting to 8.6 per cent of the employed population, more than twice as high as in adjacent urban areas.

Table 1: Employed persons who worked at home in Sydney's rural-urban fringe, 2001

LGA	Urban Area	%	Rural Area	%
Baulkham Hills	3,377	5.1	1,006	13.5
Blacktown	2,286	2.2	281	11.0
Blue Mountains	769	4.2	1,107	7.0
Camden	521	3.0	491	12.0
Campbelltown	1,250	2.1	119	9.9
Fairfield	1,576	2.5	154	13.9
Gosford	2,780	4.7	550	15.1
Hawkesbury	NA	NA	1,901	6.5
Hornsby	3,187	4.8	737	12.7
Liverpool	1,450	2.4	497	12.0
Penrith	1,811	2.5	778	10.8
Sutherland Shire	3,861	3.7	92	6.0
Wollondilly	NA	NA	1,042	6.1
Wyong	1,413	3.6	640	7.6
Total	24,281	3.4	9,395	8.6

Source: EDGE Land Planning 2003



## Land Use Planning Issues

The protection of high quality agricultural land within the Sydney region is an issue paramount to the future planning of the region if it is to continue to be a major supplier of fresh food and produce. It is the local government areas located on the fringe of Sydney which produce a significant, sometimes dominant proportion of the fresh produce both consumed and produced in New South Wales (especially perishable commodities). The main agricultural products grown in these areas are perishable vegetables, poultry, flowers and cultivated turf. There are also considerable numbers of dairies, orchards, horse studs and spelling properties as well as goats, deer, alpacas and other traditional forms of agriculture. In 2003 NSW Agriculture valued agriculture in the Sydney region as being worth approximately \$1 billion and this figure did not include the horse bloodstock industry which can be conservatively valued at a further \$1 billion.

Agriculture on the fringe is becoming more intensive as the value of land increases and hence the need to use it for higher yielding commodities. Intensive uses are also being relocated from other Council areas that have become urbanised. As shown in Figure 4, most of the intensive agriculture is practiced on lots in the 0.8 to 3 ha. range, which is difficult to sustain both because of the potential to create rural land use conflict and insufficient size to adequately deal with soil and water management on the property.

This interpenetration of intensifying agricultural production and rural residential use of different kinds creates increasing tensions as the activities of one interfere with the other. Advocacy of the right-to-farm is one result of this conflict. However, as shown in the land use surveys many residential uses operate as small businesses serving agriculture, construction, pet keeping and veterinary needs, tourism and local transport demands especially for bulky products, as well as satisfying local requirements for professional services. A simplistic view of the political economy of the rural-urban fringe views agriculture as production and rural residential use as consumerism, but the surveys indicate the importance of many businesses in rural residential areas to the local economy.

Fragmentation of lots makes it difficult for the lots to be reconfigured into new and more appropriate uses and high land prices make consolidation of these small lots difficult.

## Policy Implications

The first point to make is the need for good data and information on what is happening in the rural-urban fringe. The *Western Sydney Land use Study* (EDGE Land Planning 2003) throws up some surprising results as does the classic 1981 study by Menzies and Bell (1981) in the Adelaide Hills. This earlier research surveyed recent purchasers of property in that area, classifying their holdings on a continuum ranging from full-time farming to rural residential, and analysing the purchasers' intentions on how they would use their land.

Second, traditional land use planning instruments such as strategic plans, statements of planning policy, zoning and minimum subdivision sizes have been developed mainly for urban situations and do not satisfactorily address the dynamic and complex issues of rural-urban fringe areas. The recent attempt in South Australia to develop and apply 'performance standards' is an illustration of the need to adapt such instruments and the difficulty in so doing (Houston 2003).

Third, such traditional instruments need to be combined with measures which address the distinctive economies of rural-urban fringe areas through right-to-farm legislation, differential tax regimes, transfer and purchase of development rights, user-pay regimes and community title arrangements.

Fourth, water and land use need to be associated more effectively so that there is better integration of natural resource management and use. Recent reforms to water use and management have often used land use planning processes as a precedent and something of a model. Opportunities theoretically exist to combine them more effectively.

Finally, selecting the most effective suite of planning and management instruments depends critically on local conditions and circumstances (McKenzie 1997).

These arguments reflect the need for more dynamic and differentiated policy responses to the issues attending the rural-urban fringes of our large urban centres, and depend essentially on increased research including data collection and analysis of the kind provided by the *Western Sydney Land Use Study*.

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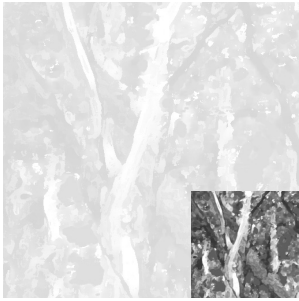
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## Bridging the Development Gap: Community and Industry Development in Rural Australia

Robyn Eversole<sup>1</sup> and John Martin<sup>2,3</sup>

### Introduction: Rural Communities and Economic Development

Historically, Australian rural industry has comprised mostly primary production. Our rural industries were developed locally, based on local resources, and were closely tied to their local communities. Family farms, local retailers, service-providers, and regional manufacturers were based in a specific geographic area. These local businesses were in turn linked into larger economic systems; nevertheless, the bulk of decision-making and interaction took place at the local level, and within the influence of local community social and cultural norms. Close ties between rural communities and rural industries meant that the benefits of industry development were not only national, but also local. Inequities certainly existed, both between and within communities and regions, but there was a clear link between the development of local industries and local community well being.

Today, however, we see that the principal economic activities in rural Australia are much less localised and locally controlled than they once were. Most Australian farms are still family businesses, but

there is an increasing shift toward corporate farming, with uncertain implications for many aspects of rural Australian community life (Tonts and Black 2002). As compared to fifty years ago, local retailers are now more likely to be part of national and even international retail chains, such as Woolworth's and Safeway. Meanwhile, regional manufacturing industries are bought and sold as part of corporate acquisitions and mergers.

Mining is another case in point. A study of early mineral sands mining operations in Capel, Western Australia in the 1950s indicates that these operations were quite localised; companies were based locally and local knowledge was a key component of economic success (Eversole 2003a). Now, however, most mining projects are managed and operated by national and global corporations. How do these kinds of shifts in the ownership and scale of rural industries impact on local communities? What do they say about the potential for local self-determination and decentralised regional governance, as argued by proponents of 'New Regionalism'? Ultimately, what opportunity do local communities really have to influence the nature of development, and the kinds of futures they will have?

The shift away from local to global industries over the last century has had particular implications for how development is understood and pursued around the world - including in rural Australia. For many people, 'development' and 'regional development' still mean economic development first and foremost - despite growing uncertainty about who ultimately controls economic processes

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on a global playing-field, and where economic benefits will actually accrue. For other people, development necessarily includes non-economic issues, and so must focus on social, environmental, and other considerations that matter to local communities. While the rhetoric of sustainable development posits that economic, social and environmental factors are all important components of development, in practice, a broad gap exists between those who prioritise economic development (generally focusing on regional, national and global contexts) and those who prioritise community development (generally focusing on a local, or sometimes regional, context). With the increasing globalisation of rural industries, this gap between macro-economic and micro-community development approaches has become more pronounced.

We argue that this 'development gap' is both pervasive, and counter-productive for any pursuit of economic and social equity. So long as this gap persists, economic goals are seen in isolation from other community goals, and non-economic community needs and aspirations remain disconnected from sources of economic prosperity. Internationally, it has been observed that macro-economic policy (geared toward economic development) and poverty reduction policy (geared toward social equity and human well being) remain disconnected from one another and contradictory (May 2003). The history of community development and anti-poverty work, meanwhile, has often been 'less of an integrated strategic approach to improving local wellbeing and more of a necessary residual activity catering for those bypassed by strategies to improve local wealth creation' (Haughton 1999, p. 7). In rural Australia, community-based economic development strategies have been tried, but have generally failed to take into account the realities of the larger economic context in which local communities must work (Eversole 2003b). Bridging the development gap requires understanding the intimate links between the social and the economic, and between local communities and global contexts.

## The Development Gap

For most of its history, development as a concept has focused on economic development: placing emphasis on measurable, material aspects of human well being. Gross products of nation-states, total and per-capita, have long served as an

indicator of where nations lie on the continuum of 'developed' to 'underdeveloped'. Measurements of poverty have frequently focused on comparing income levels; setting a poverty line of, for instance, a dollar a day. The assumption is that these economic measurements provide a useful shorthand for indicating whether groups of people have access to resources, and also whether this resource base is growing or shrinking; a growing GDP implies more resources in a country, for instance, and a shrinking GDP, less.

Yet economic development has not necessarily meant well being, particularly for disadvantaged populations within nations and regions. National-level measures of economic indicators like GDP do not capture economic differences among members of the population, or even among geographic regions. Equity has often been overlooked in the pursuit of economic growth - glossed over in the assumption that economic growth will benefit everyone. Yet this is not necessarily the case. A major piece of infrastructure, such as a hydro-electric dam or a housing development, or a new industry, like tourism or oil drilling, may bring important economic benefits to a region or a nation as a whole, while at the same time bringing significant losses for particular groups. Who bears the costs of growth (such as displacement, environmental damage or escalating prices)? Who, on the other hand, has the assets (capital, education, etc.) to reap growth's benefits?

Current international development scholarship has taken a keen interest in equity issues (see for example Naschold 2002, Sen 1999). It is now broadly recognised that to be effective at increasing people's well being, economic development efforts must take into account the distribution of benefits. This goes beyond simply generating growth and then capturing some of its proceeds for social transfers. Rather, there is now an understanding that the growth process itself needs to have equity 'built in'. A current popular concept in international development circles is 'pro-poor growth (see for example Knoke and Morazan 2002, Warnock *et al.* 2002). For national economic growth to be 'pro-poor', it should happen in a way that economically disadvantaged people can benefit from it. The benefits of growth are thus not concentrated in the hands of a few who already control resources. Disadvantaged groups can reap benefits from economic development, rather than bearing its costs.

Recognising that not everyone benefits equally from economic development, people and institutions around the world are increasingly demanding a say in the development decision-making that affects them (Blackburn 1998, Humphreys 2000, World Bank 2000). There are thus moves toward local communities being given a greater voice in decision making, a process which has been referred to as participatory governance (Edwards 2001, Herbert-Cheshire 2000). The moment development comes onto the negotiating table, however, so must the terms of development. What kind of development is wanted? What are the values and priorities being promoted? Is the priority employment, or health services, or the environment? Is it knowledge, or regional image, or income? All priorities are subject to negotiation, by people who may hold quite different values. The issue becomes more than just economic equity: it becomes a much larger debate about what resources should be valued and what goals should be pursued.

This may be termed the 'social' or 'community' critique of economic development and, like the 'equity' critique discussed above, it identifies an important gap in traditional ways of thinking about economic development. Even very recently, it has been considered necessary to state outright, for those who may have missed the point, that economic gain is only instrumental to the larger goal of human well being (Sen 1999, UNDP 2002, p. 9). And it was not until the beginning of the 1990s that non-economic indicators of development, such as improved lifespans, literacy levels, health status and so forth, came to be formally measured via the United Nations Development Program's Human Development Indices. The social/community critique recognises that development is about human well being, and that human well being is not just about economic gain or loss.

These ideas have been influential on the international and national stage, and thus Australian State and Commonwealth governments have seen a need to integrate a social/community perspective into their development efforts. In Victoria, for instance, the government has established a Department for Victorian Communities, which attempts to promote local self-help development and increased community capacity (Herbert-Cheshire 2000, Mowbray 2003). Nevertheless, such attempts to take a more 'community-based' view of development do not bridge the development gap; indeed, they serve to

highlight it. These 'community' programs are small-scale, localised, and disconnected from larger economic development policy. For example, the Victorian government's Community Capacity Building Initiative invested \$A1 million dollars per year over three years in a pilot project for a few small towns which essentially involved 'encouraging unassuming social activities undertaken for good purposes...of the types that are commonly undertaken within communities' (Mowbray 2003). Government policymakers still think of community development issues in their own separate 'box' - disconnected from larger economic development policy.

## Bridging the Development Gap: 'Economic' Action as Profoundly Social

The equity critique and the social/community critique are not alternatives or add-ons to our understanding of economic development, but rather, sources of rich insight into how the economic development process really works. Yet in the serious business of regions' and nations' economic development, both critiques are routinely overlooked or sidelined. In theory, and sustainable-development rhetoric, they are important; in practice, 'local' and 'community' concerns are disconnected conceptually from large-scale economic strategies for regional and national prosperity. The popular concept of the 'triple bottom line' (or the 'triple bottom line plus one') does attempt to integrate social, economic, environmental and even cultural goals, yet in the end, it fails to present a cohesive theoretical picture of how economic activities are seated in social, environmental, and cultural contexts. As a result, it allows economic goals to remain at the centre of many development efforts.

Yet theoretical tools exist to place economic goals in their proper context. Both economic anthropology and institutional economics point to the way that social ways-of-doing-things (culture) and rules-of-the-game (formal and informal social institutions) underpin, and profoundly influence, economic transactions (Acheson 1994, Ensminger 1992, North 1990, Putnam 1993). Economic action is ultimately social, because all economic action happens in a social context. Written and unwritten laws, values, assumptions, relationships, all influence the way economic transactions are carried

out, the costs of these transactions, and who benefits from them. The concept of the 'corporate citizen', for instance, and the growing literature on corporate social responsibility, affirm that economic transactions are clearly seated in social rules and relationships.

Economic development is thus a profoundly social process. It is instigated by some, for the benefit of some, and sometimes contested by others. Development decision making is thus inherently political (Craig 1990, Lane *et al.* 1997). A development initiative can promote equity or increase inequity. It can strengthen, or fray, the social fabric; affirm, or weaken, local communities. The macro-strategies of national and regional economic development are thus not separate from social and cultural interactions at local community levels, but intricately linked to them. As rural industries become less tied to rural communities, they are orienting themselves increasingly to the rules and relationships of global corporate culture. This affects the ability of rural communities to negotiate the terms under which they will engage with these industries. It can have important implications for both equity, and the kinds of development goals that will be pursued.

### An Up Close View: New Rural Industries in the Western District

This section takes a close look at one region of rural Australia, and specifically, at two new, global industries that have entered the region over the past decade. Each is a nationally important industry, and an important driver of economic development. Each industry has, with varying levels of success, attempted to engage constructively with local communities in this region; nevertheless, there are clear limitations on the control these communities have over the development process. This process is being driven from the national and international stage, and influencing transactions and relationships at the local community level. Equally, it is clear that government policies, while superficially attempting to safeguard environmental and social interests, are following an agenda which is clearly driven by the goal of economic development.

#### *Plantation Forestry*

Over the last decade, swathes of landscape in the Western District of Victoria have changed notably,

moving from pasturing or cropping to large-scale planting in bluegums. Large prospectus timber companies like Timbercorp and Australian Plantation Timber (APT) have led the way in the purchase or leasing of farmland for hardwood plantings. The ultimate national development impacts of the bluegum industry are debatable, and will have much to do with trends in the global wood market (Clark 2000), yet timber plantings were consciously promoted by the Australian government through a tax incentive system, as a form of national industry development focusing on timber product export (Mercer and Underwood 2002, p. 111).

An up-close view of this nationally important industry as it is playing out in a specific regional context, gives an opportunity to observe the social processes underlying economic development. We see that equity and social/community issues at the local level are closely tied up in the nature of the industry itself and its economic characteristics, while at the same time, community characteristics influence the way the new industry is organised and experienced.

Bluegum plantations arrived in the Western District at a time when the local economy was not doing well and the market for the main local product, wool, was down. Since 1994 the amount of land under bluegum plantations in the larger Green Triangle region has increased from less than 400 to over 113,000 hectares (DAFF 1997, LCRDB 2004). The bluegum industry offered an opportunity for older farmers seeking to retire, as well as farmers seeking to supplement their income, to sell or lease land at a premium. Many people who sold or leased farming properties then purchased retirement properties in major regional centres such as Hamilton. From the viewpoint of local community members, confirmed by the researchers' observations over three years living in the region, this has had the effect of:

- 1) Starting rural property prices, and Hamilton real estate prices, on a steady climb, which continues.
- 2) Diminishing the population of rural areas, meaning less dense social networks in rural areas, less labour available for community activities and services (such as the Country Fire Association), and increased sense of isolation for some rural residents.
- 3) Creating concerns over landscape amenity and environmental implications (e.g. susceptibility to bushfires).

Much of the employment benefit of these plantations has been in the setting-up phase (land preparation and tree planting). In at least some cases, this was only piecework employment. At the same time, in a community consultation around plantation forestry carried out by Mercer and Underwood (2002), it was noted that as a result of the expansion of tree plantations, there was less employment available on farms.

In terms of other economic effects, the industry has generally benefited farmers seeking to retire or diversify. However, there have been concerns with funds leaving the local area, and the escalation of land prices, as well as with the long term rentability of investments in bluegums (Mercer and Underwood 2002). The social effects of increasing tree plantations, in terms of the cohesion and sustainability of rural communities, have generally been portrayed as negative (see Schirmer and Tonts 2003).

### *Mineral Sands*

Another case of new industry development in the Western District of Victoria is the mineral sands mining and processing industry. Australia is a pioneer in the mineral sands industry, and the industry overall in Australia generates A\$1.2 billion in export income per annum and provides direct employment for about 3000 people (State Government of Victoria 2002). It is clearly an economic development area of interest to the Australian government. As of early 2004, the region's first mine (Douglas, about one hour north of the town of Hamilton) and mineral sands processing plant (in Hamilton) had passed through all necessary approvals processes. The construction phase began in mid-2004 and continues to date.<sup>4</sup>

Preliminary ethnographic and survey research carried out in mid-2003 (Eversole 2003a) indicated generally high and positive expectations from local communities in the Western District toward the new mineral sands industry. Local government, businesses, third sector organisations and the general public generally perceive that this new industry will have a strong positive regional development impact: more jobs, population growth and diversity, and increased economic prosperity for local communities. At the same time, there have also been cautious voices concerned with potentially negative impacts; including tree loss,

<sup>4</sup> See <http://www.iluka.com/> for information on Iluka Resources Mineral Sand Mining operations in western Victoria.

health impacts, water access, landscape amenity, road safety, and so on. The planning process was not without its small number of vocal opponents.

Here, again, it is possible to see the way the social context is deeply interwoven with the economic process of new industry development. One example is employment. The new mineral sands industry is expected to employ 300 people during its construction phase, 150 people full time thereafter, and generate 450 indirect, full time jobs (personal communication, Mr Greg Walcott, Community Relations Specialist, Iluka Resources Hamilton). While employment is generally understood as a positive outcome, it is interpreted differently by different local interest groups. Some, for instance, have seen transient contract employees from outside the area as a threat to local social stability (though to date there has been no evidence to support this). Others welcome the economic movement such newcomers bring, and the consequent growth of indirect employment in other businesses. There are questions about whether skilled employment will be available in the new industry to attract youth back to the area, and whether farmers and other local businesses will lose their casual workforce to better jobs in mineral sands. For the company, meanwhile, employment needs are subject to an economic calculus; they often contract out work (such as construction) to other companies on a competitive basis - no longer controlling the kind of employment that results.

The importance of the social context to economic activities is also clear in the way in which the mineral sands company itself, Iluka Resources Ltd., has worked to build a good public image in the local area. In twelve months of pre-project work in the region, the company developed a strong profile in local communities through press releases, speaking engagements, presence at community events, advertising, newsletters, and so forth. They, and their predecessor Murray Basin Mineral Sands, have been praised by locals for their openness and efforts to keep local people informed; this openness in turn made people feel involved in, and comfortable with, the development process.

### Conclusion: The Community Context of National Development

As control of many rural industries in Australia has moved away from a local community base, the 'development gap' between economic and

community development activities has become more pronounced. This paper has briefly discussed two nationally important regional industries in the Western District of Victoria, as examples of large-scale economic development initiatives. A look at these industries serves to demonstrate the close but seldom-acknowledged interrelationship between economic development and its community context. Economic development choices are first and foremost social choices, made in social contexts. In many cases, however, the decision-making contexts now stretch far beyond local communities. Local communities are affected, and they can influence the development process, but their influence is limited.

Policies that promote economic development without considering its social and cultural contexts, perpetuate a false understanding of both the process and the rationale of economic development. On the other hand, understanding the interrelationship between economic development and local community issues not only leads to a deeper understanding of how economic development works, but also contributes to the development of stronger, sustainable communities. Mining companies now recognise they have a corporate social responsibility, a social licence to operate, rather than working purely within a regulatory framework (Minerals Council of Australia 2004). Promoting equity and responding to social and community issues are not peripheral policy goals, but must lie at the centre of any policy for national or regional development. Community development thus need not play the poor cousin to more 'serious' national development considerations such as new industry startup and growth. Rather, in its grasp of both equity considerations and non-economic development goals, community development needs to play a key role, reaching beyond the local stage and helping to name and bridge the 'development gap' in Australian rural development policy.

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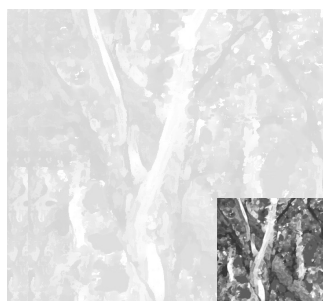
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## The Federal Budget and the Regions

Dr Scott Prasser and Dr Geoff Cockfield

### Introduction

The 2005 Federal Budget further confirms that regional and rural issues are sliding down the policy agenda, following peak budgetary activity from 1999 to 2003. There were no new policy initiatives of any note in the recent Federal budget though some generous pre-election promises were implemented.

### Competing Interests

The Howard Government is being driven by other factors more important than regional or rural concerns and this is borne out by the spending and policy priorities in the 2005 budget.

Foremost amongst these is the Howard Government's desire to increase corporate investment in Australia which, with the exception of mining enterprises, is mostly directed to urban areas. Rural capital is overwhelmingly controlled by family enterprises, is not mobile and can therefore be taken largely for granted.

Second, international relations and defence have moved to the fore and will continue to be important in the short to medium future.

Third, the key group affecting election results these days are 'aspirational' voters who are mostly located in the outer suburbs of urban areas. It is to these voters that the budget-announced tax cuts are directed.

Finally, the Howard Government wants to be seen as a 'reform' government, to top the record of recent Labor governments and to avoid the perceived failures in this area of the former

Coalition Fraser Government. Hence, key reforms signalled in the 2005 budget were welfare and tax, not regional funding or rural reform.

### Key Regional Programs

This focus does not mean regional and rural policy is neglected but rather the 2005 Federal budget confirmed the Howard Government's regional focus to the four key strategic areas. These are:

- Regional Development;
- Natural Resource Management;
- Rural Industry Adjustment;
- Safety Net Programs for Farmers.

Each program has been developed with the maximum of flexibility to allow the government to quickly inflate or deflate funding to suit changing political and, in the case of some regional areas and industries, weather conditions.

### Federal Budget 2005: Regional Outcomes

So what did the regions get from the 2005 Federal budget?

#### *Regional Development*

The main regional development initiative remains the *Regional Partnerships Program*. This program directs funds to regional businesses and community groups supposedly to stimulate regional business activity. During the 2004 election campaign some \$58 million was pledged through this *Regional*

*Partnerships Program*, with 49 per cent of that to be spent in Queensland and a further 29 per cent for Tasmania, with most being allocated to the then marginal Labor seat of Bass.

Despite the recent criticism of pork-barrelling and undue ministerial influence, the 2005 budget continued with the *Regional Partnerships Program*, paving the way for such questionable expenditure as \$250,000 on a visitor's interpretation centre for rhododendron gardens in Tasmania and a range of 'icon' projects, such as an aviation museum for Bundaberg and a Rodeo Hall of Fame in Mount Isa.

### ***Natural Resource Management***

The 2005 budget also confirmed funding of previous budget allocations for the next three years of some important natural resource management programs such as the *Natural Heritage Trust* (NHT) and the *National Action Plan for Salinity and Water Quality* (NAPSWQ) involving \$3 billion and \$1.4 billion respectively. While indirectly assisting farmers, these programs also provide the Howard Government with some important 'green' political credentials.

In addition, there was some genuine new money in the 2005 budget for this area with \$2 billion for the *Australian Water Fund* (AWF), \$200 million for the *Living Murray Initiative* and \$5 million for the *Healthy Soils* program.

### ***Rural Industry Adjustment***

For regions undergoing structural change there has been the *Sustainable Regions Program*. To date, most of the money allocated in Queensland has been spent in the Atherton Tablelands and Wide Bay areas that although undergoing some structural change, were also where One Nation enjoyed strong support!

Funding for regional industry adjustment will continue with spending tied to changes in practices or to farmers leaving industries, like the \$444 million sugar package. These programs often have limited impact as farmers prefer to get the money without actually leaving the industry or changing their farming practices as is being demonstrated with the sugar industry.

### ***Safety Net Programs for Farmers***

Finally, there are safety net programs involving income spreading mechanisms and the *Exceptional Circumstances Program* that provides extra support

when drought, floods or pestilence afflict the bush battlers. The Howard Government did not allocate additional funding to this program in the budget, though is now considering additional support following the Prime Minister's rural sojourn in May 2005.

## **Conclusions**

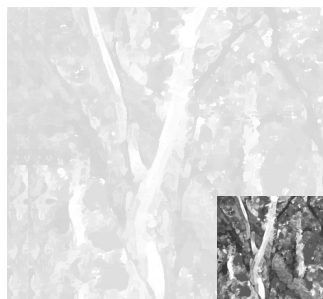
The structure and operation of these four core regional program areas allows the Howard Government to respond quickly to immediate crises while maintaining its general commitment to market driven reform and budget surpluses because funding is limited, targeted and flexible.

Nevertheless, farmers do enjoy more adjustment assistance and safety net programs than other industry sectors, or farm workers and rural businesses.

Despite the budget's stated 'unwavering commitment' to regions and rural industries such commitment is being increasingly tempered by the declining political importance of the regions and other economic and policy concerns. Consequently, during the next couple of years the Howard Government's regional funding strategies will be tested on several fronts.

For instance, commodity prices may decline because of a slowdown in overseas economies. Total agricultural production could fall as a result of drought. These trends, combined with readjustment of inflated land prices, could increase farm debt and adversely impact on some regions and increase demand for regional adjustment and safety net spending. Such pressures will be countered by other emerging budget demands and the possible changing of the prime-ministerial guard. Heir apparent Peter Costello has not shown much interest or empathy in regional and rural issues.

Regional Australia, especially the rural areas, should enjoy what it got from the 2005 Federal budget as it will be facing tougher times ahead and there is increasing competition for the limited Federal dollars from other more politically important issues and interests.



## Cluster Confusion

Martin Perry\*

### Introduction

Local economic policy ideas are frequently based on the 'enthusiastic borrowing' of perceived best practice rather than detailed understanding of what works and when (Irwin 2003). Cluster policy is a pronounced case of this. In many industrial countries, efforts to promote business clusters are now a central part of regional, innovation and business development policies administered by public agencies (Isaksen and Hauge 2002; Raines 2002). Indeed, at the start of the new century it could be claimed that few other ideas had the same level of appeal among local economic development practitioners as did the promotion of clusters (Martin and Sunley 2003).

Much of the evidence claiming to show the importance of business clusters comes from case studies of individual localities. Silicon Valley, the so called 'Third Italy', Denmark's Medicon Valley and Carolina's 'research triangle' are frequently cited as the cluster exemplars justifying endless efforts to replicate these experiences around the world. In fact, reflection on the cluster precedents, including less frequently referred to case studies, can equally be used to demonstrate that the case for cluster building reflects a misunderstanding of industrial location trends.

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### A Critical Look at Cluster Case Studies

Dalton, Georgia (USA) is among the lesser known places that has gained a new prominence with the enthusiasm for cluster promotion. Figures from the Dalton-based Carpet and Rug Institute indicate that 80 per cent of carpet sold in the USA comes from mills located within 65 miles (105 km) of Dalton. Cluster enthusiasts usually leave the story there, with the implication that this concentration is an example of the benefits clustering brings to an industry. Close scrutiny of the locality's association with carpets has questioned whether Dalton's citizens might not have benefited from a more diversified economy than it has.

In the late 1990s, Dalton-Whitfield County had a population of 86,000 with an unusual employment profile. Close to half the workforce was in manufacturing, compared with a national share of 13 per cent, and around three quarters of these worked in textile mills (Weinstein 2001). Much of this employment was provided by four companies who were the largest carpet makers in the USA, with three of the next ten largest carpet companies accounting for much of the rest. Rather than this being a source of prosperity and community celebration, Dalton has been described as a place controlled by a 'conservative power structure [that] has been focused more on hoarding the workforce for employment in the low-skill carpet industry than targeting resources toward upgrading the region's human capital' (Weinstein 2001, p. 340). In order to keep its carpet mills operating with their low pay

and unpleasant working conditions, it has been necessary to recruit workers from far away. Meanwhile, opportunities to diversify the economy have not been taken. One sign of this being that the local community college had been restricted to vocational courses of no more than two years duration. A close look at Dalton reveals why careful thought needs to be given before claiming the benefits of promoting business clusters.

The so-called Motor Sport Valley in southern England is another locality that has gained attention as a consequence of the revival of interest in clusters. It employs over 50,000 people, most of them highly skilled engineers and designers. In the late 1990s, around three quarters of the world's single seat racing cars were designed and assembled in the cluster (Pinch and Henry 1999). Breaking down the making of a Formula One car into four components (design, base, chassis and engine), 9 out of 14 racing teams had three or four of these located in Motor Sport Valley. Unlike Dalton, therefore, this case is perhaps an unambiguous illustration of the benefit that clustering can bring, but it still raises questions about the significance of the phenomenon.

The example has been researched in the belief that it is typical of other 'new industrial spaces'. To support this claim, a theory linking business clusters with the accumulation of 'architectural knowledge' has been proposed (Pinch *et al.* 2003). Leaving aside the merits of this theory, the first thing to note is that motor sport is not a 'normal' business. Cars are produced for races that are conducted against a uniform set of rules wherever the race takes place. A race in Australia may have to contend with different track conditions than those encountered in England but design and construction teams can stay in one place while racing occurs around the globe.

The motor sport cluster would not exist without the extensive regulation of car racing. Regulation produces the duplication of activity across race teams rather than the consolidation of ownership that would arise if cars were produced for the open market. To prevent domination by one manufacturer, for example, each team has to produce its own chassis (Pinch and Henry 1999). Neither are teams under much pressure to minimise on cost, so there is no pressure to relocate to where business costs would be lowest. Sponsors are generous and more motivated to see their logo on a winning team rather than to improve the efficiency

of car racing. Indeed, for some teams at least it seems that there are no fixed budgets to constrain engineering operations (Pinch and Henry 1999, p. 819). Cost savings arising from the proximity of buyers and suppliers are the usual way that economists seek to explain clustering. The special conditions associated with motor car racing are, therefore, a challenge to explain and hence the claims about architectural knowledge.

Finland is another location that has gained attention from the presence of a cluster, although in this case a company (Nokia) is more widely recognised than its home region (Tampere or Pirkenmaa). This case is associated with telecommunications equipment manufacturing and avoids the uncertainties that arise with activity outside the mainstream economy. Finland's Information and Communications Technology (ICT) cluster has been interpreted using the cluster analysis proposed by Michael Porter, the single most influential cluster guru responsible for evangelising policy makers to clusters (Martin and Sunley 2003). As well as illustrating Porter's approach, the case can indicate why it is wrong to attribute causality to cluster attributes as Porter's methods tend to encourage.

At the end of the 1990s, ICT manufacturing accounted for around 7 per cent of Finland's GDP (Paija 2001). When software supply and services bundled with hardware are added, the cluster became of even greater importance. Over half the cluster measured by turnover or exports was accounted for by Nokia and overall Finland had the highest level of export specialisation on telecommunications among industrial economies. In Porter's diamond model, local conditions shape international competitiveness mainly through four attributes.

- Factor conditions, such as a specialised labour pool, specialised infrastructure, and sometimes selective disadvantages that drive innovation;
- Home demand, or demanding local customers who push companies to innovate, especially if their tastes or needs anticipate global or local demand;
- Related and supporting industries, internationally competitive local supplier industries who create business infrastructure and spur innovation and spin-off industries; and
- Industry strategy, structure, and rivalry, intense local rivalry among local industries that is more

motivating than foreign competition, and a local 'culture' which influences attitudes within individual industries to innovation and competition.

Finland's success in telecommunications has been seen to fit these conditions, although intense firm rivalry has been lacking (Paija 2001). Mobile phone production started in Finland in the 1970s with four competitors including Nokia. By the early 1980s, two had been bought out by Nokia and the third by Ericsson, the Swedish telecommunications conglomerate (Maskell *et al.* 1998). Even were the diamond completed, Porter's rationalisation does not explain how these mutually reinforcing attributes came about. Looking at the larger Nordic participation in telecommunications, a particular technological and regional context needs to be acknowledged (Maskell *et al.* 1998, p. 169).

Unusual among high tech industries, telecommunications equipment evolved from earlier activity based on electro-mechanical technology. Nokia is well known to have once been big in trees and rubber. A more critical aspect of its inheritance was its taking over of a television company (Salora, established 1928), the Finnish Cable Works (Suomen Kaapelitehdas, founded 1917) and the State Electric Works (Valtion Sähköpaja, established 1925) (Paija 2001). Without the ability to draw on established corporate structures and expertise, it is doubtful the Finnish telecommunications industry would have become as significant as it has (Maskell *et al.* 1998, p. 175). Nokia had a 'window of opportunity' to exploit as mobile telephone technology initially did not appear promising. The first systems were suited to serving comparatively small numbers of subscribers over large geographical distances. This suited a region with sparse population and small urban centres.

Inducements for cross border cooperation were a further Nordic advantage. Among important consequences was the need to set standards for technology still at an early stage of development. Indeed, the launch of the Nordic Mobile Telephone (NMT) system in 1981 is generally taken as the single most decisive contribution to the industry's development. It increased the size of the market for equipment suppliers and gave a platform that Nordic firms further exploited when the Global System for Mobile Communication (GSM) standard came into operation in 1992 (Bresnahan *et al.* 2001). Another distinctive component to the story

was the need to integrate activity between equipment manufacturers and network operators. In the Nordic region, public-private 'development pairs' were particularly effective. Being small countries, it was not unusual to find strong personal connections between individuals on 'different sides of the table' and it has been argued that this contributed to levels of collaboration that would not easily arise in 'normal' market economies (Maskell *et al.* 1998, p. 171).

Against this bigger picture, Finland is a reminder not to assume that contemporary business structures explain why the cluster came about. This point has been raised as a weakness in Porter's interpretations of cluster advantage, including by one of his former collaborators Michael Enright (Glasmeier 2000, p. 567). The diamond model, Glasmeier points out, may provide an *ex ante* explanation of cluster composition but it lacks the ability to isolate characteristics that predict the creative forces which lie behind the formation of successful, integrated regional economies. A similar conclusion was reached and made more simply in a study that compared a sample of 'new Silicon Valleys' (including Finland) with the original Valley. This highlighted that many of the advantages thought to accrue to cluster participants are not able to exist at the outset of a concentration (Bresnahan *et al.* 2001). New clusters emerge as a consequence of 'old economy' attributes such as the sustained investment in education and research rather than 'new economy' attributes such as agglomeration economies.

The need to contend with overly optimistic assessments of existing clusters and their ability to sustain growth are a challenge to pinning down the significance of clusters. Any activity showing signs of growth and disproportionate presence in a locality seems capable of being turned into a justification for cluster promotion. Two contrasting assessments of the creative industry in Scotland illustrate the need to get beyond surface impressions.

Scottish Enterprise, a government development agency, selected creative industry as one of its cluster projects in the mid 1990s. This followed the agency's recruitment of the Monitor Group, the consultancy firm cofounded by Michael Porter, to give advice on cluster development in Scotland. A positive assessment of the project is provided by Sölvall *et al.* (2003) following some standard methods employed by cluster enthusiasts. One

technique is to draw the cluster boundaries as wide as possible to give an impression of the depth of expertise and particular attachment to place. Thus the contemporary creative industry is linked to Scotland's literary heritage, including the eighteenth century nationalist poet Robert Burns, the presence of art galleries and museums, as well as by drawing in activities as far apart as fashion design, computer games and architecture to augment the core creative industries of film, television and other arts. On this basis, the Scottish creative industries are estimated to contribute 4 per cent of Scottish GDP and provide 70,000 jobs.

A contrasting assessment of the creative sector in Scotland is provided by putting it in the context of the United Kingdom as a whole, focusing on activities that can most claim to be considered part of the creative sector and by examining the commitment of key organisations to the locality. Through this lens, the creative sector is small and its economic impact controlled more by national and transnational organisations and government regulation than by localised networks (Turok 2003). For example, concentration in London is the most striking aspect of the distribution of creative activity in the UK. The film production industry in Scotland has had some individual successes but activity does not sustain the specialised services required for consistent quality. The number of foreign film productions is a misleading impression of creative activity. In some years, most are 'Bollywood' productions that make little use of local crews or facilities being drawn to Scotland simply to use 'Victorian buildings and parks as backdrops for song and dance routines' (Turok 2003, p. 557).

Scotland's creative sector is more of a satellite location for national organisations than a localised cluster. In other cases policy makers may succeed in identifying a cluster but still mistake their ability to influence its development direction. Such was the experience of Barre, Vermont (USA). This small city (population around 10,000) has been claimed as the granite capital of the world since the late nineteenth century. It is located above extensive granite deposits that in the late 1990s were mined by around 60 companies with many of the rest of the town's businesses supplying transport, machinery or equipment repair services to the miners. Officials and some industry leaders in Barre turned to cluster thinking for help to revive growth while remaining a granite town (Kotval and Mullin 1998, p. 314).

Cluster strategies adopted included relaxed zoning controls, dedicating infrastructure and land for business growth, tax concessions, mandating the use of granite in Vermont public buildings and encouraging education and banking institutions to focus on the industry's needs. None of these strategies brought the desired upgrading of the stone industry away from comparatively low value rough cut stone and grave memorials. A key obstacle was that Barre's biggest firm was more inclined to act like a multinational corporation than a home-grown firm (Kotval and Mullin 1998, p. 315). It is a good citizen, participating in community events and operating a visitor centre, but its business strategies suggest greater interest in remaining the dominant business in the industry rather than in helping to grow the industry as a whole. Without its inclination to join, the effort to lever advantage from the concentration of activity was stymied. All this shows that the presence of the elements of an industrial cluster does not lead automatically to increase competitiveness.

Other researchers have pointed to the difference between physical clustering and functional clustering (Oakey *et al.* 2001). Physical clustering exists where businesses locate in proximity to each other without any functional linkages between them and without deriving any special benefit from their location. Functional clustering arises where firms gain some benefit from being close to each other and these benefits explain why the co-location occurs.

Against much of the reason for cluster enthusiasm, physical clustering is argued to be particularly prevalent among high technology activities. In practice, these activities comprise a mix of often technologically sophisticated but functionally heterogeneous enterprises (Oakey 1995). Politicians and planners tend to see these activities as a single industry but in reality there is little in common between say a high tech electronics company and a high tech pharmaceutical company. As Oakey *et al.* (2001) investigate in the case of the non-broadcast visual communications (NBVC) sector (communications organisations utilising Internet, multimedia, video conference and related media), diversity within particular high tech activities can even be too high for cluster benefits to exist.

Clustering of new technology activity arises as firms 'spin out' of a research centre or other organisation. It is a common assumption that these origins

induce functional clustering, through linkages between the spun-off firms, the incubator organisation or other local enterprises. In the NBVC sample, functional ties do not explain why spin outs remain close to their home organisation. Firms accumulating around the same location may help to increase the availability of relevant labour skills, but the reasons for staying close to home are more to do with perceptions of desirable home and work locations. There is no reason to think that such personal preferences coincide with the most economically efficient locations.

The present enthusiasm for clusters is similar to the claims made for science parks in the 1980s (Oakey *et al.* 2001). Influenced mainly by the concentrations of new enterprise in proximity to Stanford University in Silicon Valley and Massachusetts Institute of Technology in Boston, it was assumed that a functional connection caused the co-location of enterprise and university. Subsequent research revealed that science parks are rarely little more than high quality real estate projects, attractive to firms employing graduates but rarely fostering significant academic-business linkage (Massey *et al.* 1992). Indeed in the USA, encouraging firms to locate around universities has been shown to slow down enterprise formation by academics as it gives the option of being a consultant to, or director of, an existing business (Stuart and Sorenson 2003).

## Making Sense of Clusters

Contemporary cluster advocacy assumes that the capacity of firms to benefit from concentration is sufficiently general as to make its promotion a desirable policy goal whatever the activity and wherever the context. This claim has been addressed in many decades of research about urban and regional development. The result is that some activities have been shown to have more of a tendency to cluster than others and that the history of places and industry matter for the location patterns that result. Firms in dynamic, information intensive sectors such as biotechnology tend to be relatively concentrated, especially during the early period of industry development. Over time, successful firms age and evolve through a combination of local expansion, branch openings, the restructuring of core activities, alliances with others or perhaps disappear entirely. Similarly, locations evolve as firms move in and out and activities grow or decline in importance. The result

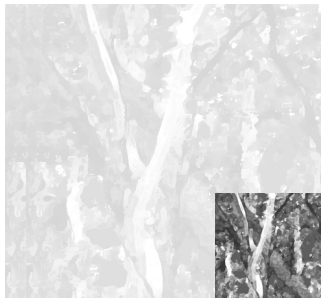
has been labelled 'diffuse development' (Glasmeier 2000).

Ultimately, much of the case for clusters assumes that firms more easily learn from firms with whom they are in close proximity and that localised learning can be highly effective for business growth. The availability, circulation and absorption of information are certainly critical to the long term survival and adaptability of business. It remains to be established that firms located in a cluster gain a learning advantage over firms that operate in diversified economies or in relative isolation of their industry peers. Firms, wherever they are located, have limited capacity to learn, being organisations built around routine and action legitimised more by past experiences than anticipations of the future. Indeed, to the extent that clustering produces uniformity in the sources of knowledge and a lack of attention to developments going on elsewhere, there is some evidence that it may even be detrimental to learning. This assessment is a reminder to consider the actual behaviour of firms. Experiences such as Silicon Valley are not created by firms suddenly becoming quick learners but rather they rely on conditions and resources accumulated over a long time.

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## Saving the Burnie Airport, North West Tasmania Organisations

### Burnie City Council

#### Project Brief

The Burnie City Council (BCC) initiated a course of action in 2001, to prevent the inevitable closure of the Burnie Airport, a vital interstate and intrastate air services passenger and freight transport link located at Wynyard in Far North West of Tasmania. The Airport had suffered a rapid 3 year decline to a level of 65,000 passenger movement annually (down 43%), that was attributable to the collapse of Ansett Airlines, cessation of Kendell Airlines, changes to flight scheduling, higher air fares, Airport management and operational procedures, the overseas terrorist attacks, and concerns regarding Airport Security. BCC approached the then Airport owner, the Burnie Port Corporation, and also the five Local Councils in Far North West of Tasmania, to ascertain the best way forward. Due to financial constraints, the other Councils elected not to join Burnie with the purchase, however, BCC determined to proceed in the interests of securing the long term future of the Airport. The Airport acquisition initiative, and its timing, faced many daunting challenges, including being a major new business for the Council and a significant divergence away from Council's past role and function; not having any previous Airport involvement or experience; and being 'hard on the heels' of the 'shocks' then being encountered in the Airport industry. Nevertheless BCC moved forward with the purchase late in 2001, successfully negotiating a reduction in the asking price from \$4.5M down to \$2.5M. BCC then divested 49 per cent to a private sector partner, set up a Corporate Business, that took over the ownership,

management, and operational responsibilities of the Airport from February 1, 2002. In the space of just 2.5 years, the outcomes at the Airport have been dramatic in all respects, with the Airport now achieving close to 100,000 annual passenger movements, operating strongly and achieving sustainable operating profits. The business has recently been valued at \$7M.

#### Planning

Burnie City Council's Strategic Plan (2001-2011), provides in part: Strategic Plan Reference - Direction 1 - 'A Prosperous Regional Centre' Objective 5: 'facilitate the improvement of freight and passenger links which focus on Burnie as the hub for North West air, sea and rail access'. Maintaining and improvement of our community's transport infrastructure and its associated transport links, is of vital importance to the economic and social well being of the Burnie community, and to the surrounding rural communities in Far North West Tasmania. This is especially so with regard to air transport freight and passenger links, given the general isolation of the North West Coast, and its separation from mainland Australia by Bass Strait. BCC is clearly achieving this objective of its Strategic Plan, with the Airport now firmly reinstated and operating successfully as a regional public transport Airport, with Qantaslink, REX Airlines, and Tasair, providing competitive air fares on up to eight return passenger flights to Melbourne daily, overnight freight services to and from Melbourne, interstate flights to and from the Bass Strait Islands and to centres around Tasmania.

The Airport is achieving a further eight (8) objectives and Key Performance Indicators, separately set by Council specific to monitor the performance of the Airport.

## Innovation

In the State of Tasmania, Local Councils have not in the past become involved in taking on owning and/or operating major regional airports, nor do they become involved in owning and operating major businesses outside of their municipal boundaries, nor do they become involved in business partnerships with the private sector in owning and operating a major business such as a regional Airport. Burnie City Council took on all these challenges, solely in the interests of reinstating and ensuring the long term sustainable interests of the Burnie Airport at Wynyard, and despite the several events of adversity occurring at the time in the Airport Industry. BCC sought out a private company with the expertise and financial willingness to partner the Council in a 51 per cent/49 per cent corporate business model, to own, manage and operate the Airport. The entity being the 'Burnie Airport Corporation Pty Ltd (BAC). In addition to achieving outstanding performance results with the Airport operations, BAC has diversified into developing the surplus property at the Airport, already creating an 'Airport Industrial Estate' and attracting a major new technology based employer to the area employing 100 employees, with strong prospects being evident to attract other industrial developers to the new estate. BAC is also presently embarking on major residential estate subdivisions.

## Process

The call for BCC to become concerned about the downward trend of the Burnie Airport came loud and clear from across all sectors of the community, through community meetings, petitions, letters, deputations, and the media. Serious and genuine fear was conveyed that the Airport could be downgraded or closed. BCC convened discussions with the Airport owner, and also with the five Local Councils in the Far North West of Tasmania, to ascertain the best way forward. BCC also consulted with the local business, tourism and industry sectors, on the purchase proposal. In addition, consultation occurred with the Tasmanian Government, and with the Council's legal advisers.

The Airport owner advised it would only sell the Airport on full commercial terms. Due to the financial burden this imposed, the other Councils elected not to join Burnie with the purchase. BCC commissioned a detailed 'Due Diligence Study', that involved extensive stakeholder consultations. BCC subsequently determined to proceed with the purchase in the interests of securing the long term future of the Airport. Following extensive legal and other advice, Council secured a private sector investment partner, and the corporate business entity 'Burnie Airport Corporation Ltd' was formed on a 51 per cent/49 per cent shareholding, with four Directors, two nominated by each partner. The Board has been very active in fostering extensive stakeholder consultations.

## Benefits

Securing the future of the Burnie Airport has resulted in the following benefits to the community and the Council: the Airport has regained its past status as a Regional Airport; in the event of closure, in the order of 100,000 passenger movements would have needed to transfer to other northern Airports or used alternate transport services. This would have had a major economic and employment impact upon Far North West Tasmanian communities, as well as, passengers would have incurred significant additional air fare and transport costs; regular low cost competitive air fares to and from the mainland would not have been achieved (down from \$237 to \$99); additional travelling costs would have been imposed by local businesses, during a time of hardship for the local economy; Airport infrastructure assets would not have been revitalised, with deterioration and permanent closure being inevitable; new development opportunities would not have been achieved (e.g. Airport Industrial Estate, Vestas Nacelle Factory \$8M + 95 new jobs, prospect of a second Vestas Factory \$8M Factory + 120 jobs); BCC has made financial capital gains with its Airport Investment (e.g. Increased Asset Value gain by \$1.3M (+102 per cent), 2002/03 Airport Operational Profit \$153,221 (both partners reinvested their dividend return into additional equity in BAC).

## Transferability

The initiative undertaken by BCC provides a 'model' that is transferable to other Councils, in the following manner: confirms the head of power for

Councils in Tasmania to act on business initiatives beyond their own Municipal Areas, and normal scope of activities, demonstrates the importance of Local Councils monitoring the performance of key community undertakings, irrespective of ownership and control, and being ready to act to overcome adverse indicators; establishes a proven corporate business structure (Unit Trust, and Private Company) whereby a Local Council can partner, invest and integrate with the Private Sector, to undertake a large scale business undertaking; all the corporate business establishment documents used (Unit Trust Deed, Shareholder Agreement, Business Constitution) are convertible for use by other Local Councils; the administration and accounting systems follow basic principles and are adaptable for use by other Local Councils; confirms that a Local Council prepared to show leadership and commitment can recover a major business operation from serious decline to a profitable and sustainable business; demonstrates that widespread community confidence can be restored through direct intervention and action by a Local Council; demonstrates the success of entrepreneurial and proactive skills by a Local Council.

### To what extent does your project have a proactive role in attracting business investment in the area?

A successful and assured Airport operation providing effective and efficient air transport links for both freight and passengers, is an integral infrastructure component of any regional community. The residents and visitors depend upon it daily, and likewise, existing business and industry cannot simply function with the same level of cost efficiency and effectiveness if the Airport was not operating. The availability of a successful Airport is also a vitally important incentive to attracting new business. Immediately BAC achieved the turn around in the Airport, it diversified its attention to undertaking other developments for the Airport 'surplus' property, such as developing an 'Airport Industrial Estate' to provide for additional new industries, and new service industries. This initiative was proven to be an immediate success, with a \$9M new industry secured as the first tenant, with positive indications of a like size development expected estates at the Airport property, in response to strong local demand. The increase of

35,000 passenger movements per year is also evidence of increasing number of tourists visiting the Burnie area via the Airport. Local Industries and Businesses have also applauded BACs role at the Airport, for the economic gains they have benefited from due to much cheaper air fares, and increased flight schedules, and for their access and use of the reliable new freight services.

### To what extent does your project promote employment in your area?

The Burnie Airport operations directly and indirectly provides employment for 17 people, and this is an increase of five upon its past operations. In addition to the Airport operations, BAC was successful in 2002 in securing an additional 100 direct employment positions by securing a major \$9M factory development for the 'Airport Industrial Estate'. That company is now foreshadowing a further new development in the area, providing in the order of an additional 150 new employment positions. The 'Airport Industrial Estate' is extensive and will provide in the order of 91 new industrial blocks. In addition, BAC is presently embarking on extensive residential estate development comprising 139 lots, that will provide significant and medium term employment work for local building and construction contractors. BAC recently attracted a Helicopter Contract that was servicing the Gas Platform in the Yolla Gas Basin in Bass Strait, providing full Airport and support facilities for a 54 man work crew exchange shuttle. The location and services available at the Airport were ideal, and resulted in a major revenue gain for the Airport of \$40,000, and a community spend factor of more than \$1M over five weeks. These initiatives would not have happened had BCC not pursued acquisition of the Burnie Airport, and BAC had not followed up proactively to identify the development and business opportunities.

### To what extent does your project streamline Council operations or service delivery to facilitate private business investment?

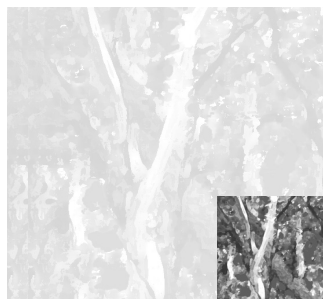
Whilst the Burnie Airport was added as a new Council function in 2002, immediate action was taken upon acquisition to separate the Airport management and operations and divest them into a

separate Corporate business entity. This was done for two reasons, firstly, to facilitate and encourage partnering with a private sector investor, and secondly, to streamline the Council's involvement by securing support Airport management and operational expertise. In turn, this has enabled Council, in addition to being at the Board table, to focus on closely monitoring its strategic objectives and operational targets. Additionally, Council has rendered a direct support role with the Airport's marketing and promotion. In achieving the dramatic levels of success it has with the operational and development aspects of the Airport, Council has provided a new found confidence amongst the business and industry sectors of the Far North West communities. Business and Industry leaders have publicly expressed their praise for the work of the Council and BAC. This confidence has seen many new business opportunities come to fruition, due to the stability and long term sustainability now at the Airport. The new \$9M Wind turbine Nacelle Assembly Plant at the Airport employing 100 people is a prime outcome of the economic and employment benefits that have been gained.

reviewed. A key aspect of this fiscal process, is the liaison with the Airport's stakeholders to ensure costs and fees are maintained within acceptable parameters. The Council has also ensured that close synergies exist between its BAC corporate entity, and the community Strategic Plans for Burnie and neighbouring Wynyard. Likewise, though the avenue of ongoing consultation with the local business and industry sectors, attention is given to ensure that vital linkages are established to ensure as best as possible, that mutually predicted outcomes are achievable.

To what extent does your project involve strategic and financial planning based on an integrated business planning model, linking community sustainability outcomes to business planning processes and outputs?

BAC has exercised extreme diligence in strategic and financial planning, by acting promptly to complete a comprehensive 'Master Plan' with a 20 year strategic vision for the Burnie Airport's operations (i.e. facilities, aircraft type, flights schedules, passenger numbers, runways, taxiways, systems, land use, environment, asset maintenance, and site developments). Of particular importance are the accompanying Reports dealing with 'Forecast Growth', and 'Runway Development Options'. This document is in effect the 'blueprint' that will properly guide and assure the future of the Burnie Airport. BAC has also undertaken extensive financial modelling with up to 10 year projections, that has confirmed the long term sustainability of the airport operations. Forward Budgets, Forecasting Reports and Outcomes are regularly



## Book Review

### Sustainability and Change in Rural Australia

*Edited by Chris Cocklin and Jacqui Dibden  
2005, University of NSW Press*

The most compelling chapter in this book sits in the middle of the volume. 'Gender perspectives in Australian rural community life' (chapter 8) moves us from academic analysis into day-to-day rural difficulties. The chapter starts with a depiction of hegemonic masculinity in rural life, and of the dominance of males in land ownership and civic leadership. Sporting facilities, a necessity for many rural males, often occupy pride of place. Contrast this with a lack of childcare facilities. The author cites an example in which the male-dominated local government saw no need to support a Red Cross car. Hence, the funds for it were raised mainly by the women of the community.

This chapter leads us deeper into some of examples of rural disadvantage. In many rural centres, there has been a decline in access to services for the aged, disabled and mentally ill. In turn, this has placed a growing burden on informal support, with clergy and volunteers doing more. The decline in institutional capital in rural regions provides some disturbing examples of hardship. Banks have led the way with closures over the past two decades. This has forced owners of small businesses to make regular journeys to bigger centres, carrying large amounts of cash. Post offices, schools, court houses and welfare services have moved out of the smaller regional centres into larger towns. Welfare

recipients must travel long distances for interviews or face a loss of benefits. And the trimming down of medical facilities in most small towns, and in particular the cessation of obstetric services, means that many women have to exit their local community to give birth. It is little wonder that women are more inclined to leave a region in search of greater opportunities and greater freedom. Rural women might do it tough, but they appear more adaptable than men. There is a dark side to rural life in the relatively high incidence of male suicide. Hard rural times have led to an erosion of 'legitimation of patriarchy', with a perceived loss of faith in agriculture and a reduction in services and support becoming in part a crisis of hegemonic masculinity.

There is an upside. In some regions, tourism is providing new job opportunities for women. And small local communities are held together by dozens of community organisations, with a relatively high participation rate in the local population. The depiction is of a rather more precarious existence than we might expect in urban areas, of a community social infrastructure that by necessity attempts to compensate for a general lack of amenities.

In contrast, other chapters let statistics speak in masterly analyses of ongoing change in rural communities, none more so than in 'The state of rural populations' (chapter 4). This chapter provides a careful analysis of mostly census data from 1966 onwards. The author introduces the characteristics of the rapidly growing rural areas, and those that are in decline. Figures 4.1 and 4.2 provide a

startling portrayal of change between 1996 and 2001, an era of ostensible rural prosperity brought about by falling interest rates, a weak Australian dollar and reasonable seasons. A downloadable version of these figures in colour from a website would complete a superb communication of the chapter.

'The changing economies of rural communities' (chapter 7) starts with an explanation of how farm productivity has risen over time to cope with a decline in the farmers' terms-of-trade (i.e., the price of farm outputs relative to farm inputs). Consequently, there has been a rising knowledge-intensity in farming, and the use of new research and new genetic material. The author notes that local sales yards have been displaced by technological innovations in selling, while scales of economy have reduced the competitiveness of small local meat processing plants. This has resulted in downstream linkages increasingly becoming non-local, while necessitating an increasing role for off-farm employment in family incomes. Similarly, changes in mining and forestry have shrunk the number of local jobs. In mining, the fly-in, fly-out basis of operation has reduced local economic impacts.

This chapter also contains a useful discussion on the costs of restructuring. While a region may restructure over time, lessening its primary and secondary activities and increasing service industry activities as share of regional income, individuals within the region may not cope readily with such changes. New job opportunities require the acquisition of new skills, leaving older, less adaptable members of the workforce stranded. In discussing the role of economic policy, the author notes that export-orientation came early to farming, with all the benefits and risks in terms of price booms and crashes. Elsewhere, soldier settlement schemes after both world wars distorted the production decisions of farmers, in addition to contributing to land and water resource degradation. Financial deregulation and floating the exchange rate in the 1980s created a new set of adjustment difficulties. Meanwhile, weak commodity prices in the 1980s, and soaring domestic and global interest rates added to rural misery. When better times returned to farming, it was too late for many who had left the land.

The chapter concludes that rural industries of late have failed to contribute significantly to growth in rural communities. The author suggests somewhat

tentatively that stewardship of the environment, arts, literature, film, tourism value, science, education and research may contribute to economic and non-economic foundations of such communities in the future.

Some authors demonstrate a more clear understanding of the role of manufacturing protection in reducing the competitiveness of farmers than others. Chapter 11 (Government policy and rural sustainability) makes a succinct connection between the significance of Britain joining the European Economic Community in 1973, not only in the loss of markets for Australian farmers, but the downward pressure on farm prices of 'subsidised overproduction' in Europe and the United States that followed. This author also notes the contradictions in government policies, with some degrading the environment, while other policies attempt restoration.

'Natural capital and the sustainability of rural communities' (chapter 10) starts by discussing a valuation of the environment. Different attitudes are apparent among farmers. Those aiming to transfer their farm to the next generation are more likely to adopt natural resource management practices than those who are not. Landcare programs have continued with community involvement for almost two decades. More recently, water reforms have entered the policy debate, with water rights being disentangled from land ownership.

Different interpretations appear on the impacts of neoliberalism and globalisation in the volume. Some authors recognise globalisation as a mixed bag of new opportunities and threats. Others appear to dismiss it as pernicious. In 'Globalisation, agricultural production systems and rural restructuring' (chapter 6), the negative environmental consequences of rural restructuring are discussed in some detail. However, the authors also note the apparent 'greening' of some corporate food industries.

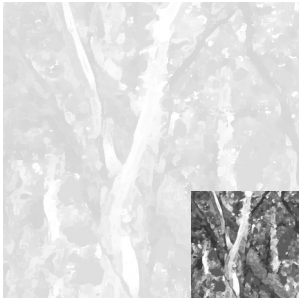
In 'Social exclusion in rural Australia' (chapter 9), globalisation, smaller government, economic fundamentalism and a punitive approach to disadvantage are cited as contributing to growing inequity. A decline in services and infrastructure is attributed in part to National Competition Policy. Alongside job losses due to cutbacks in government services, there are acute shortages in skilled staff, in medicine and in the trades. The author notes a connection between the decline in government-funded services and leadership in communities, as

relatively well-educated people are now fewer in small towns as service provision has declined. The analysis of social exclusion mentions Australia's indigenous people, who do poorly in terms of health, life expectancy, educational attainment and job prospects, and whose disadvantage is compounded by racism.

'Community development' (chapter 12) leads to the question of whether communities are being called on to do more voluntarily as some sort of substitution for government provision of services. The authors note the policy patchwork arising out of changes in government. Policy changes arise both from a motivation to appear different from other governments, and in more direct response to rural difficulties.

Where does the volume leave the reader? Can farmers afford to improve their environmental stewardship? Can one have some faith that technological change will slow down or even reverse environmental degradation? Will improved communications technologies one day compensate small towns for disappearing services over the past decades? Much of the volume is devoted to bringing a detailed diagnosis of rural difficulties, of structural change that has seen primary industries almost emptied of workers, of shrinking local linkages with primary output and of a weakening of formal support systems for rural inhabitants. Perhaps a discussion on how technological change could improve the quality of life in rural regions would complete the picture. There are some brief references to the role of rural research institutions in enhancing the productivity of rural industries. Perhaps more could have been said about the ability of rural people to make do, in the absence of ready access to services. Self-reliance seems to be caricatured in the volume as an excess of neoliberalism, rather than a survival mechanism. This is not to trivialise the holes that have been left in rural communities. Nevertheless, rural communities deserve some tribute for the extent to which they have managed to remain intact.

Glyn Wittwer  
Monash University



## News, Conferences and Happenings

### International Geographical Union Regional Conference *Brisbane, Queensland* 3 - 7 July 2006 *Call for Papers*

The Centre for Disaster Studies at James Cook University is Convening a number of conference sessions on Hazards, Risk and Vulnerability at the IGU (International Geographical Union) 2006 Regional conference to be held in Brisbane from 3-7 July 2006.

Associate Professor Dr. David King, Dr. Alison Cottrell (CDS) and Professor Jonathan Nott (JCU) will be conveners of these sessions in which we hope to attract a mix of physical and human/social papers. It is hoped that a selection of papers from this session may be published in a special edition of the *Natural Hazards Journal*. In the development of 2007 as an International Geophysical Year, the IGU has taken responsibility for developing a specific research question - 'What technologies and methodologies are required to assess the vulnerability of people and places to hazards and how might these be used at a variety of spatial scales?' We are using this as a framework to guide the content of papers, as it fits well with the overall theme of the conference *Regional Responses to Global Changes*.

Abstracts of papers should be sent to the conference website at [www.igu2006.org](http://www.igu2006.org) and a discussion of potential papers can be directed to us at the centre [David.King@jcu.edu.au](mailto:David.King@jcu.edu.au).

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[www.tesag.jcu.edu.au/CDS/index.htm](http://www.tesag.jcu.edu.au/CDS/index.htm)

### Infrastructure Overview for Regions

On 4 May 2005 the Minister for Infrastructure the Hon. Patrick Conlon, MP released the *Regional Overview of the Strategic Infrastructure Plan for South Australia*. This component of the Plan is divided into nine regional sections which are Eyre Peninsula; Upper Spencer Gulf and Outback; Murray and Mallee; Mid North and Yorke Peninsula; Barossa, Adelaide Hills, Northern Adelaide Plains; Fleurieu Peninsula and Kangaroo Island; South East/Limestone Coast; Metropolitan Adelaide; and Aboriginal Lands.

As with the release of the Strategic Infrastructure Plan there are funding commitments to major projects in many regions. For example, funding has been set aside for:

- \$10 million of State Government funding to contribute to the upgrade of road and rail networks and improve grain-handling facilities on Eyre Peninsula;
- \$2 million for extending the double lanes of the Penola Road entrance to Mount Gambier; and
- \$3.2 million for broadband for Port Lincoln.

The Minister has acknowledged that the success of

the Plan will depend on continuing cooperation with Regional Development Boards and Local Government. The regional component of the plan is a living document and the Minister has stated that the Government is 'keen to continue to add projects which address the strategic needs of each region and help build our state-wide economic strength'.

The LGA will be conducting a Forum for Councils on the Strategic Infrastructure Plan and Regional Overview soon. To access a copy of the regional overview, please refer to the website: <http://www.infrastructure.sa.gov.au>

For further information please contact Bev Barber on 8224 2053 or by email: [beverley.barber@lga.sa.gov.au](mailto:beverley.barber@lga.sa.gov.au)

## Sustainable Australian Cities - making it happen

The future of Australian cities and regional centres lies in concerted national action. That is the message from the report 'Sustainable Cities' released by the House of Representatives Environment Committee.

House of Representatives Environment Committee Chair, Dr Mal Washer, said that 'Australia, as one of the most urbanised countries in the world, faces enormous challenges, with water shortages, transport congestion and high energy demands'.

Environmental statistics paint a bleak picture of the effects of unsustainable practices. Australia creates 620kg of waste per capita each year, second only to the US. Australians are getting fatter and less physically active, with obesity costing the economy somewhere between \$680 and \$1,239 million per year. Australia's water consumption is the highest per capita rate of water consumption in the world; higher than even the US.

'There is no doubt a number of Australian cities are in imminent danger of running out of water,' Dr Washer said.

'We urgently need to substantially increase the amount of wastewater that is recycled. Sydney is probably the worst case, recycling less than three per cent of its wastewater. Recycling has been taken off the agenda in favour of desalination in many cities.'

'Australian cities are also congested, and we need more funding for public transport. The committee

heard evidence that if all the people who do travel by train to the Sydney CBD every day were to drive, Sydney would need to build another 65 lanes of freeway and more than 780 hectares of additional car parking.'

The report has 32 recommendations. While most of the areas covered are traditionally the preserve of the States and Territories, the committee believes it is time for the Australian Government to take a leadership role.

Some of the major recommendations in the report are that:

- the National Water Commission report on water options for all cities and regional centres;
- COAG fund a campaign on the benefits, economics and safety of using recycled water;
- The Federal Government significantly boost funding for public transport, particularly light and heavy rail, in the major cities;
- the Government review the FBT concession for car use and tariff rate on four-wheel drives;
- the Government increase the First Home Owner Grant to \$10,000 for homes that meet stringent sustainability criteria;
- those States and Territories that do not have a 5 star rating for homes implement one as a priority.

To oversee Australia's move towards sustainability, the committee recommends the establishment of an 'Australian Sustainability Commission' and an 'Australian Sustainability Charter'. The Commission should explore the concept of incentive payments to the States and Territories for sustainability outcomes, along the lines of the National Competition Council model.

'There is a lot happening on the ground and the committee was heartened to see that. But what is missing is coordinated action,' Dr Washer said.

'The message of the report is that sustainability is the responsibility of every Australian, but mechanisms need to be put in place for the Commonwealth, together with the States and Territories, to promote a "blueprint" for our cities of the future.'

For media comment, please contact: Committee Chair, Dr Mal Washer (Member for Moore, WA), tel (02) 6277 2114 (Parliament House)

For more detail on the inquiry and copies of the report, please contact: The House Environment Committee Secretariat on (02) 6277 4580 or access

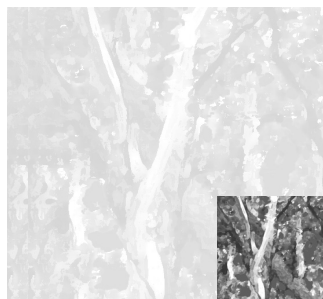
the full report by visiting the inquiry website at  
\_http://www.aph.gov.au/house/committee/enviro  
/cities/report.htm\_

Members of the House of Representatives  
Environment Committee are: Dr Mal Washer (Chair),  
Jennie George (Deputy), Russell Broadbent, Kelly  
Hoare, Harry Jenkins, the Hon Jackie Kelly, the Hon  
Duncan Kerr, Stewart McArthur, Malcolm Turnbull  
and Jason Wood.

Issued by: Andrew Dawson, media adviser,  
Liaison & Projects Office, House of Representatives  
Tel: (02) 6277 2063 or 0401 143 724

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## Regional Services Directory

### South Australia Australian Bureau of Statistics National Centre for Rural and Regional Statistics (RRSNC)

**Contact:** Ms Claire Conroy  
*Director*

GPO Box 2272

Adelaide SA 5001

**Tel:** (08) 8237 7368

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**Email:** [claire.convoy@abs.gov.au](mailto:claire.convoy@abs.gov.au)

**Website:** [www.abs.gov.au](http://www.abs.gov.au)

Based in the Adelaide Office of the ABS, the National Centre's roles are to:

develop and disseminate data that will assist policy analysts and researchers study the underlying causes of change across rural, regional and remote Australia, support the regional priorities of Commonwealth agencies by providing relevant statistical information to assist policy planning and assessment.

The Centre also incorporates the South Australian Regional Statistics Unit (RSU) specialising in the provision of sub-state data for SA. The RSU publishes Regional Statistics, South Australia (Cat. No. 1362.4) annually and provides consultancy services in regional profiling.

#### **Recent Key Projects:**

RRSNC discussion paper Use of Individual Income Tax Data for Regional Statistics:

*Experimental Estimates for Small Areas, 1995-96 and 1996-97* (Cat. No 5673.0) was released on 26 November 2001. The paper summarises a joint

ABS/ATO project using individual income tax data to provide new measures of regional labour market activity. Tables produced include profiles of wage and salary income, occupation, age and sex by statistical local areas (SLA) in Australia. Work is underway in building this time series through to 1999-2000.

R&R News: RRSNC Newsletter published quarterly. Contact the above to be added to the mailing list.

### SA Centre for Economic Studies

**Contact:** Mr Michael O'Neil

*Director*

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Rundle Mall

Adelaide SA 5000

**Tel:** (08) 8303 5555

**Fax:** (08) 8232 5307

**Email:** [michael.oneil@adelaide.edu.au](mailto:michael.oneil@adelaide.edu.au)

**Website:** [www.adelaide.edu.au/saces](http://www.adelaide.edu.au/saces)

Products and services:

Regional and Industry Development.

Public Sector Economics.

Economic Conditions and Outwork.

Economic Impact of Gambling.

Studies into Coastal Growth.

Economic Evaluation of Water Reuse.

Innovation.

Program Evaluation.

#### **Recent Key Projects:**

'Value of New Zealand Recreational Fishing', New Zealand Ministry of Fisheries.

'Unmet demand for Information Technology and telecommunications courses', Department of

Education, Training and Youth Affairs. 'Economic and Social Impact of Gaming on the Provincial Cities', Provincial Cities Assoc. of SA. 'Labour Market Planning for the Regions'. 'Keeping Pace: A study on the South Coast Region, Fleurieu Regional Development Commission.

Review of Science, Technology and Innovation Program in Victoria.

Investigation into the Impact of Caps on Electronic Gaming Machines and Review of Self-exclusion Programs.

Labour Market Planning and Supply Side Response (NT Government).

Provincial Cities Update 2002 (Provincial Cities Association of SA).

A Series of Regional Economic Reviews, Forecasts and Planning. Extension of 'Keeping Pace: A Study of the South Coast Region' (Fleurieu Regional Development Commission).

Program and Project Evaluations: Cost and Models Analysis for Commonwealth and State Agencies.

## Victoria

### *Peter Tesdorpf & Associates*

**Contact:** Mr Peter Tesdorpf  
*Director*

Unit 2 1386 Toorak Road  
Camberwell VIC 3124

**Tel:** (03) 9889 6177

**Fax:** (03) 9889 6166

**Email:** tesdorpf@netspace.net.au

#### **Products and services:**

Regional and local economic development.  
Regional cooperation and intergovernmental relations.

Planning and urban affairs.

Facilitation, consultation, advocacy, negotiations.

Strategy development and policy analysis.

Local government and community affairs.

Project management.

#### **Recent Key Projects:**

Our consultancy is small, innovative and flexible.

We can handle small single person assignments right through to large projects where we assemble multi-disciplinary teams. We have successfully completed over 100 assignments spanning a wide range of issues in several States for clients including regional development organisations, Local State and Commonwealth governments, large and small businesses, utility companies, ACCs, peak bodies and private clients.

The Principal, Peter Tesdorpf, has over 28 years experience including managing delivery of the Commonwealth's regional development program, establishing regional bodies, as Executive Director of one of Australia's most successful regional organisations of Councils and as a local government and consultant planner. He was Victorian President of the Planning Institute of Australia for 2000, 2001 and 2002 and is a past councillor of the Regional Science Association ANZRSAL.

### *Centre of Policy Studies*

**Contact:** Professor Peter Dixon  
*Director*

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Clayton VIC 3800

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**Email:** Peter.Dixon@buseco.monash.edu.au

**Website:** www.monash.edu.au/policy/

#### **Products and services:**

The Centre of Policy Studies (CoPS) is an acknowledged world leader in computable general equilibrium (CGE) modelling. These models are widely used by government, private and university sectors in Australia and overseas. The Centre has 14 research staff, including three professors, plus 4 support staff.

The Centre operates a number of large-scale multiregional CGE models which it applies to forecasting, policy analysis and historical analysis. CoPS produces forecasts of Australian regional economies at the statistical division level. It also conducts analysis of a wide range of economic questions at the regional level, including regional development, tourism, hallmark events, major projects, energy, the environment, natural resources, labour markets, transport, industry productivity, microeconomic reform and fiscal federalism. Detailed information on the Centre's products and services can be found at our website, or by phoning the CoPS' Director-Consulting, Dr Philip Adams, on (03) 9905 5094.

CoPS provides a post-graduate research programme and conducts a number of short training courses in economic modelling each year. Prospective students should contact Associate Professor John Madden on (03) 9905 9757. The Centre also produces a suite of general-purpose economic modelling (GEMPACK) software especially suitable for general and partial equilibrium models. It can handle a wide range of economic behaviour. GEMPACK is used in over 400 organisations in over

60 countries. Potential subscribers to GEMPACK should contact Professor Ken Pearson on (03) 9905 5112. Further information on the above services can also be found at the CoPS' website.

**Recent Key Projects:**

CoPS undertakes around 20 major commissioned studies each year. A few recent examples are:

Economic Modelling for The Review of Commonwealth-State Funding.

Tourism Scenarios and Australian Regional Economies.

Economic Impacts of Townsville Power Station Proposal.

Regional Effects of E-commerce.

MMRF-Green Model for Transport Analysis.

Impact of a New Nickel Mine and Refinery in NSW.

Impact of an Outbreak of Foot and Mouth Disease.

Geographical Information Systems for Better Water Pricing.

Proposed Canberra-Sydney Fast Rail Link.

**Research Planning Design Group (TBA Planners P/L)**

**Contact:** Mr Trevor Budge

PO Box 2750

Bendigo VIC 3554

**Tel:** (03) 5441 6552

**Fax:** (03) 5441 6694

**Email:** rpdgroup@netcon.net.au

**Website:** wwwrpdgroup.com

**Products and services:**

Strategic Planning.

Regional Economic Development.

Statutory Planning.

Research - Demographics, Economic.

Rural and Resource Based Research.

Community Consultation.

**Recent Key Projects:**

Regional profiling - Wimmera Development Association and Department of Sustainability and Environment.

Enhancing the capacity of local government to contribute to the management of dryland salinity - Land and Water Australia.

Regional growth centres study - Victorian Department of Infrastructure.

Victorian rural living study - Department of Infrastructure.

**Western Australia  
Institute for Regional Development**

**Contact:** Dr Neil Drew

Associate Professor

*Director*

35 Stirling Highway

Crawley WA 6009

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**Fax:** (08) 9380 7995

**Email:** neildrew@ird.uwa.edu.au

**Email:** liaison@ird.uwa.edu.au

**Website:** www.ird.uwa.edu.au

**Products and Services:**

Community facilitation and mediation.

Develop and deliver the education, training and professional development initiative.

Economic and social assessment.

Infrastructure planning and evaluation.

Natural resources and environment management.

Policy formulation and analysis.

Post Graduate Programme in Regional Development - national and international - occ@ird.uwa.edu.au

Professional development and capacity building for regional development practitioners.

Programme and project planning and evaluation.

Regional advocacy.

Strategic and statutory planning.

Tourism planning: eco and wilderness tourism.

**Recent Key Projects:**

An evaluation of the impacts and implications of environmental initiatives on the maritime transport sector for the Australian Maritime Group of the Australian Transport Council.

Provision of field research and professional inputs for the environmental assessment of the Hydroacoustic Station (HA01) to be located offshore from Cape Leeuwin to monitor illegal nuclear tests.

Specialist input into identification of high priority areas for dedication as no-take marine reserves in the World Heritage Area of the Great Barrier Reef Marine Park.

Specialist input into the resources inventory for the coastal and marine planning strategy and management framework for the Batavia Coast.

The preparation of the Coastal Environs Report for the South West Catchment Council's regional strategic plan.

The provision of specialist consultancy services for community consultation and for the preparation of the Warren Blackwood Development Plan for the South West Development Commission.