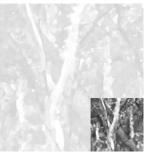


Sustaining Regions

Volume 5 - Number 2 - Summer 2006

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Editorial

What Use the States?

The title of this editorial is somewhat provocative, but it reflects the undercurrents within several conferences I have attended recently. In early May I participated in the Federalism and Regionalism Conference in Sydney. This event was organised by AJ Brown of Griffith University and participants were encouraged to think about the structure of government into the future. Interestingly, Ian Gray of Charles Sturt University presented survey data that showed that many Australians in NSW, Queensland and Victoria are willing to entertain the notion of a major restructuring of government, with the possible abolition of the middle tier! While this approach may present itself as somewhat radical, other speakers at the Conference noted that in constitutional terms it is relatively easy to create smaller - more human - states. The idea that we could have three, four or more new states appearing over the next 50 years is somewhat confronting and must lead us to question why Australians - a notoriously conservative people may favour change.

I would suggest that disaffection with contemporary political processes and the operations of the public sector is one reason change may be on the horizon for Australian government structures. I was recently at a conference organised by the Australian Research Council Research Network in Spatially Integrated Social Sciences (the beautiful acronym of ARCRNSISS) where a common theme amongst speakers and delegates was the difficult relationship between researchers and the public sector. This concern has been mirrored in the

papers submitted to the Australasian Housing Researchers Conference (June 19-21 2006, Adelaide) where the single largest group of papers for discussion focus on research/policy linkages. A common theme in many of these discussions and papers is that the academic and research community feels alienated by contemporary government processes which are commonly typified by a risk management approach where governments are seen to close off debates that may challenge their electoral position; tight control of the media and public discourse; a focus on a limited number of issues - law and order, health, education - within a relatively narrow policy discourse; and, the perception that the views and opinions of researchers are not respected.

Academics and researchers, of course, articulate their views through publications, presentations and contributions to the mass media and the views I have outlined above may reflect the leading edge of a broader trend in public sentiment. Voters in rural NSW, for example, may favour the creation of a new State because they are unhappy with the performance of the incumbent State government and deeply cynical about the potential outcomes if there was to be a change in the governing party. In South Australia, the strong showing of Nick Xenophon's No Pokies Party in the upper house of Parliament may also reflect this disaffection.

These are important issues for those of us with an interest in regional development and they are important for two reasons: first, many regional development practitioners, advocates and researchers live in those parts of Australia (such as

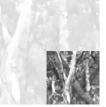
north east NSW) where the push to develop new structures of government is most commonly expressed. Second, the relatively limited attention given to regional development in Australia by most governments is one outcome of the narrow range of issues contemporary state governments address. We are unlikely to see greater effort directed to the development of our regions until the larger scale agenda of state governments is broadened and a more inclusive approach to public debate is embraced.

Finally, it is worth remembering that Jeff Kennett - the man, who at one stage was to be Premier again, prided himself on being the Premier of Melbourne - but lost office because Steve Bracks secured the non-metropolitan vote.

This issue of *Sustaining Regions* is the second that is to be published fully on-line and it is the first planned for on-line publication. All members of the

Editorial Team apologise for the delay in getting the last two issues to the readership, but the change in publication format introduced some significant shifts in our production processes. The shift to a fully on-line journal offers new opportunities for Sustaining Regions and I feel that it is important for a new Editor - with a new vision - to take up that opportunity. By the end of the next issue Sustaining Regions will have been in production for five years and prior to that I was Editor of Regional Policy and Practice for two years (with my good colleague Alaric Maude). For that reason I will stand down as Editor after the next issue of Sustaining Regions. The Council of the Australasian Regional Science Association International is already planning what comes next.

Andrew Beer Editor



Financing Local Government Infrastructure: The Australian Experience

Adrian Beresford-Wylie, Geof Watts and Valentine Thurairaja*

Introduction to the Australian Local Government System

Australia is a federation comprising a federal government (Australian Government), six state governments and three self-governing territories. In the six States and the Northern Territory legislation provides the framework for the roles and operations of local government. Local government is an integral part of Australian culture and society and its formation dates from the early years of formal governance in Australia. There is no longer a traditional definition of 'core' local government services such as 'roads, rates and rubbish'. Australian local government in the twenty first century delivers a greater range of services, broadening its focus from 'hard' infrastructure provision to include spending on social services such as health, welfare, safety and community amenities. It has roles in governance, advocacy, service delivery, land use planning, community

development, regulation and business development.

Unlike local governments in many other member countries of the Organization for Economic Cooperation and Development (OECD), including the United Kingdom, the United States of America and Canada, Australian local governments do not have primary responsibility for services such as health (hospitals), education, policing, fire services and public housing. These responsibilities usually lie with States and Territories. Local government is increasingly taking on more responsibility for social, health and environmental functions with increasing calls on available funding.

The local government administrative structure is complex. Local government has a small but significant role in the Australian economy, with local government expenditure around \$17.6 billion in 2002-03, representing 2.3 per cent of gross domestic product (GDP). Local Government has an annual revenue of \$19 billion, over 85 per cent of which it raises itself. Two-thirds of the remainder comes from grants from the Australian Government.

The Australian Government has recognised that the national interest is served through improving local governments' capacity to deliver services to all Australians, while also enhancing the performance and efficiency of the sector. The Australian Government uses the Local Government (Financial Assistance) Act 1995 as the primary means to achieve these goals. The reliance on government grants varies between local governments, and generally increases with remoteness. Urban

Adrian Beresford-Wylie, then General Manager - Local Government and Natural Disaster Relief Branch, Australian Government Department of Transport and Regional Services (DOTARS), Canberra, Australia made a presentation to the Commonwealth Local Government Forum (CLGF) Asia- Pacific Regional Symposium, Kuala Lumpur, Malaysia 11-14 July 2005. This is an updated version of this presentation. He is now CEO of the Australian Local Government Association.

Geof Watts was formerly a Director in the Local Government Section of DOTARS and is currently with the Commonwealth Grants Commission (CGC), Canberra.

Valentine Thurairaja is currently an Assistant Director in the Local Government Section of DOTARS.

^{*} The views presented in this paper are those of the authors and are not necessarily those of the Department of Transport and Regional Services (DOTARS) or the Australian Government.

councils tend to have least reliance on government grants, and some rural and remote councils derive more than 50 per cent of revenue from government grants. This reflects relative revenue-rasing capacity, the cost of providing services and the principles underpinning the distribution of the financial assistance grants.

Scope for Private Sector Involvement In Local Government Infrastructure

Australian local government plans, develops and maintains key infrastructure for its communities. It provides and maintains infrastructure such as local roads, bridges, footpaths, regional aerodromes, water and sewerage (in some States such as Queensland, regional New South Wales and Tasmania), stormwater drainage, waste disposal and public buildings, parks and recreational facilities. It also has planning responsibilities that affect provision of infrastructure.

Despite significant spending estimated at around \$4 billion dollars annually by local government on constructing, improving and maintaining its assets, there is still a gap between the public's expectations about the quality and variety of local government assets available and local government's capacity to meet these expectations. For example, in 2001-02, local government had a local road expenditure deficit estimated at about \$400 million.

Since the Australian Government and State grants are unlikely to increase significantly in the short to medium terms, local government may look toward alternative sources of funding such as leveraging private sector funds to finance more of its infrastructure.

Public Private Partnerships (PPP) is a general term covering any contractual relationship between public and private sectors to produce an asset or deliver a service but this may represent a range of public-private infrastructure delivery options as reflected in Table 1 (opposite).

Indirect private sector infrastructure financing usually takes the form of local government infrastructure bonds or debentures. They are issued in capital markets, usually via a State underwritten borrowing authority (e.g. Queensland Treasury Corporation) and operate as typical debt instruments.

'Direct' private sector infrastructure financing revolves around the rights and obligations negotiated in contracts between private operators and Councils. These contracts can take the form of service/management contracts, lease contracts, build operate and invest arrangements (e.g. BOOT, BOO or BOT schemes), concession or franchise agreements, joint ventures or full privatisation arrangements. Figure 1 shows how indirect and direct financing arrangements relate to each other and the local government involved.

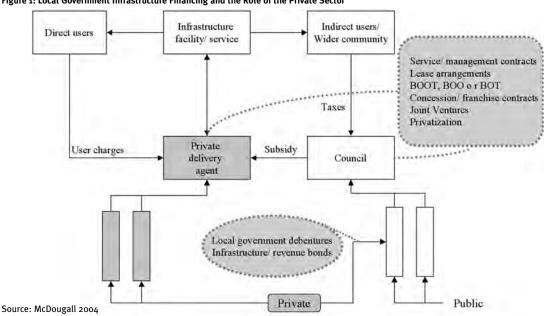


Figure 1: Local Government Infrastructure Financing and the Role of the Private Sector

Table 1: Differentiating Characteristics of Infrastructure Delivery Options

	Traditional	Traditional	Service/			Concession or		
Characteristic	Public Sector Delivery	Public Contracting	Management Contracts	Lease Contracts	BOO, BOOT or BOT Schemes	Franchisee Agreements	Joint Ventures	Full Privatisation
Infrastructure Ownership	Public	Public	Public	Public	Public	Public	Joint	Private
Contract Duration	Not applicable	Once off	5 to 10 years	Up to 30 years	20 to 30 years	20 to 30 years	Permanent	Permanent
Basis for Private Sector Compensation (All are performance based)	Not applicable Agreed contrac	Agreed contract fee	Agreed contract fee	Unit cost plus margin (linked to estimated demand at contract inception)	Public sector guarantees to purchase a minimum level of output (based on unit cost of delivery)	Similar to lease of BOOT contracts	Market driven (with regulation)	Market driven (with regulation)
Revenue Collection Responsibility Public (inc. invoicing and collection)	Public	Public	Public	Public (some private)	Public	Private	Joint	Private
Capital Investment Responsibility (inc. initial, upgrade and service expansion investment)	Public	Public	Public	Public (Private operator funds capital maintenance expenditure	Private operator Private (Public sector funds service expansion expenditure)	Private	Public and Private	Private
Recurrent Expenditure Responsibility	Public	Public	Private	Private	Private	Private	Public and Private	Private
Commercial Risks								
Construction	Public	Private	Private	Private	Private	Private	Private	Private
Operation (Cost)	Public	Not applicable	Public	Private	Private	Private	Public and Private	Private
• Market (Revenue)	Public	Public	Public	Private	Shared (guaranteed minimum custom)	Private	Public and Private	Private
Non-commercial Risks	Public	Public	Public	Public	Public	Public	Joint	Private
Sectors where Most Appropriate			Low willingness to pay	Where limited capacity expansion required	Where new facilities are required (e.g. toll roads)	Networked based infrastructure (e.g. water)	Where private capital is required immediately	Where competitive structures can be unbundled

Source: McDougall 2004

Direct Private Sector Financing: The Differentiating Factors

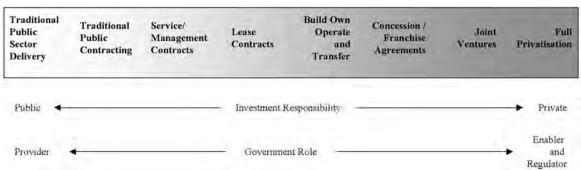
Each of the aforementioned methods of direct private sector financing of local government infrastructure involves a discussion of risks between the private sector and the local authority. In terms of local government infrastructure investment these risks can be categorised as being either:

 Commercial risks: cost overruns in construction and operations or uncertainties surrounding the demand for infrastructure services (market risk), amongst others; or Non-commercial risks (specifically policy risks), which cover any adverse conditions that are imposed on infrastructure operation because of changes in the regulatory, legal or economic policy framework.

Apart from the allocation of risks between the private sector and councils, the various direct financing forms can be distinguished by the defined responsibility for ongoing investment and the role of government.

Figure 2 uses these two variables to draw up a continuum of infrastructure financing, with traditional public sector delivery and full privatisation at respective ends of the continuum.

Figure 2: Continuum of Public/Private Sector Financing of Infrastructure Delivery



Extent of Private Sector Financing in Local Government Infrastructure

The Australian Government's Department of Transport and Regional Services (DOTARS) commissioned a survey in February/March 2002 of local government to assess the current use of private sector financing of local government infrastructure and to identify impediments to their expanded use. The survey was undertaken by SGS Economic and Planning (McDougall 2004).

The survey instrument identified the following key PPP arrangements: Management Contracts; Lease Contracts; Build, Own, Operate and Transfer BOOT (BOO or BOT) Schemes; Franchise/Concession Agreements; and Complete Privatisation arrangements and then asked:

- Which of these options were currently used?
- How the characteristics of the infrastructure financing options used differed from the

descriptions given (aiming to identify 'innovative' financing methods)?

- How successful each option used was in meeting Council expectations? - In general?
 In lowering the cost of Infrastructure delivery?
 In improving the quality of infrastructure delivery?: and
- What were the difficulties in using private sector financing options and how were these difficulties overcome?

The survey was completed and returned by a total of 132 councils representing around 19 per cent of local governments in Australia. Responses from metropolitan and regional councils represented 25 per cent and 18 per cent respectively.

Use of the private sector financing options presented was apparent in two thirds of the local governments surveyed. This figure falls to 40 per cent if Service/Management Contracts are removed from the analysis.

The exclusion of Service/Management Contracts is necessary, as the survey responses suggest that these were overwhelmingly composed of traditional public sector contracting arrangements (outsourcing), including a multitude of design contracts, construction contracts, design and construct contracts, infrastructure maintenance contracts and various others that do not transfer responsibility for recurrent expenditure to the private sector. (Figure 3)

The results suggest that regional local governments are just as likely as metropolitan local governments to use private sector financing options, albeit

largely limited to traditional public outsourcing on both counts. There were too few respondents that utilised the more intensive styles of private sector infrastructure financing, i.e. BOOTs, BOOs or BOTs, concession and franchise agreements and full privatisation, to make any sensible comparisons of local government traits.

It is fair to say that based on the survey response, apart from lease contracts or service management contracts there were only a very limited number of true 'risk sharing' relationships between Local Government and private investors in the provision of Local Government infrastructure.

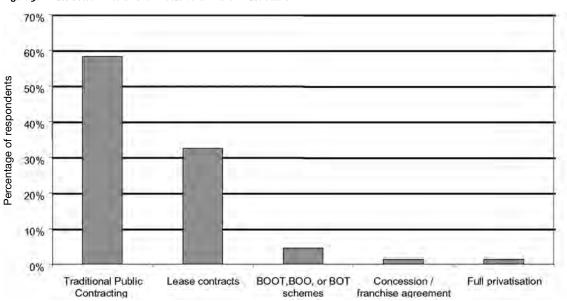


Figure 3: Private Sector Involvement in Local Government Infrastructure

Source: McDougall 2004

Infrastructure Categories Financed

When categorised via infrastructure type, private sector financing is more prevalent in infrastructure items that can be separately identified and managed, such as a recreation centres. This reflects the ease of outsourcing management responsibilities for discrete infrastructure components.

Recreation facilities are the only category of infrastructure that is readily distinguished as a prime candidate for

private sector financing. To a lesser extent some stand-alone cultural, civic and library facilities could also be private financing candidates. The usual financing option utilised for these infrastructure components is a lease contract as highlighted in Table 2 (next page).

Characteristics of Financing Options Used

For the vast majority of cases, the financing models used by Australian local governments by major infrastructure types are given in Table 2. There were only a few instances in which councils opted for different contractual arrangements.

Table 2: Private Sector Financing Arrangements - Financing Option by Infrastructure Category (Number of Responses)

	Road/ Transport	Water and/or Sewerage	Drainage	Recreation facilities		civic and/or library	Electricity/ gas/utilities	Total
Traditional Public								
Contracting	61	28	44	57	43	41	5	279
Lease	0	1	0	37	7	14	0	59
BOOT, BOO, BOT	2	2	1	2	0	0	0	7
Concession/								
Franchise	0	0	0	2	0	1	0	3
Full Privatisation	0	0	0	2	0	0	0	2
Total	63	31	45	100	50	56	5	350

Source: McDougall 2004

Success of Private Infrastructure Financing

Private sector financing was generally perceived as 'successful' by respondents, with some 'very successful'.

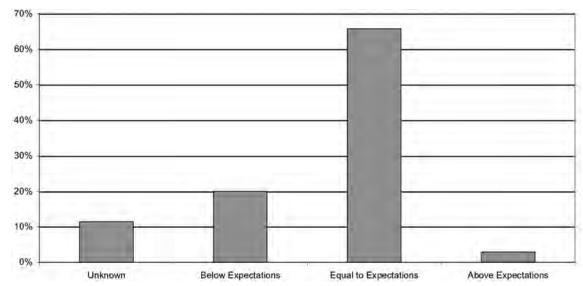
In the few instances where private sector financing was viewed as 'unsuccessful' (i.e. below expectations), poor legal advice, poor contract drafting and poor contract management on the Council's part were considered to be the source of most problems (Figure 4).

Major Difficulties Faced

The major difficulties faced by local government in using private sector financing options fall into two primary categories:

- the definition of contracts: and
- the perceived lack of private sector interest.

Figure 4: Success of Lease Contracts in Reducing Infrastructure Delivery Costs



Source: McDougall 2004

Contract/Service Definition

Lack of skills on the part of councils in defining contracts is a major concern. Many councils have experienced problems with the private sector that they believe could have been avoided if the original contracts were more thorough. Unfortunately, several councils reported that they lacked the proper skills (or legal advice) to draw up contracts necessary for their needs.

Contract problems usually arose when attempting to accurately define the service/s to be provided or preparing a 'performance based' specification.

These problems could be expected to diminish as councils became more experienced in approaching these problems.

Some councils managed to reduce this risk by:

- factoring in an increase in contract management costs before seeking the 'expressions of interest' from the private sector;
- placing increased resources into checking private sector references; and
- aiming for a more collaborative approach to involving private contractors in infrastructure provision.

Some local governments found that reorganising their organisational structure to resemble core infrastructure responsibilities enabled a better integration of the private sector. The ability to make accurate budget forecasts (for performance monitoring) was considered a key outcome from such organisational shifts.

Lack of Private Sector Interest

A large proportion of Australian councils find it difficult to attract private sector financing for infrastructure. This is particularly evident in rural and remote areas. It appears as though the actual dollar size of the infrastructure contracts are, in many cases, insufficient to gain credibility with the private sector given the significant transaction costs associated with developing a PPP.

Few councils can solve these problems on their own. Such problems may be tackled by more collaborative approaches with surrounding local government areas (i.e. bundling up of infrastructure opportunities) and with private sector operators (i.e. working up and capturing the investment opportunities).

The study did indicate that there were opportunities in the following areas for partnerships:

- · Design and construction activities;
- Build own operate for certain types of infrastructure;
- Long term asset maintenance contracts;
- Private developer contributions in land and housing estate developments.

Impediments to Private Sector Participation in Local Government Infrastructure

In developing a framework to promote greater local government participation in PPPs a number of impediments are recognised which need to be addressed:

Legal, Guidelines and Procedures

Local councils are instruments of the States and function under Local Government legislation.

Studies by the National PPP Forum indicated that in most States there were no statutory instruments applying specifically to Local Government Public Private Partnerships.

The lack of clear guidelines and procedures for local councils to follow in a PPP arrangement has been highlighted as a contributing factor in the Liverpool Council's 'Oasis Project'. An inquiry into the Liverpool Council's (a Sydney metropolitan council in NSW) failed commercial arrangements between 1996 and 2003 for the redevelopment of land at Woodward Park known as the 'Oasis Project' found that a critical element in the failure of the project was the absence of guidelines and regulations setting out procedures to follow (Allens Arthur Robinson 2005, Daly 2004).

As a result of this experience, the NSW State Government has now developed a set of guidelines to govern local government PPPs which is discussed later in this paper.

Lack of Capacity

Many councils lack the skills and capacity to draw up complex infrastructure contracts. For instance, they lacked legal expertise and had insufficient technical skills for appropriate infrastructure project identification, evaluation, negotiation and monitoring. These critical skills were lacking at both elected Councillor and council officer levels.

Lack of Private Sector Interest and Lack of Projects

There is a lack of private sector interest in the current types of projects being identified. High transaction costs, transaction size and geographic remoteness are barriers to greater private sector participation. Councils find it difficult to attract private financing especially in rural and remote areas and there were not sufficient operators to form a competitive market. Inability to bundle small infrastructure projects to make them attractive for private sector financing was also a key barrier. For example, in 2001, the Industry Funds Management (IFM) - a leading funds manager in Australian infrastructure established a dedicated Regional Infrastructure Fund in partnership with the former Victorian Local Authorities Superannuation Board (Vision Super). In 2005, the Regional Infrastructure Fund was dismantled due to a shortage of suitable projects (Weaven 2005). Bulking up projects so that either larger scale units serve greater geographic and population bases or a single contract is let for a series of similar projects across various municipalities and regions have been suggested as viable possibilities. Large scale water treatment, recycling and irrigation programs may also constitute viable options (Weaven 2005).

Tax Disincentives

The private sector perceived some aspects of the leasing sections (section 51 AD and Division 16D) of the Income Tax Assessment Act 1936 as barriers to the greater use of PPPs. In certain situations it is claimed that these leasing sections deny - to the private owner of an asset - tax deductions related to the asset hence reducing the value of the potential value of income from a project.

Risk-Averse

Australian Local Governments have traditionally been risk-averse to debt financing infrastructure. To some extent, this is the result of being dependent on receiving significant annual funding from the Australian and State Governments and to their limited taxing power. However, a 2002 Standard and Poor's survey of 91 major councils in Australia indicated strong credit quality in general, with a

spread of credit rating skewed towards higher ratings. Standard and Poor indicated that Local Governments currently have very low levels of debt. In fact, they are net creditors - that is, their borrowings nationally are less than their funds in deposits or on loan (Standard and Poor 2002)

Access to Low Cost or Subsidised Finance

The legislative and institutional context for Local Government borrowings varies between States. In most States - Queensland, Western Australia, South Australia, Tasmania, Northern Territory - Local Governments can access low-cost debt finance through centralised public sector financing authorities. In the other States - New South Wales and Victoria - the centralised financing authority does not raise funds to service Local Government finance requirements.

Emerging Australian, State And Local Government Policy Framework - Public Private Partnership Framework

This section captures some recent initiatives of the Australian, State and Local Governments in encouraging private sector participation in infrastructure financing in Australia.

In recent months, two trends are emerging at the Australian Government and State level and local government levels:

- The Australian Government and some States are taking steps to develop policy incentives and guidelines to encourage private sector financing of local government infrastructure.
- Local Governments are initiating advisory services on financing options, project and risk assessment.

The Australian Government has limited experience in entering into PPPs if the strictest definition of a PPP is applied. It has, however, entered into contracts with the private sector in joint ventures (Defence Housing Accommodation Project in Darwin) and outsourced various Information Technology (IT) projects. However, the Australian Government's role in tax, macro economic and infrastructure funding policies influence infrastructure provision in State and local governments.

While the Australian Government developed and released a policy on PPPs in October 2001 to guide federally funded departments, it has nevertheless taken a cautious approach to this form of procurement, recognising the nature and risk of projects that are suitable for PPPs. This policy focuses on three key principles: value for money, transparency and accountability.

In September 2005, the Australian Government announced that it will initiate changes to the tax treatment in leasing arrangements in PPPs by amending section 51 AD and Division 16D of the Income Tax Assessment Act 1936 discussed earlier. This is expected to remove a tax impediment to the development of local government PPPs.

National PPP Forum

The Australian Government encourages a national approach to PPPs by sharing project experiences with State and Territory jurisdictions. The establishment of the National Public Private Partnerships Forum (NPPF) is an example of this.

The NPPF is an Australian Government-State forum involving the Australian Government's Minister for Finance and Administration and State and Territory ministers responsible for PPPs. A study in 2004 by the NPPF, led by the New South Wales State Treasury, indicated similar results to the earlier SGS study on the scale of local government PPPs. PPP projects undertaken by councils in New South Wales, Victoria and Western Australia were community facilities such a civic centres, sports centres, commercial facilities (such as cinema, retails, hotels, car parks) or multiple use facilities (such as commercial/residential developments). The remainder are largely roads and environmental facilities (such as waste treatment plants).

The National PPP Forum has provided an outline of an action program that could be adopted for greater participation by Local Government in Public Private Partnerships. Key elements are:

- Preparation of Guidance Material for Local Government - a number of guidelines have already been drafted by the Australian Government's Department of Finance and Administration (DOFA) which could be of benefit to local government. (These guidelines are available at www.finance.gov.au)
- · Building up a more systematic data base of

Public Private Partnership activities across States - this would assist in identifying common elements across States, which could form the core of a national framework for Local Government-Public Private Partnership.

- Development of specific Local Government training or exchange programs - jurisdictions could develop training programs and deliver them to councils. These training programs would be in specific technical areas such as legal issues, infrastructure bundling, accounting and performance reporting.
- Promoting greater use of council forums and meetings to promote coordination opportunities consideration might be given to developing more systematic ways of actively promoting these forums as avenues of exchanging information, coordination and training opportunities regarding Local Government Public Private Partnerships.

Hawker Report

The recent House of Representatives Parliamentary inquiry in to cost shifting to local government (known as the Hawker Report) made several recommendations impacting on local government infrastructure financing. For example, the report recommended local government consider 'the judicious use of borrowing ... to meet some of its financial needs if it is accompanied by increased revenue to enable the debt to be serviced' (Hawker Report 2003). The Australian Government responded to the Hawker Report in June 2005. (See also further information outlined under Other Potential Initiatives.)

State Government Initiatives

As responsibility for much of Australia's infrastructure rests with each individual State and Territories these governments are likely to be the main users of PPPs. An indicator of the magnitude of this involvement is demonstrated in New South Wales. Over ten years, the contribution of private sector funding to infrastructure provision in New South Wales was equivalent to about seven per cent of the State's capital budget (Webb and Pulle 2002).

The NSW State Government has developed a new regulatory framework for PPP arrangements for local councils. The Local Government Amendment (Public Private Partnerships) Act 2004 commenced

on 1 September 2005. Any council in NSW entering into a PPP must now comply with this legislation and a set of guidelines (DLG 2005).

Local Government Initiatives

In recent years, there has been intense interest in developing policies to increase private sector participation in financing for infrastructure by the local government sector in Australia.

In 2004, the Municipal Association of Victoria (MAV) - the peak organisation of 79 local councils in the State of Victoria, commissioned Price Waterhouse Coopers to investigate and assess the feasibility of establishing a central borrowing authority for local government and to look at approaches for addressing infrastructure replacement. The report concluded that there was no unmet demand for funds by councils in Victoria. It also reported that the market for council borrowings was largely competitive and the current level of demand for council finance was being met and that a separate central borrowing facility was not required. The report however, recommended an advisory services for councils be established which could leverage the current competitive market for council financing in Victoria (PWC 2005).

In 2005, the MAV developed a supply agreement with a major international financial consulting firm (Ernst and Young) to provide specialist financial advisory services on infrastructure financing to the 48 non-metropolitan councils in Victoria.

In 2005, the Queensland Local Government
Association and the Queensland Treasury
Corporation established a new institution - the LG
Infrastructure Services (LGIS), to address an
emerging need within local government for
assistance in evaluating and delivering
infrastructure in a cost effective and efficient
manner. LGIS assists and facilitates local
government infrastructure provision through
financial advice and project assessment.

Other Potential Initiatives

In its response to the Hawker Report, the Australian Government recognised the importance of local government authorities having the capacity to raise revenue from their own sources and agreed to ask the Productivity Commission to examine this issue. The Australian Government also recognised that local authorities may wish to make prudent use of

borrowing to finance infrastructure investment and that the Minister for Local Government, Territories and Roads would facilitate consultation between key stakeholders, including the State and Territory Governments and local government, on impediments to such prudent borrowing (Australian Government Response 2005).

Local Governments around Australia, especially the ones on the urban fringe could consider PPPs that recover infrastructure costs from private developers. For example, Macquarie Bank's Community Partnerships has been established to undertake property-based Public Private Partnerships with local and State governments.

Conclusion

Overall, significant local government infrastructure funding gaps exist and both Australian and State Government grants will continue to be an important source of finance. Significant interest in PPPs and alternatives to grant funding exist at the local government level. Currently most councils in both regional and metropolitan areas use outsourcing (service or management contracts) as the most common form of private financing with stand alone recreational, civic facilities, commercial facilities (car parks, cinema), water treatment and waste management plants being prime candidates for PPPs.

There does not appear to be a shortage of funds in the capital market available to secure private financing for council infrastructure. However, institutional and economic impediments still exist at the local government level which act as constraints to the enhanced use of PPPs to finance infrastructure. Local government capacity (both at elected councillor and officer levels) appears to be low especially in identifying viable projects and negotiating with the private sector. Local government in Australia is beginning to implement initiatives to build capacity by providing financial and project assessment advice. There is scope for greater involvement in new types of infrastructure if sufficient numbers of projects are bulked up to make them viable and attractive to the private sector. As jurisdictions in Australia gain more experience with PPPs, adhere to PPP guidelines and share information there is potential to improve local government capacity to enter into more complex PPPs.

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Is There a Case for Non-profit Organisations in Regeneration Schemes? The Poatina Experience

David Bunce

Introduction

Over the course of the last century or more many attempts have been made to create sustainable or utopian communities. These usually placed particular emphasis on improved housing conditions and what is now called social capital. In England around the turn of the twentieth century several socalled garden estates and model villages were created. They were built by wealthy Christian businessmen with a social conscience and a desire to improve the lives of working class families. In more recent times, and certainly in Australia over the last two decades, state governments, often in partnership with private developers, have been responsible for driving regeneration projects in areas of place-based disadvantage. Many of these suburbs formerly contained working class communities that were dislodged by structural industrial decline and were replaced largely by a welfare dependent cohort. Accordingly, many regeneration schemes have included job training and community development programs. It is suggested here that it may be time to reconsider the effectiveness of profit driven private developers' participation in training and community objectives. It may be more appropriate to have community-led and non-profit organisations undertake this role. This change could result in more effective job training, more affordable housing and increased volunteerism.

This paper is based on the experience of a small town, Poatina, in Tasmania and it poses the question of whether any of the concepts that have helped in Poatina's regeneration could be applied to regeneration projects elsewhere in Australia. It is

largely based on personal observations and discussions that took place during the course of one week spent in the town in early 2006. It is, therefore, essentially a narrative discussion that allows some form of evaluation of the outcomes to be made. Poatina, which is a Tasmanian Aboriginal word meaning a place of shelter or a cave, is located on a plateau in the Great Western Tiers in central Tasmania. It is 170kms north from the State capital, Hobart, and 60 kms southwest of Launceston, Tasmania's second city which has a population of around 66,000 and serves as the regional centre.

Regeneration theory normally stipulates that an intervention is underpinned by objectives set out in State government policy documents, for example a State Strategic Plan or a State Housing Plan. It has been observed that 'housing and the built environment is generally a primary sphere of focus in regeneration, and an initial driver of change' (Rogers and Slowinski 2004, p.15). Urban and rural regeneration usually involves replacing run down and inappropriate public housing stock in areas with high levels of unemployment and welfare dependency. It is replaced with a mixture of new public housing often at a much lower ratio than that which existed previously - generally around 25 per cent - and new privately owned housing developments to create a 'social mix' and to address the broader structural issues of placebased disadvantage (Arthurson 2002). State governments' policies generally are to encourage the provision of affordable housing and expand the diversity of housing choices. Improvements in educational, training and employment outcomes are also used as an indicator of better social conditions. Social and tenure diversity policies are intended to create more sustainable and vibrant communities. Spiller Gibbons Swan (SGS) (2000, p.17) noted that regeneration schemes have largely been driven by increasing obsolescence of post-war housing stock rather than as a response to intractable social issues. Renewal objectives are often linked to improvements in community pride, health and wellbeing, employment opportunities and investments in job creation. The more the community is involved in a regeneration project the greater the likelihood of its success (Maginn 2004). But it has also been pointed out by many commentators that a 'one size fits all approach' is prone to difficulties particularly when evaluating the success of a project (Judd and Randolph 2001, p.4; Joseph Rowntree Foundation 1998; SGS 2000, pp. i, 30). Although regeneration projects have different objectives and strategies they commonly set out to:

- Address social dysfunction;
- Improve the physical and social environment of the area;
- Offer a wider choice of housing in both the public and private sectors; and
- Diversify tenure mix and dilute the concentration of public housing.

Background to Poatina

Poatina was not a part of any overall objective of public policy intervention by the Tasmanian government. What occurred at Poatina was undertaken by a non-profit organisation without government funding. It is instructive to briefly review the history of Poatina in order that its uniqueness can best be understood and that its suitability to provide any useful concepts or ideas to the regeneration debate can be placed in context.

Plans for the establishment of the township of Poatina began in 1957 when the Tasmanian Government passed a Bill to enable the Hydro-Electric Commission to divert water from the nearby Great Lakes via a six kilometre tunnel drilled through the Great Western Tiers to create Tasmania's first underground power station and the second largest power station in the state. Traditionally, 'The Hydro', as it is known colloquially, had enormous political influence in Tasmanian politics. Since the 1980s, the rise of the Greens and the cancelling of projects such as the Gordon and Franklin River schemes, its influence

has waned somewhat. But in the 1950s and 1960s the Hydro-Electric Commission had a budget greater than that of the State government itself. Poatina was a typical product of the 1950s 'long boom' and in common with other hydro-electricity projects such as the iconic Snowy River scheme in New South Wales, a large proportion of workers were post-war migrants who lived in transportable housing or single men's quarters.

The first inhabitants moved into the town in 1959 and Poatina had a population of about 3,000 at its peak in the early 1960s. Working around the clock, the hydro-electric scheme took five years to complete. It was officially opened by the then Prime Minister, Sir Robert Menzies, in 1965. As a result of advances in technology over the following decades, large numbers of workers were no longer required to run the power station and by 1994 only five families remained in Poatina. At this point Poatina was in danger of becoming a 'ghost town' and the Hydro-Electric Commission decided to try to sell the town as a single entity. In 1995 a Christian organisation called Fusion Australia successfully tendered to buy Poatina in order to put into practice the concept of 'vocational rehabilitation' that it had been honing in its metal fabrication workshop which it acquired in rural Victoria in the 1980s.

Practical Christianity

Practical Christianity is not a new concept. For example in 1888 William Lever, a Congregationalist and a successful soap manufacturer, developed Port Sunlight a model community in Cheshire for the benefit of his employees 'in which they will be able to know more about life than they can in a back slum' (Wilson 1954, p. 35). Around the same time other successful businessmen saw Christianity as also meaning the socialisation of wealth. At the turn of the twentieth century, three of these from the Quaker tradition formed charitable Trusts for the 'amelioration of the conditions of the working class and labouring population' as the Bournville Trust Deed expressed it (Williams 1931, p. 220). Joseph Rowntree in York and James Reckitt in Hull, like Cadbury in Birmingham, built garden estates and model villages of better quality houses with affordable rents. But these visionaries also saw, over a century ago, that in order to build a balanced community it was necessary to provide a mixture of housing types for all, not 'tied houses' for only their own employees, or any one particular class of resident (Briggs 1961; Vernon 1958; Williams 1931). Rowntree 'realised from the beginning that more

than bricks and mortar go to the building of a new village' (Vernon 1958, p. 150). Their brand of practical Christianity was to formulate community development not bearing the stamp of charity but rather one that would enable 'people to stand on their own feet' (Briggs 1961, p. 96). The focus was, nevertheless, umbilically connected to the Protestant work ethic.

Successful regeneration outcomes can also be obtained from community-led groups. The Eldonians, named after Eldon Street an arterial thoroughfare that ran through the district, created a secular community in Liverpool. The Eldonian Community Based Housing Association (ECBHA), formed in 1983 as the Eldonian Housing Co-op, demonstrated another approach to the creation of a successful regeneration (Eldonian Community nd). The run down area near the Liverpool waterfront, which contained a high proportion of inhabitants descended from Irish Catholic stock, had been targeted for demolition in the 1970s. The community however, wanted to remain together as opposed to being dispersed, the normal outcome of government-led regeneration projects. Led by a dynamic local resident, the Eldonian community succeeded in obtaining £6m in central government funding in 1985 to construct the first phase of a 160 property redevelopment. Whilst nominally secular, the religious heritage of many residents proved to be advantageous. The Catholic Church was reported as being 'influential' in its ability to persuade 'people in high places' of the merits of the Eldonians' scheme and also apparently had the ear of a 'sympathetic Prime Minister' (Lauria, nd). The ECBHA currently rents out 310 properties and manages another 147 on three adjacent sites, and is self-financing.

Fusion Australia emerged as a creative response to socially-at-risk young people in Hornsby, Sydney in 1960. It is a not-for-profit company and is selfdescribed as a trans-denominational national Christian Youth and Community Organisation. Its mission statement is, 'To work with others to create a society where every young Australian has the opportunity to fulfil their God-given potential'. Fusion created youth cafes and drop-in centres and developed social activities, special education programs and accommodation services. Fusion has developed a national network of 25 centres across Australia and Poatina is its national headquarters. The organisation has an annual turnover of \$10m and only accepts government funding where it does not conflict with its ethos. It prefers to rely on

volunteer labour, fundraising, donations, corporate goodwill, and its own entrepreneurial activities for finances (Fusion nd).

The Purchase of Poatina

The price that the Hydro-Electric Commission hoped to obtain for Poatina when it was put out to tender in 1994 was \$2.5m. There were only two final tenderers, one of which subsequently withdrew leaving Fusion as the sole bidder. As the existing water mains infrastructure in the town had to be replaced within five years at a cost of \$525,000, the purchase price negotiated with the Hydro in 1995 was \$1.5m plus the cost of the capital works. A business plan was drawn up by Fusion and an approach was made to the Tasmanian government for funding assistance. Despite suggesting that Fusion could save the State government a considerable sum of its youth expenditure budget, the government politely declined to grant any assistance. But after visiting Poatina in 1997 the State government's Minister for Youth said, 'Fusion are doing what we have been talking about. They involve the community. They have business outlets and are training young people. It's integrated' (Poatina's Story 2002).

Two volunteer workers, who had a vision for what Poatina might become, sold their houses in Sydney to enable the initial deposit to be paid to the Hydro-Electric Commission. Fusion formally took possession of the 40 hectares township and 140 hectares of surrounding bushland where the now removed transportable housing and single men's quarters had been located in the 1960s. Poatina comprised six streets and 54 brick houses, a motel, community hall, several business premises, and recreational facilities including a swimming pool and a nine hole golf course. The five families that still lived in Poatina were offered the opportunity to be involved in the proposed new community but declined the offer and subsequently left the town.

As far as is known, what has been attempted at Poatina is unique. The Northern Midlands Council, in whose local government area the town is located, became a great supporter of the Fusion concept for Poatina. The Mayor of the Council at the official opening in June 1995 said, 'Northern Midlands welcomes Fusion to Poatina. It is critical to the well being of so many people that this experiment and this challenge is going to be successful' (Poatina's Story 2002). It is, of course, common for local governments to support regeneration projects. Such

schemes arrest the decline and ageing of the population in the area, new construction adds to the value of the rateable base, new residents in privately owned housing contribute to greater economic activity, the overall appearance of the area is improved and stigmatisation reduced. The current population of Poatina is about 250, 40 per cent of whom are under the age of 18, and is made up of a blend of permanent residents, students, and trainees described by Fusion as 'young people in need'. This is a demographic reversal of the normal trend for a country town.

Village Structure and Development

A Body Corporate was formed to maintain the common areas, roads and infrastructure and Fusion contributed \$5,000 from the sale price of each house in order to provide a sinking fund for the future upgrading of services. The management committee of the Body Corporate consists of seven representatives of the village community, known as the 'senior management'. Each representative holds office until the following Annual General Meeting. Under the Village by-laws, any resident over the age of 18 may nominate to be a representative. The current senior management team, however, appeared to be made up primarily of those who were the driving force behind the establishment of the village. Matters arising at meetings of the management committee hope to be resolved by consensus. The common areas and roads are owned by the Body Corporate and Fusion owns and manages the motel and backpackers accommodation, business enterprises, community hall and recreational facilities. The golf club and some of the shops have been leased and the establishment of private enterprise businesses and industry in Poatina is encouraged. The Body Corporate levies fees for the maintenance of the village and its infrastructure including water and sewerage. In 2006 these were \$960 per annum to the Body Corporate plus \$150 per annum payable to the Northern Midlands Council for the services that they provide, such as planning approvals, library services, dog registrations etc. Several holiday mountain chalets have been built and their owners pay \$400 per annum plus council rates.

In order to fund working capital to repay the Hydro-Electric Commission debt, and for the construction of the holiday chalets, the houses in Poatina were sold off on an 'as is' basis. They were not

refurbished prior to sale which is often the case with retained government housing, for example at Westwood, a large Adelaide regeneration project (Department for Families and Communities, nd). The initial house prices in Poatina were from \$55,000 in 1995, rising to \$117,500 by 2004 when the last houses were sold. The houses are owned by way of stratum title, and Poatina is the largest strata plan in Tasmania. Fusion retained ownership of the surrounding bushland for possible future development. The three star motel, which also includes a restaurant, joined the Best Western chain as a way of raising its profile and to rebrand Poatina as a tourist village and conference destination. The holiday chalets, priced at \$145,000 fully furnished, and backpackers accommodation were built in order to provide a sustainable source of income. The long-term plan is for 50 mountain chalets to be constructed around the perimeter of the village. For this purpose a subsidiary called Fusion Contractors was formed. By 2006, 12 chalets had been built and sold to recoup a shortfall of money spent over the previous decade. Fusion provides a letting service for the chalets if desired by owners.

There are now 15 entrepreneurial activities in Poatina which also include a general store and café, post office, gift and bookshop, art gallery, picture frame shop, a clothing boutique, service station and car hire, a metal fabrication workshop, a nursery and a community radio station known as Heart FM. The issue of alcohol has caused something of a dilemma, as it did in the English developments financed by Congregationalist and Quaker businessmen. Like them, Fusion came to the conclusion that total prohibition is unworkable. In this regard the golf club is leased to a lessee apparently 'mindful of the purpose of the village'.

An owner of a house or chalet in Poatina cannot sell the property without first giving 42 days notice to Fusion, and then can sell only to a purchaser approved by Fusion. A crucial clause in the purchase contract gives Fusion the first option to repurchase the property, and this is also the ultimate sanction should it be necessary to evict anyone from the village. For an owner wishing to sell within the first two years of residence the price will be the purchase price plus CPI and after that it is an agreed 'fair market value' based on the average of the previous five sales in the village. If no agreement can be reached a registered valuer appointed by Fusion, at shared cost, will independently value the property. Despite the somewhat restricted selling market and ultimate tenure sanctions available to Fusion, it was stated

by a senior management representative that no lending institution had refused an application for a mortgage on a home in Poatina, although it was admitted that some lenders had requested 'clarification'.

Social Capital

In common with government-initiated regeneration schemes, Fusion was concerned about the loss of neighbourhood and community over recent decades. This is now referred to as social capital. The following definition adequately sums up the meaning of social capital:

Social capital describes the pattern and intensity of networks among people and the shared values which arise from those networks ... the main aspects are citizenship, neighbourliness, trust and shared values, community involvement, volunteering, social networks and civic participation.

National Statistics UK, nd

The eloquently titled Poatina Community Book of Norms (2005), provided to prospective residents, sets out the expectations required to enable a high level of social capital to be sustained. It states that 'living in a community demands effort and commitment' which includes 'the need to give up quite a large percentage of your own time' to work on rosters (p. 1). But the benefit is stated to be 'the richness of living in a village where everyone is working on personal growth and sharing' (p. 1). There is also an expectation that everyone attends regular community events 80 per cent of the time. These include devotions each Sunday 'the place to catch up on community news, have a cuppa and learn together' (p. 7), and at community teas 'at each other's homes on the first 3 Wednesdays of the week and on the last Saturday night of the month (at the community hall). A time to get to know others a little more and to be hospitable to each other' (p. 7). The reasons given for this virtual compulsory attendance is that the community spirit would fade, and staying in touch with the village and its purpose would become almost impossible, if people did not attend regularly. By comparison, at the Salisbury North Urban Improvement Project north of Adelaide research showed that just 22 per cent of residents participated in community events (Maiorano and Hazebrook Report 2 2004, p. 34). The provision of affordable housing is the policy of all levels of government in Australia. In this regard

a house in Poatina in exchange for community service. In January 2006 this amounted to \$12,600 on the three houses offered for sale at between \$162,600 and \$190,000. The discount is written into house contracts and is calculated on an hourly value. Eight hours a week over 40 weeks for five years, ie 320 hours per annum, is the norm, and may include working in the motel, shops, garage or on village maintenance. It may also include billeting a trainee or supervising or training such a person. Annual work hours are per family not per person. In addition there are weekend duty rosters, working bees once a month to maintain the village and an expectation to share extra work loads when large groups stay at the village. Community work is not carried out as an employee of Fusion and consequently there is no entitlement to superannuation or workers' compensation cover. Participants must take out their own sickness and accident insurance. Extra hours, though welcomed, cannot be worked off sooner and if a house owner who has received a discount leaves within five years he or she is expected to refund the balance of the discount given, which equates to \$2,520 a year.

Poatina was established as a village with a stated purpose: 'to build a future for young people, and to be a place of hospitality for travellers' (Poatina Community 2005, p. 1). There are some similarities between the structure of Poatina Village and a caravan park. Both provide tourist accommodation and their permanent residents are selected by management following an interview. A caravan park has its list of park rules and regulations and Poatina's equivalent is the Book of Norms. The main point of departure is the fact that in Poatina, unlike in a caravan park, the residents own the land on which their homes, or holiday chalets, are situated. Nevertheless, there still exists the possibility of a compulsory buy back by Fusion and thus eviction from the village.

Training and Education

Fusion bought Poatina so that it could put into practice the ideas it had developed for its youth work and to develop a community with a large amount of social capital. Its work amongst young people led it to believe in the importance of a healthy and caring general community. Fusion suggests that where individuals experience a community and purpose they are better equipped to cope with life. Poatina is the attempt at a working model of this concept that would enable young people to gain vocational skills and rebuild

Fusion provides a discount off the purchase price of

their lives within the context of a caring and supportive community. It is the stated purpose of the village to provide education and training for people of all ages but the majority of trainees are between 13 and 30 years. Fusion became a nationally accredited training organisation in 1998 and a major focus at Poatina is to provide training programs for young people 'at risk'. These include unemployed youth, homeless youth and those who had come into contact with the court system or had been referred by other youth agencies. These young people sign a contract with Fusion agreeing to the non-use of drugs and alcohol. They are, however, free to leave at any time, or they may be asked to do so if they breach their contract.

Trainees live in the village for six months, initially with a family and then in a house with a youth worker. They are given work on various tasks associated with the maintenance of the village as part of their support and training. They do not receive payment but do qualify for Centrelink training allowances. Trainees may receive instruction in hospitality and catering, picture framing, metalwork, mechanics, retailing, horticulture and nursery work and on the construction of the mountain chalets. It is the intention of the administration that trainees leave Poatina with life skills and marketable employment skills. It was claimed by a senior management representative that at least two-thirds of trainees have found outside employment and lead productive lives. This is a very high success rate when compared with about 15 per cent that found employment as a result of undertaking job training schemes offered by the private developer of a major Adelaide urban regeneration project (pers. comm., 31 March 2005). It is significant that this particular developer would not provide trainees with work experience on the project, citing the reason as the high level of skills now required on building sites (pers. comm., 31 March 2005).

In addition to the trainees, Fusion also offers educational opportunities at Poatina for other students and adults to undertake courses over six months full time at Vocational Education Training (VET) Certificate III and IV level. These may be followed by an optional 18 month Diploma course. A six month Certificate in Media Broadcasting is also available but at the time of writing is not accredited. In 2006, 92 students were enrolled in these courses and 15 trainees were placed in the village. Schooling to Years 11 and 12 had not previously been available in the Northern Midlands area of

Tasmania and that lack necessitated students going to Launceston or Hobart and in effect leaving the district. After carrying out a survey to establish the need, Fusion opened a K-12 school, Trinity College, in Poatina in 2000. In 2006 around 60 students were enrolled at the college. There is an on-line access centre in Poatina and this is also made available, with tuition if required, to residents of the surrounding farming district.

Future Development

Fusion has regenerated Poatina and brought together a tourist and conference venue, an employment training program for disadvantaged youth and an accredited education program for young people and adults, all within a residential community with high levels of social capacity. There is now a waiting list of potential residents wanting to live in Poatina. As previously mentioned, the existing township is set on 40 hectares of land but there is an additional 140 hectares of surrounding bushland and pasture available for development. A 10 year plan has been drawn up to enable the village to grow in stages. A new housing sub-division, a caravan park, an educational college and student accommodation is planned. An environmental trail and course and an artists' colony are also proposed. It is anticipated that the village will grow in stages to a population of about 500.

It was originally thought by Fusion when the town was purchased that the concept and purpose of the village would appeal more to older people such as early 'active' retirees. But it quickly became apparent that many young families with children also wanted to contribute and be a part of the village. The younger cohort has provided a better demographic balance in the community and will enable improved succession management planning in the future. Only three types of houses were built by the Hydro-Electric Commission and this has resulted in a lack of housing diversity, particularly for those who do not require a traditional family home on a large block of land, most of which are set on blocks of around 900 sq m. When the new sub-division is commenced this situation may be addressed. Interestingly, senior management has already anticipated the possible effect of 'old' and 'new' parts of the village and it has been suggested that some of the original residents may be asked to relocate to the new part in order to provide a balanced mix of old and new residents. A retirement complex has also been mooted to allow older residents to remain in the community.

Currently the Poatina Fire Brigade is the only emergency service in the town. There are no medical services available in Poatina, the nearest being at Cressy or Longford, about 20 minutes distant. The lack of services may need to be addressed as the community increases in size.

What Can be Applied from the Poatina Model to Other Urban and Rural Regeneration Schemes?

Obviously, there are many concepts in the Poatina

model that could not be applied to urban or rural regeneration schemes elsewhere in Australia. For example, buyers of new or refurbished houses would not appreciate a purchase contract that gave the developer the right to repurchase the property, or the right to approve a new buyer. Similarly, an expectation of attendance at 80 per cent of community meetings or events, and almost compulsory participation in working bees would be unrealistic at best and at worst may be considered an infringement of rights. However, more affordable housing opportunities and increases in social capital and volunteerism are goals of most state governments. The Poatina model may indicate ways by which participation in community service work could be encouraged, how an increase in social capital may be achieved, and how increased housing affordability objectives could be met. It may be possible to provide the purchaser of a home in a regenerated area a discount off the price of a house in exactly the same manner as exists at Poatina. There may be ways in which such a discount could be funded. In addition to State government funding, most regeneration projects require substantial sums to be contributed by the local council, and also the private developer involved in the project as a condition of their contractual obligation. At Westwood in Adelaide, for example, the developer was required to contribute \$1m for training and community programs, a figure matched by the Port Adelaide Enfield Council (Department for Families and Communities, nd). If developers incorporate such payments into their

Under the Poatina model the community itself would provide the training and community development. A notional amount would be costed into the project for this purpose but buyers receiving a discount off the price of a house would

cost structures and spread the sum across the

whole project this will be reflected in an increase in

be those who have volunteered to undertake the community work. Market research would need to be carried out amongst new home purchasers in order to gauge the likely level of interest of a discounted house price in exchange for community service. The level of discount could, and should, be augmented by state and federal funds in keeping with housing affordability objectives. The length of commitment, say between two to five years, would reflect the amount of discount given. Volunteers' time could be directed to training objectives as well as building social capacity. In any given community a wide range of skills is likely to be available. These skills could be harnessed and passed on to trainees and mentoring given on a one-to-one basis. A similar scheme in South Australia called The Shed is operated by the Southern Community Project Group (Onkaparinga Council 2006). Business skills could also be passed on by new residents, or through a mentoring and business coaching program delivered by the local council, such as that devised by the Adelaide City Council (2006).

An encumbrance would need to be placed on the house title deed to ensure that the obligations were fulfilled. In the event of the household leaving within their commitment period the new buyer could obtain a pro-rata discount based on the balance of the community work credits outstanding if he or she agrees to undertake the community service. This is the practice at Poatina. If the subsequent purchaser does not take up the option, then the amount outstanding would be deducted from the sale proceeds and placed into a Council administered community fund. In the event of a purchaser changing his or her mind or reneging on the agreement to undertake community work, the balance of credit outstanding would be required to be paid into the community fund or, failing that, it would remain as an encumbrance on the property. State Housing Authority tenants wishing to contribute could be given a reduction in their rents in a similar manner to a scheme that exists in some **New Hampshire Mobile Homes Parks Cooperatives** in the United States where a monthly rental discount of \$50 is given to volunteers in exchange for work in the park. Each family is required to contribute so many hours of work on a regular basis (New Hampshire Community Loan Fund, nd).

State housing authorities and local councils may be the appropriate bodies to administer a Poatina-type community service scheme. Community organisations would forward to the local council or housing authority a certified account of volunteers' hours worked. A centralised record-keeping system

the price of each home.

of hours worked is in operation at Poatina and monthly statements are made available. Sickness and accident insurance would be the responsibility of the participant although a group scheme may be possible. There is a possibility that there may be Australian Tax Office implications. Clause 18 (8) of a Poatina house purchase contract requires the purchaser to acknowledge 'that the credits received by the Purchaser under this clause may be subject to income tax payable by the Purchaser'. However, no-one at Poatina has yet had to pay tax under this clause, according to a senior management representative. The completion of the community service period should signal a large amount of social capacity existing in the area. In order to encourage continued community service it is suggested that the local authority provide a rate rebate based on the New Hampshire volunteer scheme. The cost of this may be recouped by the value of the community work done, by State government subsidy or by including it in the rates burden and spreading it across the entire council area.

What Difficulties May be Encountered in Implementing Such a Scheme?

There may be a range of barriers to the implementation of a Poatina-type regeneration scheme based on community service. Stamp duty payable on the lower purchase price of a house will result in less revenue to state treasuries. In South Australia for example there would be a loss of \$42.50 in stamp duty for every \$1,000 saved off the price of a house. Also, if the original purchaser moved within the commitment period or reneged on the agreement would the amount of stamp duty saved require reimbursement? Although there have apparently been no implications thus far in Poatina, the Australian Tax Office could in future conclude that the amount of credit received off the price of a house in return for community service is liable for taxation. Similarly, Centrelink may interpret housing authority tenants who receive a rent reduction in return for participating in community service as being in receipt of additional income.

The actual amount saved off the price of a house in each case will not only depend on the level and length of commitment given to community service by each individual household but also by the level of funding allocated for the purpose by state and federal governments. If additional funding is not forthcoming this will affect the proportion of

properties carrying a discount and the amount offered. As previously mentioned, any community service scheme would have to be administered and local councils and state housing authorities appear to be in key positions to administer such a scheme. However, it has to be recognised that they may not want to be involved. This is not an insurmountable problem as the administration could be undertaken by the non-profit partner or even contracted out. Training and mentoring programs would need to be accredited and recognised through the national training framework. Finally, the union movement may argue that community service participants are undermining paid work.

Summary and Conclusion

The regeneration of the once obsolete former company town of Poatina into a vibrant and growing community with a large amount of social capital has demonstrated what can be achieved with a vision and the community working together towards an agreed outcome. It is not argued here that there should be a Christian focus in regeneration schemes. Indeed, the Eldonians in Liverpool demonstrated that successful outcomes can be obtained with grass roots community leadership. However, there does need to be a central focus to ensure that the community is moving towards its stated objectives. What has been suggested here is that some of the concepts used at Poatina are worthy of consideration in government driven regeneration schemes. Some of the ideas used at Poatina could not be readily transferred to regeneration schemes elsewhere, nor should they be. Nonetheless, what has been achieved at Poatina does indicate that non-profit organisations with a vision for social justice may be particularly suitable as partners in regeneration initiatives with state and local government and state housing authorities. The vocational and life skills training methods used at Poatina appear to be more effective than token training schemes offered by commercial developers as part of their regeneration contractual obligations. There is also the potential to create more affordable housing for those willing to be involved in training and community development and thus the building up of social capital.

An example of a more creative response to regeneration may be a service club's involvement in a project which could include a community garden. This involvement could fund a local or overseas aid project while at the same time providing on-going training in gardening, horticulture, nursery and

landscaping skills. Examples of other non-profit organisations are those involved in the development of sustainable living or environmental projects. It was demonstrated at Poatina in the construction of the mountain chalets, that when a non-profit or community-led organisation is the head contractor, building site work experience can be provided to trainees. In addition the type of building materials can be stipulated, for example environmentally sustainable or recycled products to be used.

It is suggested therefore that if there is the political will in the form of additional funding and a more creative response to regeneration schemes by the inclusion of non-profit or community-led organisations with a concern for social justice, there is the potential to create more affordable housing, an increase in the level of volunteerism, a lift in social capacity and a greater range and success of job training outcomes. Even with the reallocation of existing funding it should be possible to achieve some of these targets.

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The Use of Location Quotients and Shift-Share Analysis in Regional Development Planning

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Introduction

Location quotient and shift-share analysis are traditional and somewhat old-fashioned methods for regional development analysis. They have been subject to a number of criticisms including their static nature and that they show only what happened in the past. Their value for predicting future trends and capacity to reflect structural economic change can be questioned. However, they have advantages in being relatively simple to calculate, focus on employment changes, use readily available census data and provide simple but potentially pertinent insights into employment and economic changes at a highly disaggregated level suggesting that they still may be of value to regional practitioners.

This paper revisits these techniques to evaluate whether they can be used as a 'poor man's tool' for developing regional development strategies when resources for full blown development planning and modelling are not available. It focuses on the Illawarra region of NSW, which lies on the coast south of Sydney. Data from five of the seven Local Government Areas (LGAs) in the region are included in this study.

The Illawarra region has a history of fragmentation and competition between its LGAs which has prevented a coherent regional approach to economic development occurring. Here it is argued that these techniques illustrate sufficient variety in each LGA's economic structure, such that they form a mosaic where each LGA has its own unique characteristic. By focussing on developing their own identified strengths, each LGA can grow its own base industries in a non-competitive manner, while then being free to cooperate in areas of common regional interest. The basis for a comprehensive regional strategy is then laid, helping to overcome the unproductive fragmentation of the past.

Various statistical techniques are used to identify three sets of sectors for each LGA:

- 1. Those showing employment growth;
- 2. Areas of specialisation or relatively large industries;
- Sectors of regional competitive advantage, or those that performed better in that LGA than national or industry overall performance would predict.

An intelligent perusal of these results combined with local knowledge of a regional practitioner provides the basis of a simple local area development strategy.

The Illawarra - A Planning Background

In the late 1980s - early 1990s, a number of planning strategies for the Illawarra were produced, separately by State and Federal governments, Liberal and Labor as power changed.¹ Several of the LGAs in the region have produced their own local strategies,² however these lack a regional focus.

A summary of the material in the various documents identified a number of weaknesses in the Illawarra regional economy. Among these is a lack of integration into international markets. A 2004 survey found only 20.4 per cent of firms with over 20 employees had exports, a figure virtually unchanged from an earlier 1996 survey (Hodgkinson and Markey, 2005). Few discernible industry clusters exist, except the one based on and dependent upon the steelworks. Higher-order metropolitan service functions are missing, with these sectors overshadowed by nearby central Sydney. In the northern LGAs, labour and property markets are increasingly being absorbed into the Sydney greater urban region. Further, most parts of the region have lost employment due to restructuring impacts on the dairy industry, public sector reorganisation, the BHP-Billiton merger and float of the steel division and closure of coal mines. Manufacturing has been affected by both organisational and technical change. The region is losing its old industrial/dairying identity, but no clear new one is emerging. A few new trends can be discerned. Wollongong is promoting itself as 'City of Innovation' and centre for higher education. The southern LGAs form the Sapphire holiday coast, and most LGAs apart from Wollongong are becoming 'sea change' retirement destinations (Wilson et al. 2003).

1 Some of these include Regional Development Strategy (1990), Illawarra Regional Development Council, Department of Employment Education and Training, The Illawarra Draft Strategy (1991), prepared by Illawarra Economic Development Council with assistance from Illawarra Regional Information Service (NSW State Government), Illawarra Region: Submission to Regional Development Task Force (1993), Illawarra Regional Economic Development Strategy (1997), prepared by Coopers and Lybrand Consultants for Illawarra Regional Economic Development Organisation and Illawarra Regional Development Board (Commonwealth Government).

2 Buchan (2003), Wollongong Economic Development Road Map, Final Report; Shoalhaven Industry and Economic Development Strategy (1998), currently being updated 'Shaolhaven- An Enterprising Alternative (2005); Eurobdalla Shire Council, Business Retention and Expansion Survey Reports: Batemans Bay, Moruya, Narooma, (2001, 2005). Thus the Illawarra region has undergone significant structural change, which is continuing. Its old identity is disappearing but there is no coherent new regional identity emerging. The time for a new regional strategy may therefore have arrived.

Methodology

The analysis in this paper is based on the 1996 and 2001 census data, providing a focus on employment change rather than profits or turnover as the unit of analysis. Three levels of analysis are conducted (Blair 1991).

- Patterns of employment growth for each LGA are identified and compared with regional and national averages to discern sectors with higher or lower growth;
- ii. Location quotients are calculated,³ with sectors with a value greater than one being identified as sectors which have proportionately high level employment;
- iii. Shift-share analysis⁴ using national data as a base is performed to net out employment growth attributable to national and industry trends and so identify a residual employment growth attributable to regional influence, and thus each LGA's competitive advantage industries.

These techniques have the advantage of combining spatial and structural dimensions making them particularly suitable for regional analyses.

Consequently despite being relatively 'old' techniques, having been first developed in the 1940s and popularised in the 1960s, they continue to be used in both urban and regional studies.

Nevertheless, the techniques have a number of shortcomings (Stilwell 1992). Firstly, the level of disaggregation used can affect the results. Higher

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3 The formula (Blair 1991, p 121) for employment location quotient for industry \emph{i} is
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where $LQ_i = Location$ quotient for industry i

 $e_i = local employment in industry i$

 e_t = Total local employment

 $AUS_i = National employment for industry i$

 $AUS_t = Total national employment$

 $\Delta e_i = e_i((AUS^*/AUS) - 1) + e_i((AUS_i^*/AUS_i) - (AUS^*/AUS)) + e_i((e_i^*/e_i) - (AUS_i^*/AUS_i))$

where Δe_i = Total changes in local employment in industry i

 e_i = Local employment in industry i in 1996

ei*= Local employment in industry i in 2001

AUS* = Total national employment in 2001 AUS = Total national employment in 1996

i = subscript indicating reference to industry i

 $[\]mathsf{LQ}_i = (\mathsf{e}_i/\mathsf{e}_t) \div (\mathsf{AUS}_i/\mathsf{AUS}_t)$

⁴ The decomposition of employment using shift share analysis is determined as follows (Blair 1991, p187) $\Delta e_i = e_i((A||S^*/A||S)) - 1) + e_i((A||S^*/A||S)) - (A||S^*/A||S)) + e_i((e)^*$

levels of aggregation inevitably show the net result of both positive and negative changes and often consequently result in small changes, but which might disguise significant movements in specific sub-sectors. To overcome this, the highest level of disaggregation possible has been used in this study, subject to data availability. Secondly, they are imperfect forecasting tools. Attempts to apply a predetermined growth rate to local sectors have to make the erroneous assumption that past growth is a predictor of future growth, without allowing for changes in local environmental factors, technology, etc. Nevertheless, the main shortcoming is that while they identify what the competitive strengths of a region are, they do not explain why these industries have particular strengths in that particular location (Blair 1991). Thus they are simply a pointer as to where a practitioner should focus attention.

These techniques thus identify sectors which have high employment growth, high employment numbers and/or particular advantages in each LGA. Combined, these analyses allow the planner to identify the special strengths of each LGA and to interpret the pattern based on their local knowledge to determine which sectors should be promoted as the basis of a local development strategy. Further, by comparing the sectoral strengths of each LGA, it is possible to identify the components of a regional strategy. Strong sectors which are unique to the LGA should be promoted in the LGA as a first priority. Sectors which are strong in several LGAs or where unique strengths are complementary should be promoted on a regional basis as a first priority. Further, it also identifies weaknesses in each LGA's economic structure that need to be addressed in a development strategy, e.g. a sector which has a high location quotient (significant local employment) but has a low or negative employment growth. Rather than let an area of employment strength decline away, a strategy to revitalise and restructure that sector could be more appropriate, acknowledging that low employment growth may be associated with higher productivity.

Results

The results presented below are taken from a report 'Illawarra Local Government Areas Study: Industrial Structure Profiles (2005) by Ann Hodgkinson and Tikiri Agalewatte, jointly undertaken by University of Wollongong and the Illawarra Regional Information Service.

Employment trends

Parts of the Illawarra region, particularly Shellharbour, Kiama and Wollongong form an integrated labour market in themselves, and are also significantly linked into the greater Sydney labour market with Illawarra workers regularly commuting daily by rail and road to and from the metropolitan area. To accommodate this situation into this analysis, Census 'journey to work' data has been used to determine the number of jobs in each of these three LGAs. For the other two LGAs in this study, Shoalhaven and Bega Valley, standard employment of resident data has been used. This may have overstated the employment in Shoalhaven, when some commuting to the greater Wollongong and Sydney labour markets may also occur. However, it allows the results for Shoalhaven to be directly compared with an earlier study taken for that LGA in 1999 (Hodgkinson et al. 1999).

Total employment in the Illawarra Region grew by 9.1 per cent in the study period, while employment in Australia as a whole grew by 8.7 per cent. Total employment growth in the five LGAs covered by this analysis was as follows: Wollongong 0.3 per cent, Shellharbour 23.5 per cent, Kiama 18.2 per cent, Shoalhaven 13.1 per cent and Bega Valley 9.6 per cent. Thus, employment in all these areas except Wollongong grew at above the regional and national averages. The detailed information is shown in Table 1 on page 28.

Employment growth by sector

The above employment changes can be traced to variations in employment growth by sector as shown in the following tabulations. Cultural and recreational services experienced growth in all LGAs except Kiama, making it the major contributor to employment growth in the region. Although lower ranked, retail employment grew in all five LGAs. Employment in education also grew in four of these LGAs, and was strongest in Wollongong, which probably reflects the influence of the regional university. Health and community services also provided employment growth in all LGAs except Shellharbour. Property and business services were important sources of employment growth for all LGAs except Wollongong. Similarly, transport and storage had employment growth in all LGAs except Wollongong, and was particularly important for Shellharbour and Kiama. These growth sectors can be compared with those sectors where each LGA

Table 1: Employment Change by LGA, 1996 and 2001

	Total Employment	Change 1996 to	Total Employment	Change 1996 to	Total Employment	Change 1996 to
LGA	2001	2001	2001	2001	2001	2001
Wollongong*	66,413	-207	29,726	2,027	36,687	-2,234
Shellharbour*	10,655	2,127	5,832	1,226	4,823	901
Kiama*	4,033	621	2,131	357	1,902	264
Shoalhaven+	27,706	3,207	13,500	1,891	15,206	1,316
Bega Valley+	11,230	988	5,093	614	6,137	374
TOTAL	120,037	6,736	55,282	6,115	64,755	621

^{*} Employment figures derived from Census Journey to Work LGA Destination Zone data.

Table 2: Sector Employment Performance by LGA - Growth*

Wollongong	Shellharbour	Kiama	Shoalhaven	Bega Valley
Primary	Transport	Prop. & B.S.	Recreation	Recreation
Recreation	Prop. & B.S.	Transport	Prop. & B.S.	Construction
Government	Recreation	Hospitality	Personal Serv.	Prop. & B.S.
Education	Retail	Retail	Retail	Health & C.S.
Finance	Wholesale	Education	Health & C.S.	Retail
Health & C.S.	Personal Serv.	Health & C.S.	Transport	Education
Retail	Utilities		Construction	Transport
			Education	
			Manufacturing	

^{*}Sectors ordered in descending order of growth Prop. & B.S. = Property and business services Health & C.S. = Health and community services Personal Serv. = Personal and other services

has a specialisation (Tables 4 and 5) or a regional competitive advantage (Table 7) to identify whether employment growth is occurring in sectors of structural advantage to each LGA.

Table 3 shows those sectors that contributed to employment decline in each LGA. Mining was a major source of job losses in all LGAs except Bega Valley, and was particularly important in Wollongong, Shellharbour and Kiama. This is associated with the closure of a number of mines in the vicinity of Wollongong during this time period. Employment in utilities (water, gas and electricity),

also fell in all LGAs except Shellharbour, and was particularly important in Wollongong, Shoalhaven and Bega Valley, reflecting the impact of the restructuring of the electricity industry at that time. Employment in primary industry (forestry, fishing and agriculture) fell in all LGAs except Wollongong, where it actually had a small but significant increase. The impact of dairy deregulation would be a major factor here. Other sectors to experience declining employment were more specific to each LGA, although employment in manufacturing and communications fell in three areas.

Table 3: Sector Employment Performance by LGA - Declines*

Wollongong	Shellharbour	Kiama	Shoalhaven	Bega Valley
Mining	Mining	Mining	Utilities	Utilities
Utilities	Primary	Utilities	Communications	Communications
Hospitality	Manufacturing	Primary	Primary	Government
Manufacturing		Finance	Mining	Finance
Wholesale		Communications		Primary
Transport		Manufacturing		

^{*} Sectors shown in descending order in terms of percentage employment declines.

⁺ Employment figures based on Census LGA residence data.

Location quotients - economic base industries

Location quotients are calculated to reflect the percentage of total employment in each industry in the LGA, as a ratio of the percentage of total national employment in that industry. It identifies those industries where each LGA has a relative

specialisation, in effect, the structural base of that LGA's economy. Industries where an LGA has a specialisation have a location quotient greater than 1, i.e. there is relatively more employment in that industry in this Local Government Area than there is on average in the nation as a whole. These industries are shown in Table 4.

Table 4: Location Quotients* - Employment Presence Greater than the National Average by Industry, 2001.

Wollongong	Shellharbour	Kiama	Shoalhaven	Bega Valley
Manufacturing	Retail	Hospitality	Government	Primary
Education	Education	Recreation	Hospitality	Hospitality
Health & C.S.	Health & C.S.	Construction	Construction	Retail
Utilities	Personal Serv.	Retail	Retail	Construction
Mining	Primary	Health & C.S.	Health & C.S.	Health & C.S.
Hospitality	Hospitality	Education	Personal Serv.	
Retail				

^{*} Industries shown in descending order of location quotient, for all quotients greater than 1.1 Health & C.S. = health and community services

Personal Serv. = personal and other services

From the data in Table 4, it can be seen that each LGA has its own distinctive areas of specialisation. Thus the Illawarra region to some extent forms a mosaic of complementary economic structures. This provides an opportunity for each LGA to focus its attention on developing its own areas of specialisation rather than competing against each other for new industries. Hospitality, which reflects the tourism industry, is the only area where there is a common economic base industry across all LGAs, and thus where a joint industry strategy needs to be developed to prevent destructive competition among Illawarra local governments. More details of each LGA's areas of specialisation are shown in Table 5 on next page.

The information from Table 5 confirms Wollongong's specialisation in the manufacturing cluster around metal products (steel, copper), coal mining and non-metallic mineral products. It also highlights its role as the hub of the Illawarra rail network and the centre of education in the region. The details of Shellharbour's specialisations enhance its role in supplying services to the resident population. In particular, a significant large scale retail role has developed, which also services Wollongong and Kiama. However, a specialisation in non-metallic mining and manufacturing (cement) is revealed. More details of Kiama's specialisation in services is shown in the areas of libraries, museum, etc. and

sport and recreational services. It also shows Kiama's economic base industries in quarrying, commercial fishing, and printing. Shoalhaven has economic specialisations in defence, commercial fishing and the wood and paper industry. The Bega Valley has specialisations in commercial fishing, a cluster around forestry and logging and wood and paper manufacturing, as well as food and beverage manufacturing (including cheese factories). The listings in Table 5 particularly highlight the importance of commercial fishing within the primary industry base of the Illawarra, indicating this may be another target for a whole of region sector strategy.

Shift-share analysis

Shift-share analysis is a technique which separates out the particularly unique regional influence on employment growth in a local government area. Regional employment growth (decline) can occur due to overall growth in national employment, because of growth in its particular industries or because of some particular regional influence that means its industries grow or decline independently of the national or industrial fortunes of its employment base. In Table 6, the relative influences of these three factors on employment change in each of the study LGAs is shown.

Table 5: Location Quotients* - Employment Presence Greater than National Average - Specific Sectors 2001

- ·		= -		
Wollongong	Shellharbour	Kiama	Shoalhaven	Bega Valley
Metal Products	Other Mining	Other Mining	Defence	Commercial Fishing
Coal Mining	Other Health & C.S.	Hospitality	Commercial Fishing	Forestry & Logging
Non-Metallic				
Mineral Products	Food Retailing	Other Construction	Wood & Paper	Wood & Paper
Rail Transport	Motor Vehicle Retailing	Libraries, Museums etc	Water Supply	Hospitality
Education	Education	Sports & Recreation	Hospitality	Food & Beverages
	Household Goods		Construction	
Construction	Retailing	Food Retailing	Trade Services	Water Transport
Other Manufacturing	Other Retailing	Printing & Media	Community Services	General Construction
	Non-Metallic			
Insurance	Mineral Products	Other Retail	General Construction	Community Services
	Construction			Motor Vehicle
Water & Sewer	Trade Services	Commercial Fishing	Food Retailing	Retailing
Commercial Services	Personal Services	Personal Services	Other Retailing	Food Retailing
Health Services	Commercial Services	General Construction	Personal Services	Road Transport
Government	Road Transport	Property Services	Other Construction	Other Retail
Cultural and				
Recreational Services	Health Services	Government	Property Services	
Electricity	Property Services	Commercial Services		
Textiles & Clothing				
Manufacturing	Government	Household Retail		
Property Services		Education		

^{*} Sectors shown in descending order of location quotient, for all quotients greater than 1.1

Table 6: Shift-Share Analysis 1996 to 2001: All Sectors Total Employment Change Due To:

LGA	National Growth	Industrial Mix	Regional Advantage	Total Change
Wollongong*	5,778	497	-6,482	-207
Shellharbour*	748	182	1,096	2,027
Kiama*	296	70	256	621
Shoalhaven+	2,125	156	926	3,207
Bega Valley +	888	23	77	988

 $[\]mbox{\ensuremath{\star}}$ Employment figures derived from Census Journey to Work LGA Destination Zone data

Data from Table 6 show that all five LGAs benefited from national and industrial employment growth between 1996 and 2001. Wollongong, however, suffered significant employment decline due to regionally specific factors, which eliminated benefits from national growth. Shellharbour had substantial employment growth, related to specific local factors. Given the analysis above, this most probably results from the high population growth in that LGA, as most of these industries operate to

service the resident population. Kiama also had substantial employment growth from regional specific factors, much of which can also be related to local population growth. There was also a significant local element in the employment growth that occurred in Shoalhaven. Most of the growth in the Bega Valley LGA was a reflection of national employment trends, although a small positive regional effect was detected.

⁺ Employment figures based on Census LGA residence data

The sectors that contributed to the regionally determined employment growth and decline are identified below. By comparing the results shown in Tables 7 and 8 for each LGA with those in Tables 4 and 5, it is possible to see whether that particular LGA is achieving relative growth in its areas of

specialisation. A concurrence of sectors in Tables 4 and 5 and Table 7 would indicate a relatively successful regional economy. However, a concurrence of sectors in Tables 4 and 5 with those in Table 8 would indicate that an LGA is in danger of losing its specialisation position in such sectors.

Table 7: Industries With Positive Regional Advantage Growth

Wollongong	Shellharbour	Kiama	Shoalhaven	Bega Valley
Communications	Communications	Government	Personal Services	Culture & Recreation
Government	Wholesale	Wholesale	Transport	Construction
Primary	Transport	Transport	Recreation	Health & C.S.
Finance	Utilities	Education	Education	Manufacturing
Culture & Recreation	Finance	Health & C.S.	Health & C.S.	Property & B.S.
Education	Personal Services	Hospitality	Manufacturing	Education
	Culture & Recreation	Retail Trade		Retail Trade
	Retail Trade	Property & B.S.		Transport
	Property & B.S.	Culture & Recreation		•
	Health & C.S.	Personal Services		
	Education	Construction		

Health & C.S. = Health and community services Property & B.S. = Property and business services

Table 8: Industries With Negative Regional Advantage Growth

Wollongong	Shellharbour	Kiama	Shoalhaven	Bega Valley
Property & B.S.	Construction	Manufacturing	Primary	Finance
Retail Trade	Manufacturing	Finance	Utilities	Primary
Personal Services	Primary	Utilities	Communication	Utilities
Wholesale	Hospitality	Primary	Wholesale	Communication
Mining	Mining	Communication	Government	Government
Utilities		Mining		Hospitality
Manufacturing				Wholesale
Construction				
Hospitality				
Transport				

Property & B.S. = Property and business services

The causes of the large regional decline in employment in Wollongong can possibly be explained by some of the factors suggested earlier, although this needs further investigation. As the largest city in the region, Wollongong would be expected to have higher-level central place service functions. While it had employment declines in utilities, property and business services and wholesale and retail trade, employment grew in finance and insurance, government administration and communications. However, overall it appears that its central place functions have not grown at national rates, probably due to the proximity of Sydney, and this is a contributing factor to the poor employment growth in that LGA. The regional

specialisation in mining, manufacturing and transport exhibited declining employment. The specialisation in education resulted in employment growth. This manufacturing result may be due to increasing labour productivity being manifest in reduced employment numbers, while the sector itself remains competitive.

Most of Shellharbour's employment growth can be attributed to the industries that have established to service its growing residential population, although there is evidence of a deepening of this service role to populations outside the immediate LGA in communications, wholesale trade, transport and utilities, all of which could ultimately become

economic base industries in their own right. There is some concern that four of the industries which experienced regional decline were economic base industries as measured by location quotients in Table 5, which suggests that they may be being pushed out of the area by the residential growth.

A similar picture emerges for Kiama, with most regional growth occurring in residential population service industries. Again, wholesale trade and transport had positive regional growth. Several economic base industries as shown in Table 5, particularly manufacturing and mining declined. However, the tourism industry, represented by hospitality, grew.

Shoalhaven had regional growth in a mixture of residential population service industries and in several of its economic base industries, particularly transport and manufacturing. Two economic base industries, primary industry and government administration and defence showed declining regional employment.

The Bega Valley had regional employment growth in its residential population service industries and in two economic base industries, manufacturing and transport. Its central place functions generally declined in finance, utilities, communications,

government administration and wholesale trade, although property and business services grew. Two economic base industries, primary industry and hospitality, declined.

Shift-share analysis - manufacturing

Because the Illawarra region is a major traditional manufacturing region, a separate analysis of national, industrial and regional trends in these sectors was undertaken. The broad results are shown in Table 9. As can be seen, Shoalhaven and Bega Valley were the only LGAs in this study to have a positive change in total manufacturing employment between 1996 and 2001. This increased employment can be attributed to national growth, a favourable sector mix (Shoalhaven was the only LGA to benefit from this factor) and a positive regional advantage. Shoalhaven and Bega Valley were also the only LGAs to have a regional advantage in manufacturing. This regional advantage, together with national growth, led to Bega Valley also having an overall positive change in manufacturing employment. Wollongong, a major manufacturing area, had a large overall drop in manufacturing employment over the study period due to both an unfavourable sector mix and regional disadvantage in manufacturing.

Table 9: Shift-Share Analysis 1996 to 2001: Manufacturing Total Employment Change Due To:

LGA	National Growth	Industrial Mix	Regional Advantage	Total Change
Wollongong*	632	-852	-892	-1,113
Shellharbour*	26	-6	-48	-28
Kiama*	9	- 7	-12	-9
Shoalhaven+	120	31	41	191
Bega Valley+	44	-25	58	76

^{*} Employment figures derived from Census Journey to Work LGA Destination Zone data

Tables 10 and 11 show that Wollongong had positive employment growth due to regional advantage in wood and paper products, petroleum, coal-based and chemical products, non-metallic mineral products and other manufacturing. However, it had negative employment growth due to regional factors in machinery and equipment, printing and media, food, beverages and tobacco products, metal products and textiles, clothing and footwear sectors. These negative growth sectors are concerning in that they include the major metal

products sector - although the negative effect due to regional factors was minor here - and a number of sectors elsewhere identified as being the major sources of regional exports (Hodgkinson *et al.* 2003); i.e. machinery and equipment and food, beverages and tobacco. Manufacturing is not significant in Shellharbour and Kiama, although a number of sectors were identified where a positive regional employment effect occurred, which indicates that there is some potential for these to develop in the future.

⁺ Employment figures based on Census LGA residence data

Table 10: Manufacturing Sectors With Positive Regional Advantage Growth*

Wollongong	Shellharbour	Kiama	Shoalhaven	Bega Valley
Wood & Paper	Other Manufacturing	Printing & Media	Textiles & Clothing	Metal Products
Petroleum, Chemical Products	Printing & Media	Other Manufacturing	Printing & Media	Wood & Paper
Non-Metallic Mineral Products	Petroleum, Chemical Products	Machinery & Equipment	Metal Products	Food & Beverages
Other Manufacturing	Machinery & Equipment	Metal Products	Non-Metallic Mineral Products	Machinery & Equipment
	Non-Metallic Mineral Products		Machinery & Equipment	
			Petroleum, Chemical Products	

^{*} Sectors shown in descending order of employment growth due to regional advantage

Table 11: Manufacturing Sectors With Negative Regional Advantage Growth*

Wollongong	Shellharbour	Kiama	Shoalhaven	Bega Valley
Machinery & Equipment	Wood & Paper	Food & Beverage	Food & Beverage	Non-Metallic Mineral Products
Printing & Media	Food & Beverages	Non-Metallic Mineral Products	Wood & Paper	Petroleum, Chemical Products
Food & Beverages	Textiles & Clothing	Textiles & Clothing	Other Manufacturing Printing & Media	
Metal Products	Metal Products			
Textiles & Clothing				

^{*} Sectors shown in descending order of employment decline due to regional disadvantage

Shoalhaven LGA had positive employment growth due to regional advantage in a number of manufacturing sectors, including the important exporting sectors of machinery and equipment and petroleum, coal-based and chemical products. It did, however, have a negative regional employment effect in wood and paper products, which is one of its main economic base industries, and food and beverages and other manufacturing, which also have a significant presence in that LGA. The Bega Valley had a positive regional employment effect in its major sectors of wood and paper products and food, beverages and tobacco as well as machinery and equipment, which indicate that manufacturing employment has good growth potential in that LGA.

A Regional Approach

The foregoing analysis highlights that the Illawarra region comprises a set of unique LGAs, each with its own individual economic structure. This 'mosaic' pattern indicates that the constituent LGAs are complementary rather that competitive in their

economic strengths. Thus there is scope for developing a regional development strategy which would allow each LGA to focus on developing their particular economic profile in cooperation with their neighbours.

The patterns of employment growth show that Wollongong is developing 'city' functions, particularly in government administration, education and finance, as would be expected of the largest city in the region. However, the failure of urban centre services in Wollongong to grow at national rates appears to be one of the major contributors to the poor employment performance in that LGA. Shellharbour and Kiama LGAs are predominantly residential growth areas, although transport services are also important employers. Shoalhaven and Bega Valley LGAs are holiday centres with growing residential and property services profiles. Overall, these data show that the Illawarra region is moving away from its industrial past with declining employment in mining and manufacturing. The region has also felt the impact

of microeconomic reform policies with declining employment in utilities (electricity) and primary industry (dairying).

The analyses of areas of specialisation using location quotients highlight the differences among the LGAs. Wollongong specialises in manufacturing (metals), (higher level) education and medical services and is a rail hub. These latter activities emphasising its role as a regional centre. At the same time, the specialisation in metal products is possibly suffering not from a lack of competitiveness, but from the effects of increased productivity overwhelming any employment creation capacity from this growth in output and profitability. Shellharbour LGA specialises in residential services, while Kiama's specialisation is in hospitality/tourism. Shoalhaven had a major specialisation in defence. The Bega Valley's specialisation was in fishing and forestry and valueadding manufacturing associated with its primary industries. Thus each LGA has a distinct economic character based on its major employment sectors.

Only a few sectors could be identified in each LGA which rated positively on all three indicators and hence indicated where employment growth could be expected to occur in the future. They were:

Wollongong - education and government administration;

Shellharbour - transport, retail trade and property services;

Kiama - education, hospitality, retail trade and property services;

Shoalhaven - personal services and manufacturing;

Bega Valley - construction, retail trade and transport.

As can be seen, these natural growth sectors in themselves do not present a coherent economic structure for the Illawarra region as a whole. There was a reasonable congruence between sectors of local competitive advantage (Table 7) and employment growth (Table 2), although even this is not totally consistent. However, employment growth in such sectors can erode the relevance of the LGA's areas of specialisation, if they have declining employment growth. Such trends can destroy the coherence of that LGA's economic structure making it difficult to develop logical development strategies. The problem facing the Illawarra is that for each LGA, many of their areas of specialisation

(Tables 4 and 5) are not their sources of employment growth (Table 2). In other words, their areas of employment strength are not providing new sources of employment.

Thus each LGA needs to develop strategies which:

- i.Promote a supportive environment for those specialised sectors which also have a regional competitive advantage, e.g. education in Wollongong, retail trade in Shellharbour, recreation in Kiama, personal services in Shoalhaven, health and community services in Bega Valley.
- ii. Encourage the development of currently growing sectors into specialisations, e.g. primary industries in Wollongong, transport in Shellharbour, property and business services in Kiama, recreation in Shoalhaven and Bega Valley.
- iii. Develop strategies to improve performance in slower growing specialisations, e.g. transport in Wollongong, mining and manufacturing in Shellharbour and Kiama, government and defence in Shoalhaven, primary industries and value-added processing in Bega Valley.

Areas of employment specialisation are important to regional areas as these have sufficient economic presence to support the development of industry clusters and collaborative arrangements between firms, which are now considered to be major elements in regional growth. The situation where many of the Illawarra's areas of employment strength are not growing mitigates the development of such relationships and of its industries' capacity to compete in international markets.

The shift-share analysis highlighted the areas where each LGA had local competitive advantage or a capacity to grow above the national average. All LGAs except Wollongong were obtaining some employment growth from their areas of local competitive advantage. However, again there was a mismatch between the local competitive advantage sectors and where employment growth and specialisation occurred.

Thus, from this analysis, development planners in each LGA are advised to consider all three dimensions when considering future scenarios for economic growth. It is important to create supportive environments to encourage the growth of organisations in existing successful sectors. If the areas of specialisation or employment strength are ignored the capacity for this region to engage in large scale projects and international trade will be eroded.

Conclusions

The data analysis outlined above highlights sectors of particular importance to each LGA. Development practitioners can use their local knowledge to identify the relevant local firms critical to the fortunes of each of these sectors. They can then work with the principals of these firms to develop local sector strategies to enhance these strengths and combat areas of weakness. The first use of this set of outputs is thus as a pointer to areas where local intervention could be focused in building up the economic identity of that LGA.

As demonstrated, each LGA has unique identified economic strengths which can be promoted within a regional strategy, without impinging on the interests of their neighbouring councils' activities. Thus it allows a non-competitive approach to regional development. Further, it may highlight sectors in particular LGAs where complementary development can occur. For example, Wollongong could focus on developing higher level 'city' style retailing, while large scale household goods and the motor vehicle industry could be based in Shellharbour, servicing southern Wollongong and Kiama as well as local residents. In addition higher level medical and educational services are located in Wollongong, servicing satellite providers in other LGAs. In this way, growth opportunities can be shared among the LGAs without generating selfdestructive competition and fragmentation.

The analysis also highlighted a few sectors which were common to all or most LGAs. These included hospitality (tourism) and commercial fishing. There are areas where regional sector strategies need to be developed on the basis of common interest to prevent zero-sum competitive actions. Further, by adopting this pattern of local priorities as recognised in successive past regional plans, infrastructure needs, can be identified and prioritised on a regional basis, knowing crucial sectors in each LGA will have their needs acknowledged and met in an agreed order.

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Client Evaluation for Business: The Need for a Regional Focus

Wayne Graham and Scott Prasser

Introduction

This paper is based on a number of client evaluation consultancies conducted by a business research institute within a regional university. Four organisations across several key industries were involved including a national corporation delivering services at a regional level. The study seeks to analyse how and why regional and national firms are interested in client evaluation and the special problems that need to be addressed in undertaking evaluations of this type.

The study highlights three issues. First, regional firms appreciate that proper evaluation of their services is necessary to remain competitive. By developing an awareness of their current position relative to customer perceptions, they can make improvements to organisational processes and systems. Regional business have identified that they must meet rising customer expectations and benchmark their performance. Second, that regional differences matter enough to encourage business, including a national corporation, to conduct a local assessment. Finally, regional universities play a key role in meeting these needs. They can provide independent rigorous analysis and assist local business in order to be better informed about the quality of their services. Perhaps even the presence of universities in a region can encourage businesses to think about analysing and evaluating their business in order to improve operations and/or solve organisational problems.

The Importance of Service Quality

The researchers conducted four projects to measure perceptions of customer service quality in the Sunshine Coast region. For the purpose of this study, the Sunshine Coast comprises three local government areas that are situated approximately 100 kilometres north of Brisbane. They are the City of Caloundra and the shires of Noosa and Maroochy. This definition is similar to other studies of the Sunshine Coast region (see Taylor and Birrell 2003). Each organisation has operated for several years and each place a high value on customer perceptions within the region. With issues including high population growth rates, increased competition and changes in demographics, organisations operating on the Sunshine Coast are aware of the need to measure the level of customer service quality. This will allow policy changes to tackle issues of population change, economic growth and community ownership.

Service quality is an important concept that has received great attention over the last decade due to its relationship with organisational costs (Kellogg et al. 1997) financial performance (Nelson et al. 1992; Rust and Zahorik 1993; Hallowell 1996; Rust et al. 1999) customer satisfaction (Cronin and Taylor 1994; Shemwell et al. 1998; Soderlund 1998; Marshall et al. 1998; Chow-Chua and Komaran 2002; Ismail and Khatibi 2004) and service loyalty (Caruana 2002). Many organisations are devising strategies to capture customer perceptions of service quality in order to build awareness and make improvements to their operations (Teas 1994; Zeithaml et al. 1996; Sureshchandar et al. 2002).

Regional Business

Regional businesses are interested in improving their performance, identifying issues and solving problems. They are willing to engage external consultants to help them find out how they can improve their operations. They use client evaluations as an initial step toward finding out how they can improve quality, efficiency and competency and be competitive both regionally, nationally and globally. Added to this, regional businesses identify universities as a credible, independent facility to carry out research and consultancy to develop their business.

After some hesitation, organisations at all levels on the Sunshine Coast are looking increasingly to the **Sunshine Coast Research Institute for Business** Enterprise (SCRIBE), the research institute attached to the Faculty of Business at the University of the Sunshine Coast, to play a leadership role in research activities aimed at economic and social sustainability and collaborative knowledge creation within the region. Hesitation was partly a consequence of the dominance of small business in the region (over 90 per cent of businesses are so classified, see Ralston 2001) and the lack of tertiary qualifications of many proprietors and experience with universities. Recent projects include client evaluations that aim to increase the awareness and understanding of service quality as perceived by customers.

Regional Universities

Regional universities can play a key role in enabling businesses to find out how to improve their operations by being made aware of the latest thinking, theoretical concepts, relevant research and applying this new knowledge to their particular situations. This does not happen automatically or easily. Regional universities need to have a sense of responsibility and connectivity to the region in which they operate. They also need to develop appropriate mechanisms to facilitate interaction between regional business and the university community. After all, many regional universities account for most of the business activity within the region that they operate in (Hall 2004).

While regional universities can be the engines of economic growth for a region by virtue of the number of staff they employ, students they attract and visitors they draw, their impact can be far greater than this and their role in regional

development may be crucial to a region's future. For instance, from a socio-cultural perspective, regional universities can be a catalyst to transform communities. This can be achieved by helping to retain youth in the region during the post-secondary school years and by becoming specialists in research areas peculiar to their region. One such example is the cattle and crop research efforts at the University of New England in Armidale, New South Wales (Hall 2004). The concept of being a catalyst for community transformation has been operationalised into the strategic mission statement at the University of the Sunshine Coast, which states:

Our mission is to be the major catalyst for the academic, cultural and economic advancement of the region through the pursuit of international standards in teaching and research and by responsiveness to students, staff, community and the environment.

Source: University of the Sunshine Coast Strategic Plan (2003, p.1)

Furthermore, if the appropriate relationships are cultivated and if a university makes a strategic effort to incorporate the regional features into its normal and ongoing education and research programs, important synergies can be developed. These will benefit the region in two ways. First, the creation of knowledge of relevance to the different regional interests will enhance their performance and give them a competitive advantage over other regions. Second, the university will gain a special niche in the increasing competitive tertiary sector by having access to information, experiences and case studies not available elsewhere. This, combined with the special knowledge that results from these strategies can enhance its education and research program and reputation.

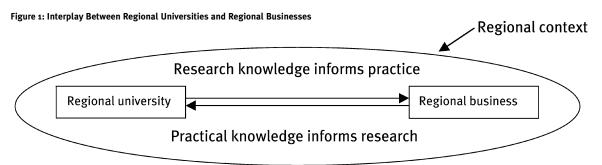
Collaborative Knowledge Creation: Building a Sense of Community

In an attempt to develop a nexus of knowledge within a region, collaboration and joint knowledge building are vital. Senge and Scharmer (2001) argue that organisations that operate in a regional community previously fuelled by competition now need to be tempered by cooperation. They suggest that the aggressive quest for returns on capital threatens health and sustainable economic growth within a region at all levels. This not only affects

individual institutions, but their members and the larger social system in which they belong to.

Collaborate knowledge creation can build a sense of community, strengthen relationships and work toward economic and social sustainability. One way this can be achieved is by conducting projects within a community of practitioners, consultants and researchers that focus on awareness, evaluation and change. Therefore, regional universities should be interested in looking to apply conceptual, theoretical and research knowledge to

inform businesses and at the same time, regional businesses should be willing to engage universities to help them identify issues, solve problems and improve operations. In turn, practice can inform research knowledge with relevant, regional 'handson' experience. This relationship provides a nexus of knowledge, a connected and interactive relationship of two entities that share the same issues within the same region. This relationship is depicted in Figure 1.



Source: Developed by the authors of this study

However, in order for collaborative knowledge to be created and sustained, the key players need to understand each other's differences. Small businesses dominate most regions and generally owners of small business are time poor and find it difficult to carry out activities such as client evaluations. Added to this, as stressed, business owners are not sure what role a university should play in a region or whether a university could add value to their organisation.

The Projects

The client evaluation projects involved four businesses on the Sunshine Coast in Queensland. The client in project A was a group training

Table 1: Client Objectives for Each Project

company that operated primarily within the region. The customers were 'host employers' that provided a context for apprentices and trainees to carry out their training. The client in project B was a major regional newspaper-publishing firm. The client in project C was a key public vocational trainer and the client in project D was a national telecommunications company that had a regional office in the region. Although each project sought to evaluate the service quality of the organisation as perceived by the client, there were other objectives. Project A measured the service quality of a specific group of staff whereas project D measured the service quality of a specific activity. The objectives of each project are depicted in Table 1.

	Project A	Project B	Project C	Project D
Service quality of the firm	Х	×	Х	x
Service quality of a specific staff group	Х	×		
Service quality of a specific activity		×	Х	Х
Current product and service usage	Х	×	Х	x
Identification of customer needs	Х	×	Х	X

Reasons for Using the University

Each client approached the university for several reasons. Foremost amongst these was their desire for independent analysis. They could have used private consultancies to do the same type of work, but it was evident in each case that the notion of having a 'university' tag both during (to assist in gaining support from their customers) and after the project (in terms of the status of the report) was important. From their perspective, using a university gave the project credibility especially with their own different client-groups, which included accreditation bodies, head office and a board of directors.

Another reason provided was that there was a perception that a university offered something different from consultants. In some cases this was the expertise of university staff. Further, there was the appreciation that business ought to work with the university. This would in some cases fit with the client organisation's mission to be regionally focussed. While large corporations attempt to do this by activities such as sponsorship, using a key regional supplier like a university was another way to show regional commitment.

Last, there was also an appreciation, though sometimes poorly articulated, that given a university exists in the region perhaps business should make use of this new facility. Indeed, several of the clients were not quite sure what the university could do, if anything. One client expressed at an initial meeting that "we want to know what a university can do for us". They expressed surprise when they encountered an

Table 2: Case Studies and Research Techniques

entrepreneurial response that sought to meet their actual needs rather than just to provide an existing service. The fact that this response was also oriented to providing a service within reasonable timeframes was also a surprise to some clients.

What the Projects Did

There is some debate within universities whether doing projects like this constitutes consultancy or research. It seems projects funded by the taxpayer via government grants such as those provided by the Australian Research Council (ARC), are pure research, but applied research projects involving work for business are deemed as consultancies and somehow inferior. It could be argued that regional universities cannot do pure research and expect to connect with regional interests. This is because such research is perceived as being too slow, esoteric and narrowly focussed, therefore its findings may not be well understood or relevant to regional business.

Consultancies provide a means for universities to show what they can do to a client base that is sceptical of their value. It also provides a means for academics to engage directly in their community, to better understand the issues it is facing and to connect regional concerns to broader scenarios and trends. Moreover, most consultancies, as these did, involve the application of research tools. Their employment in such client-focussed work provides a means to refine these and like their theoretical underpinnings, to test their worth. Table 2 depicts the key theoretical concepts that were tested and applied.

	Project A	Project B	Project C	Project D
Focus group	Х			Х
Survey	Х	×	×	Х
Structured interview		Х		×

Problems

Three problems arose during the studies. In one study, a concern with the independence of the study occurred. Head office intervention caused confusion about who the client was. Added to this, there was attempted interference in both the design and the conduct of the study. Second, an issue relating to the timeframes was made evident. One client was critical about this and issues were raised concerning both the academic notions of integrity

and finding the balance between rigour and speed. Third, there was a problem regarding conflicting instructions. The nationally based project became a fragmented relationship between the local identity and the national head office. This impacted on the project because the objectives of the study were modified slightly, changed completely or deleted. This made the project problematic especially since the local client was not informed of the changes by the governing head office.

Benefits: What the projects provided for the businesses and the university

Overall, the **benefits for the clients** were the provision of an independent analysis (even if sometimes the results were not as expected), the use of a research agent with local knowledge, the provision of information that informed policy and enhanced their business and the acquaintance with analytical techniques that were not previously understood.

The benefits for the university were the application of important research techniques (ie focus groups, interviews and qualitative data analysis), a better understanding of key regional economic drivers, a garnering of information that was able to be used (indirectly) in other projects, the honing of skills and knowledge of academics and the engagement with regional and national business on their own terms (ie time, price and business focus).

Conclusion

The projects provided benefits to regional business, their clients, the university and its staff. The activities raised the profile of SCRIBE by engaging regional business and achieving positive outcomes that were aligned to the mission of SCRIBE. Although some problems were encountered with one client, a post project discussion enabled an evaluation to better understand the nature of national firms and to ensure resources match their expectations. Research techniques were utilised and improved, regional businesses were provided relevant and timely information to meet accreditation standards, regional relationships were enhanced and the university within the region attempted to be a catalyst for collaborative knowledge creation according to its mission statement.

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Performing Economic Evaluation of Events - Real World Issues and Challenges

Otto Wirgau

Introduction

This paper seeks to add to the basic level of information available to the regional specialist considering the topic of economic impact from an event. Specific techniques (Using CIM-PSU 1999) often are more theoretical than end users may wish, while methodological problems often take precedence over theoretical concerns (Matheson and Baade 2005). The paper will concisely draw together key considerations regarding event evaluation and economic impact. For the purposes of this paper events can be one-off or repeated activities that are generally special, non-routine, short term, episodic activities that seek to meet cultural, personal or organisational, economic goals.

Background

There is little doubt that events are big business, with regions, states and even nations competing to gain, hold and retain events (eg Indy Car Race, Formula 1, Olympic Games, golf tournaments, expos) - largely on the basis of perceived 'economic benefits' derived from the event.

Features specific to events often include attributes such as their

- Uniqueness
- Perishablity
- Intangibility
- Ceremonial nature
- Fixed timescale
- Labour intensiveness
- Interactiveness
- Personnel

Historically, key drivers of events include their ability to bring individuals and groups together to celebrate, as well as to act as a forum for the exchange of ideas, bringing people together to interact, compete, and debate. An event is often culturally ritual or formal, seeking group sharing, or the confirmation of common goals. Events may also be based upon promotion (firm, region, personnel) or economic units - individual, household, firm.

Often, events are exemplified by personal experiences (eg weddings), leisure (eg sport), culture (eg music), organisational events (eg commercial conferences, political conventions), and special (eg any of the previously mentioned, but noted for size, importance).

Event outputs may be commonly divided into some primary groups focused around conferences (government/private), exhibitions (trade/industry), sporting (training, competition), and functions (weddings, anniversaries). However, events consistently draw upon a wide variety of inputs which influence community, or regional economies from production (management, catering, technical services, volunteers), to venues (rooms, centres, regions), to distribution (promotion) and ancillary services (transport, food).

While event outputs and inputs may be reasonably defined, the factors affecting event location tend to be wide ranging, including the facilities (eg conference centre), the natural attributes of an area (eg climate, environment), the location (eg access, transport, distances), marketing (eg regional, promotional), incentives (eg subsidies), perceived expertise

(eg conference management, research) and reputation (eg other events).

That events exist is clearly established, however evaluating events is fraught with the challenges of combining both tangible and intangible outputs. Some of the challenges that must be addressed include the nature of events as a once off activity, compressed timeframes incorporating timing issues, multiple activities and what is to be reviewed, and often a lack of lasting infrastructure or measurable outputs regarding intangible outputs.

Basic Issues in the Economic Impact of Events

There is a veritable plethora of approaches available for individuals or organisations seeking to measure the economic impact of a specified event. For a regionally focused person who is new to event impact assessment, there may appear to be a lack of common standard applied to the measurement of events. The unfortunate outcome of this highly inconsistent process loosely referred to as an economic impact study is leading to a rapid, and justified, decline of the reputation and usefulness of estimates of the economic impact of events upon regions.

To properly assess the economic impact of an event upon a region, a number of issues must be evaluated and clearly resolved. Is the desire of the study or assessment to be able to measure the total economic activity generated by the event, or is it to measure the net economic gain for the region as a function of the event? How will the activities of other events be isolated from the one in question? How is the region in question to be defined so as to avoid the 'double counting' associated with monetary recirculation? Is the cost of doing the study cost effective, as primary data is not free and does not grow on trees, it must be harvested, which costs money.

By definition, the critical goal of an economic impact study is simply to isolate and quantify an estimate of the net or new dollar impact upon a specified region that is a result of a particular event.

This simple concept is, in practice, often relegated to a lip service role. Two key words in the definition are the concept of 'Net', and 'Region'. What must be done is to isolate and quantify the new money

introduced into a defined regional economy as a result of the event in question. The people who supply this money are what we may call 'economic contributors'.

Regional Definition

Clearly defining the region or area to which the economic impact study is to be applied may have noticeable effects on the outcome of the study. A common scenario is a very local event, such as a festival, where a substantial portion of the money which is funding the event is from a larger body, such as a Local Government Authority, or State government. In many cases, the funding for the event is contingent upon the event showing a predetermined level of positive financial impact for the community, which may be a multiple of the original funding.

Aside from the clear potential bias instigated by having the original funds delivery as a function of the outcome of the study, the region that the funding body is interested in may be very different to that of the area of interest to the event organisers. The area relevant to the study must be clearly and rigorously defined both in terms of the ability to 'talk from the same page' for event organisers and funding bodies, as well as the eventual impact on the study's outcomes and conclusions.

The definition of the region under study is also critical from an instrument design point of view. The persons who come into the region as a result of the event, and would not have otherwise come, are the economic contributors, the only real population of interest. The instrument used must be able to differentiate and capture this group separately from the other attendees, thus supporting the ability to divide the attendee population into different categories for analysis.

Consequently the end result of an economic impact analysis must support the ability to separate out those who would have visited the region regardless of the event, from those who have come to the region as a function of the event.

The issue of regional definition may also be additionally complicated for regions which have high visitation levels. Some key types of attendees are defined and discussed in this paper to meaningfully discuss visitation rates upon the regional definition implications. As the goal of an economic impact study is to isolate and quantify

the net, or new, money introduced to a defined region as a result of the event in question, the issue of 'time switchers' must first be addressed as it is integral with regions with high visitation.

Attendee Types

Time switchers are event attendees who are from outside the region and are legitimately in the region as a function of the event, and will tell you just that, if you ask them. They are however people who would have come to the region at another time anyway, regardless of the event. An example where this definition would be critical would be an area which has an existing high level of tourism visitation, such as the Gold Coast in South East Queensland. Many people annually, if not more often, visit this region for a wide variety of reasons.

A special event is likely to have an effect whereby these people time their established holiday or visit to coincide with that event instead of visiting when they normally might have. The important fact is that without the event, the same people would have visited the area anyway and spent their money. Effectively, there was no new money injected into the economy from outside the region as a function of the event from these attendees, as the expenditure in the region would have happened without the event.

Without region-specific management capabilities designed into the survey or measuring instrument, the ability to control for these time switching attendees may be removed. In an area which has a high level of existing tourism, this may have the effect of dramatically increasing the estimate of the events true economic impact.

A second key event attendee who must be controlled for in the estimate regarding the true economic impact of the event is the group of persons who indulge in what we call substitute spending. This refers to people who are from the defined region and who would have spent the money in the region anyway. Generally this group is controlled for by not including persons who are from the area in the final estimate.

The third type of event attendee who must be excluded from any study seeking to measure the new money entering a defined regional economy as a function of the event is those known as casuals. These are people who also appear to fit the general

criteria of economic contributors, but are not. An example would be a person who is from outside the area, or perhaps overseas, who is visiting the region. During the course of their trip, they discover that the event is on and decide to attend, spending their money at the event instead of elsewhere in the region. Again we have a situation where this is money which would have been spent in the region regardless of the event, thus their expenditure in the region is not a function of the event. As an example, the Birdsville Races (the annual horse races held at a very isolated community) would be easier to assess regarding the economic impact to the local economy than a similar event at a more popular destination region.

It is very important to continually remind yourself of the goal, or what it is that you are trying to measure. The answer is the net or new money coming into a region as a function of the event. While the issues of multipliers is beyond the scope of this paper it is important to recognise that the impact of the net spending can be best portrayed as the culmination of the direct, indirect and induced spending it incurs, as a dollar spent by one person is a dollar of income to another, which will be spent as well, and so on. Thus, while the potential for abuse of multipliers to approximate this 'churn' in a regional economy is very apparent, so to is the fact that multipliers do legitimately exist and should be applied, though in a very conservative fashion.

Additional Theoretical and Methodological Issues

There are other theoretical issues which may be considered briefly. Perhaps the most interesting theoretical issue which has not been outlined earlier is what may be called displacement, or crowding out.

Essentially displacement refers to money flow disruptions for the region as a function of the event. This displacement may be in the form of residents (and their regular expenditure) who leave the area temporarily, as well as costs incurred to the local economy, both explicit (policing etc) and implicit (disruption, congestion etc). It may also impact upon the people who are, or would have been, visitors to the region for not-event reasons, but chose not to visit the region due to the event being conducted.

Expenditure Areas

Measuring the net expenditure in the local economy as a function of a specific event is the goal, and tends to take place in two different basic areas: on site and off site, each of which must be assessed differently.

The on site expenditure is made up of the event attendees who are identified as the economic contributors, and their spending at the event. This component is often considered to be a prime area of interest, perhaps as a result of it appearing to be the easiest to measure. However, while perhaps more complicated to measure, off site expenditure may often be of greater importance to a region.

Thus, the expenditure of the people at the event should be further broken down into that of the person who spent money at the event, and also any group of people (family, as a common example) who came to the region with the relevant person, though they may not partake in the event, often choosing to engage in other activities.

It is also critical to be able to distinguish between expenditure that is off site and outside the region, versus that which is in the region of interest. In general off site expenditure can be classified in to three broad categories: Food and Beverage, Entertainment, Accommodation.

Interrelated Regions

Further confounding the ease with which one may identify economic contributions to the region is the fact that many regions are highly interlinked with surrounding regions. Additionally complicating the issue is the fact that often these regions maintain a fairly transparent border. The impact of this has several facets, if it is not controlled for with an instrument specific to the region.

First, often the impetus of the desire to perform an economic impact study is external to the event organisers. For example, funding for the event may be contingent upon the event performing an economic impacts assessment, as well as that the assessment shows a certain amount of positive economic impact for the region. The region of interest of one group (eg the sponsor) may be different from that of the event organisers. This, in turn, may lead to confusion on the part of the data collection (either instrument, or surveyors, depending on training), and may negatively impact on the analysis.

Second, it is well established that when you ask people a question to which they do not know the answer, but feel as though they should, they will frequently make up an answer. In this particular case this can occur when interviewees are unable to distinguish between the region where the event is taking place and, if applicable, where they are staying or conducting their off site expenditure. Unfortunately, this may not stop the respondent from giving responses to questions about their expenditure, it merely makes their responses somewhat meaningless. However, once aggregated into data, these responses will become indistinguishable from accurate responses, thus impacting negatively upon the integrity of the data.

As distinguishing between different attendee groups has been briefly discussed, it is important to summarise one of the key goals of the survey instrument. That is, to collect information in such a way that the attendees will be able to be classified as groups which are mutually exclusive and collectively exhaustive. Mutual exclusivity means that each sample unit fits appropriately in only one grouping. Collectively exhaustive means that all of the population, and the sample, have a legitimate group to belong to regarding the classifications you are using.

Sampling

The sampling methodology employed to gather a reasonably representative sample of the attendees as an overall population merits a separate paper. Nonetheless, a brief discussion of the goals of the methodology are appropriate here. Quite simply, the goal of the sample (the people who are surveyed) is to gather an accurate representation of the entire population attending the event. If the sample does not do that will be biased.

Bias can be introduced to a sample in many different ways including:

- Selection bias;
- Phrasing of the question;
- The context of the question;
- Confidentiality concerns (substantiated or not).

The great concern with introduced bias is that it is often impossible to recognise and alleviate once the data has been collected. This is further complicated by a common misconception among information users that if information is numerically based, it is therefore accurate. From personal

experience, the GIGO (Garbage In = Garbage Out) principle is perhaps the most overriding principle to be applied throughout any analysis.

The selection bias component is possibly the most nefarious methodological problem, as once the survey has been fielded, there may be no way to recognise if it has occurred. The exception to this is when there is a methodological flaw in the sample selection process which is then documented in the study's written methodology. In that rare case, where the flaw of an expensive study is recognised, and then documented in the resulting report, readers may then (assuming they read the methodology) discount the actual findings. Another scenario is that the evaluating organisation may 'omit' or not detail their sampling methodology, or portions thereof, other than to state that 'a representative sample was chosen'. Further complicating the issue, it is also understandable that some firms professionally involved in event evaluation may not want to give away specific sampling techniques, regarding them as intellectual property.

Surveyors

An even more likely scenario that creates a selection bias problem is more difficult to control for, or to recognise. When conducting a fielding operation, the analyst must invariably use surveyors to gather the information. These surveyors are generally one of two types: unpaid volunteer surveyors, or paid surveyors.

The use of volunteers to gather primary data is a fairly common method of sidestepping what can be an expensive component in conducting an economic assessment. While there is no guaranteed reason why it will not work (to produce a representative sample), there are some reasons why it may be unlikely to work in practice.

Volunteers are almost by definition passionate about their event. Volunteers are also often very intelligent and highly motivated. These factors introduce several different potential sampling biases. It is critical to remember that once these biases have occurred, it is literally impossible to verify.

One likely bias is the simple fact that these passionate people know deep down that the funding for their event may be contingent upon the evaluation showing as much money being generated by the event as possible. A natural

reaction is to survey people who look as though they are capable of greater expenditure (the Ralph Lauren Polo shirt sample). This is almost impossible to control for unless you have a 'controller' assigned to monitor each surveyor at all times. Even if this unlikely option is implemented, this supervisory person is also likely to be a volunteer, and possibly be even more passionate regarding the survey outcome, hence their more senior role.

Operationalised Fielding -A Brief Case Study

A working example of gathering a representative sample might be an event such as a golf championship. Trite as it may sound, the population must first be defined, as the goal of a sample is to replicate the parameters of the population. This simple sounding goal is not always as easy, as may become obvious once you try to get multiple people to agree to a specific definition.

To sample the defined population, one must have access to it, thus who your client is may become an issue. For example, do you have access to attendees who are in the VIP sections (which may be quite extensive)? It is important to emphasise that each environment may call for specific tactics to achieve the common goal of gathering a representative sample. One size does not fit all and with any event, you frequently only have one opportunity to get it right.

After defining your population, the type of survey technique expected to be utilised should be developed and refined before the event. In the case of a golf course, with a major event under way, there are several confounding variables which may impact upon one's options, or choices in the survey methodology to be employed. Through careful research before the fact, it could become apparent that some of the standard methods, such as positioning surveyors at entrance gates, would not give a representative sample. Remember the goal: to draw a sample which is representative of the population in question. Drawing a sample is easy. Drawing a representative sample may not be. Telling the difference afterward, is almost impossible.

As has been discussed, events are very difficult to gather information about as they tend to be a fairly short, intense occurrence where you do not get a second chance if your methodology is not well thought out in advance of implementation, or there is some sort of tactical error.

In this example the entrance gate approach was considered flawed for several reasons. People, at that particular time, were in a hurry to get somewhere. They did not want to stop and answer questions. An additional complication was that many people had full event passes for the all of the days of the event. Given the expected difficulty of securing the perimeter of a large golf course and resort, it was expected that many people might avoid the gates. This was especially the case after the first day, when they had established familiarity with the venue. On site research through observation and testing verified the flaws in using a gate sample approach.

Several other approaches were assessed, eventually with a systematic complex probability sampling technique selected for implementation. This technique was supported through a careful examination of expected crowd flow behaviour based on analysis of overhead maps with event professionals who had experience both with this particular event in years past, and other events. This planned approach supported a selection of sites for the placement of surveyor teams at the event

Working within such an environment required multiple techniques to be applied simultaneously. All of the surveyors were paid, thus supporting quality control within the data acquisition component of the exercise. All of the surveyors were put through training, which they were paid for. This training included the survey instrument, techniques, and discussion of case studies relevant to them. A careful interview and selection process for surveyors complimented this outcome. Basic desirable attributes of surveyors for this particular fielding operation included people who had positive experience in proven face-to-face dealings with previously unknown persons.

One of the techniques implemented in this example was that surveyors were to work at all times as teams of two. There were several reasons driving this approach. Intentionally, surveyors who knew each other were not teamed together, this is believed to have impacted positively in terms of the quality of surveying behaviour. Security was initially an overriding factor in this component of the methodology, as we would have an environment potentially rich in both alcohol and bushland. This was never a problem, but it is better to err on the side of caution. Additionally, all teams had mobile phones, with the on site analyst's number set to a

speed dial. This also contributed to consistent fielding of the survey instrument over a substantial geographic area, as well as addressing any security concerns.

Surveyors working as teams also have a subtle psychological effect that is advantageous. In practice, a person who is approached often has initial feelings of being singled out, as few people really trust the concept of randomisation, even if they understand it. However, when they can see someone else close by already involved comfortably in a survey, they tend to relax and go along with it as well. Surveyors were instructed, and monitored, to keep within both line of sight, and within approximately ten metres of their team mate.

Surveyors in this case study were provided with high quality, collared shirts with quality badges identifying them and for whom they worked. Combined with simple, but clear, instructions regarding appropriate apparel for a golf environment, the surveyors presented to interviewees as professional and were easily identifiable as such. This also contributed to the low non-response rate encountered in this exercise (under one per cent).

Rewards to interviewees were utilised in this case. Each person who was surveyed was given, upon completion, an inexpensive gift. While clearly not a payment for their time, it was both a positive and tangible thank you which seemed to contribute to the overall environment of goodwill. While not viewed to be critical to the successful completion of each survey, rewards seem to have some advantages, and few disadvantages in this environment. Experience indicates that other tactical issues such as surveyors professional appearance, attitude and behaviour, placement etc were likely to be more important.

Specific techniques employed to achieve a representative survey in this particular environment were centred around the following processes performed by each surveyor following each interview. This process was practised extensively in their training sessions.

- Each surveyor would review their survey instrument to verify correct completion without moving their feet.
- After verifying a completed survey, they were to look at the second hand of their watch.
- They would wait 30 seconds, keeping their eyes downward.

- At end of the 30 seconds, if their second hand is on 1-30, (i.e. the right side of an analogue watch), sight along the instep of their right foot (left foot if second hand is on the left side of the watch) and approach the first person or group of persons directly in line with it within 10 metres.
- Introduce themself using the scripted introduction.
- If a group, after introduction, ask to speak to the person in the group who has had the most recent birthday.
- · Conduct the survey.
- Give them the gift and thank them profusely.

The analyst, continually circulated in the venue to ensure procedures were followed.

Many of the more commonly discussed, and very legitimate, theoretical, issues regarding Event Evaluation (substitution, dislocation, leakage) are valid if, and only if, the sample is fairly representative to begin with (GIGO). This is because if it is not a representative sample, then the assessment should not proceed further to the stages where the theoretical concerns will impact on the outcome.

Event Attendee Groups

Assuming a representative sample has been drawn from the population of interest, the survey instrument must be structured to support breaking the sample into three broad groups which are again mutually exclusive and collectively exhaustive. It is important to reaffirm the goal of this entire process: to measure the net, or new, money to the regional economy as a function of the event.

The first of the attendee groups could be labelled locals, as they reside within the defined region. The local component of the attendee population is generally not considered to be an economic contributor to the economic impact of the event.

A second group might be non-local attendees who are also non-economic contributors to the event due to reasons such as the previously described time switching, or casual, phenomenon.

The third, and critical, group is the economic contributors. The economic contributors are the subset of the attendee population that are responsible for the new money coming into the defined region as a function of the event. The survey instrument must be designed to isolate

these attendee groups, given the complications specific to the region the event is being held in.

A final consideration that may have an impact on any economic impact study is whether the impetus of the study is:

- outcome driven
- process driven.

An unavoidable outcome of the current political environment driving how impact studies are often conducted is the fact that significant event funding is contingent upon the event showing a significant and positive economic contribution to a region. This environment frequently leads to a process driven economic impact study. Process driven studies frequently have a number of components discussed earlier which may be viewed as worthy of concern, however these studies also comprise a large group of the economic impact studies conducted regularly. In particular, process driven studies are generally conducted under the following constraints:

- they have to be performed, they are not often wanted:
- the more money they show generated by the event, the better;
- have minimal money available to conduct the study;
- they frequently have to make extensive use of volunteers to collect, compile, and sometimes analyse the data, often with very positive attitudes, but little actual skill or experience in regional economics, survey methodology, or economic impact studies in particular.

An additional implication of process driven studies is the creation, or substantiation, of an environment of unrealistic expectations regarding the economic impact of events. This environment of unrealistic expectations particularly impacts upon event funding bodies, which may have based their expectations for their own events on the outcomes of comparable events which may not have been analysed with independence and integrity.

Conclusion

Event evaluation from the perspective of the event's economic impact is currently a highly unregulated field deserving of specialisation. Many studies of inconsistent methodological and theoretical underpinnings are undertaken to follow the letter of the law of common sense (i.e. going through the motions), instead of the intent of the law of

common sense (i.e. what does the event do for a region and is the event worth having).

This increasingly process driven environment may see the useful technique of properly conducted economic impact studies as a tool to understand the economic impact of an event on a region undifferentiated from less rigorous processes promoted as the same. The likely outcome of two products of dramatically different quality and utility, but which are undistinguishable from each other to most users, is likely to have the unfortunate ramification of negatively impacting upon the potentially highly useful field of event economic impact.

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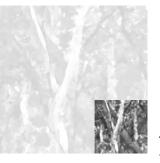
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Recent Key Projects:

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.

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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.

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Regional Effects of E-commerce.

MMRF-Green Model for Transport Analysis.

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Regional growth centres study - Victorian Department of Infrastructure.

Victorian rural living study - Department of Infrastructure.

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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.

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