



## ROCs Governing Frameworks for Sustainable Regional Economic Development: A Case Study

Brian Dollery, Andrew Johnson, Neil Marshall and Angus Witherby

### Introduction

The role of government is a critical variable underpinning New Regionalism theory. Appropriate governance arrangements provide the infrastructure framework on which local and regional economic development is founded. This involves establishing mechanisms that *inter alia* facilitate program coordination, minimize duplication of effort, and promote efficient administrative processes. Governments must also ensure that the long-term policy environment is both stable and predictable. In particular, public sector authorities should possess the ability to create partnerships, not only with private and non-profit organizations, but also with each other. Collaborative activity of this kind is more likely to generate horizontal collaborative networks that, in turn, encourage the emergence of social capital and reservoirs of specialist local knowledge (ALGA/National Economics 2001, Kanter 2000, Putnam 1993, 2000, Rainnie 2003, Wallis 2002).

Providing coherent frameworks of regional governance has, of course, been a problematic issue in Australia for much of the post-war period. Each of the nation's three levels of government has been involved in regional matters, but in too many instances functioned independently of each other.

Commonwealth and state jurisdictions, in particular, have spawned a multiplicity of programs over the years. Yet there has often been little attempt to link up activities between agencies within a single jurisdiction, let alone across tiers. Consequently, programs have frequently diverged in scale, scope

and rationale. Furthermore, both state and federal government have at times been guilty of pursuing top-down solutions to regional problems that have by-passed the need for local input and representation (Beer 2000, Bellamy *et al.* 2003, Garlick 1999, Maude and Beer 2003, Sorensen 2000, Stephens and Laughton 2003).

In this paper, we argue that regional organizations of councils (ROCs) offer a governance framework that resolves many of these concerns. We seek to demonstrate that ROCs are capable of creating horizontal networks that:

- Foster regional capacity building in terms of professional expertise.
- Promote the emergence of a stable and coherent policy making processes which are both responsive to, and representative of, local needs.
- Provide an economic infrastructure that reduces transaction costs and encourages business enterprise.
- Represent an archetype of municipal government superior to alternative forms of structural reform, like council amalgamation, with significant economic and financial advantages over competing models.

These propositions are based on the outcomes of a detailed analysis of one rural ROC - the Riverina Eastern Regional Organization of Councils (REROC). The study was undertaken over the period October 2003 to March 2004 by the University of New England's Centre for Local Government and involved an examination of published sources, and substantive interviews with 13 general managers

and 13 elected representatives from member local governments. The outcomes presented below are drawn from the findings of a more comprehensive report we have completed about REROC titled, *Regional Capacity Building: How Effective is REROC?* (Dollery and Crase 2004). As far as we are aware, this is the first extensive study of an Australian ROC.

## Evolution of ROCs

In Australia, ROCs have been around in various guises for a long time. The first was established in Tasmania in 1922 with others being created across the states in the course of subsequent decades. ROCs consist of voluntary groupings of neighbouring local government authorities. They may be formed for the purpose of exchanging information, problem solving, coordinating activities across jurisdictions, improving intergovernmental relations, resource sharing, lobbying and advocacy.

During the late 1980s and 1990s the number of ROCs increased dramatically following encouragement from the Hawke and Keating Labor governments. In 1995 there were some 50 ROCs across Australia covering about 45 per cent of councils and around 75 per cent of the population (Northwood 1995). Shortly after this date, however, Labor lost interest in the program in favour of a more targeted strategy - Regional Development Organizations (REDOs). Forty-seven REDOs were subsequently established over the next few years (Fulop and Brennan 1999). ROCs largely disappeared from public view and it was assumed that, without further financial support, most would fold or become absorbed into REDOs. This indeed proved to be the case in a number of instances.

Despite the unfavourable climate many ROCs not only survived, but continued to prosper. A nationwide survey taken early in 2002 examined 31 out of an estimated 55 existing organizations (Marshall and Witherby 2002). Of the 31 ROCs covered, seven were classified as high performers, 20 were considered to be in good health, and two were in obvious decline. The survey clearly indicated that many councils believed that ROCs represent a worthwhile investment which can reap substantive returns for the region generally, and for individual local authorities in particular.

## An Overview of REROC

REROC is located in the Riverina district of Southern NSW (see Figure 1). It is made up of 13 local government authorities, presides over a combined population of 120,000 residents, and is spread across 41,000 square kilometres. Wagga Wagga is the urban centre of REROC which comprises some two-thirds of the Riverina district. REROC is located across a diverse range of industry sectors, the most prominent of which are agriculture, manufacturing and food processing, defence, forestry, education, and viticulture and winemaking. Significant infrastructure advantages which REROC possesses are its highly developed telecommunications system and its extensive transport corridors. The area is also known for its culturally diverse population.



Figure 1: Map of REROC region (April 2004) and its location in NSW  
Source: Dollery *et al.* 2004, p. 48.

Established in 1994 for the specific purpose of bulk purchasing, REROC soon broadened out to embrace resource sharing, policy making and problem-solving. The REROC Board consists of an elected member (usually the mayor) from each council as well as the general manager. The Board meets every second month with decisions being taken on a consensual basis. The Board is supported by an Executive Committee that convenes on alternate months to the Board. This committee, which establishes general strategic directions, consists of the Chair of REROC, four mayors and three general managers. The organization's chief executive officer and secretariat functions are outsourced on a contractual basis. At the beginning of 2004 the secretariat consisted of four full-time personnel. REROC itself does not employ any staff.

REROC membership fees are calculated on a pro-rata and population basis. The Executive Committee determines the budget for the year. Fifty per cent of the budget is recovered by dividing the sum across all members evenly with the other 50 per cent being recovered on a per capita basis.

REROC board meetings invariably have a 100 per cent attendance rate and are conducted in an 'inclusive and collegial atmosphere'. Debate is open and unrestricted with all members encouraged to express their views. Participants are not bound to support particular projects or decisions. However, such is the nature of these forums that on the 'vast majority of occasions, discussion leads to unanimous action' (REROC *Annual Report* 2002).

## REROC's Network Structure

Before the establishment of REROC in 1994 there appears to have been relatively little interaction between local governments in the Eastern Riverina district. One general manager remembered that surrounding municipalities 'used to be quite isolated'. REROC's chairman expressed similar sentiments.

REROC's formal Networks consist of:

- The member councils of REROC itself and the various sub-groups and working parties set up to consider particular issues.
- The broader networks that individual member councils have joined and which extend beyond the confines of the REROC structure. Each council is a part of such networks, though involvement varies considerably. Cootamundra Council, for

example, is a member of 16 extra-REROC groups. For all member councils REROC constitutes their primary network and is the focus of their most significant activities.

- The regional, state and commonwealth agencies that REROC engages with and which, in turn, create associated networks (fourteen in January 2004). Such bodies include, for example, the Riverina Regional Development Board, the Riverina Area Consultative Committee, the Department of Youth and Recreation, and the Commonwealth Department of Local Government and Regional Services

Informal Networks comprise:

- General managers of the member councils. From the interviews it is clear that almost all of general managers (GMs) get along well as a group. Certainly there is a widespread perception of positive involvement. 'There is a surprising camaraderie between councils', and 'there is an amazing level of cooperation between members', were typical comments made by general managers. The majority talk regularly, or very regularly, with about half their counterparts in relation to particular issues, or to discuss more general thoughts. This enables a 'cross-pollination of ideas' as one GM commented.
- Council employees - similar to the GMs, professional officers within councils also network extensively with colleagues from surrounding municipalities. The nature of this interaction appears much the same in most respects to that of the GMs.
- Mayors - the informal networks of REROC's mayors are considerably less extensive than either the GMs or council staff. Mayors appear to ring each other only when a pressing issue has arisen. This may take place only once a month or so. It is clear that the majority of mayors are happy to leave the bulk of informal networking to their GMs.

Two additional points need to be made about the nature of REROC's networks:

- Neither the formal and informal networks are discrete spheres of activity. They cover related issues and often inform each other. There is overlapping membership across a number of the networks. The system as a whole involves complex circles of interaction that move between vertical layers, and across the region-'wheels within wheels'-as one interview put it.

- Individual councils, and REROc itself, also mesh with external regional, state and federal networks. This prevents the structure of these from becoming self-contained and too inwardly focused. Membership of external networks ensures a constant influx of fresh ideas. One general manager noted, for example, that his membership of the Local Government Managers Association enabled him to 'broaden his horizons' and develop 'different perspectives' from those provided at REROc venues.

Four critical factors appear to underpin the success of this network structure:

- The close relationships that evolved between staff of the member councils built a strong foundation of trust, shared values and understandings, and a commitment to cooperation.
- It grew from the bottom up. The municipalities involved created institutional arrangements which were tailored to the characteristics and aspirations of the region. This ability to respond quickly to local requirements is likely to ensure the organization's durability in the longer-term.
- REROc is directly accountable for its actions. This stems partly from the statutory base of its participating municipalities, and partly from the conventions of representative democracy which forms the core of local government in Australia. Both features underpin the organization's legitimacy in the eyes of local residents (as well as those of state and federal policymakers).
- REROc is a *voluntary* organization of councils; it respects the autonomy and independence of constituent municipalities. As such, power is shared across the membership. Those involved must negotiate and compromise to achieve acceptable outcomes. This is a vital attribute which injects dynamism into network activity and differentiates it from a bureaucratic hierarchy.

Communities that generate such substantial stocks of social capital usually possess certain attributes. They tend to be resilient, are able to tolerate difference and diversity, work collaboratively for the common good, and are capable of resolving conflicts through negotiation and compromise (Cox 1999, Fukuyama 2001, Putnam 2000, Wallis 2003, Wallis and Dollery 2002). Moreover, they are much more likely to function efficiently and productively. Certainly this has been the case with REROc.

## Problem Solving

The networks created under the REROc umbrella have enabled member councils to pool specialist expertise in relation to critical issues. In a number of instances the result has been not only solutions to problems, but also skill-based capacity building and reduced costs. Three examples serve to illustrate the point:

- During 1998 the need arose to undertake on-site sewage management planning. A working party of eight, from different councils, was convened to tackle the issue. The outcome was an 'On-site Sewerage Management Kit' which comprised; a generic policy document, letters to consumers, clear inspection standards and regimes, and a supporting database. In fact the kit proved so useful that it was sold for a profit to some 60 non-REROc councils.
- When confronted with difficulties relating to the implementation of the GST in 2000, REROc convened a working party consisting of representatives from all member councils to consider the matter. The working party subsequently categorised 85 council activities and over 300 fees and modified work practices to accommodate the new regime. A template for checking contracts was prepared, and training courses mounted for hundreds of staff. In addition to very substantial dollar savings (see below), 'strong corporate knowledge about the GST' was gained, and 'enormous confidence' kindled in staff in terms of their ability to deal with new initiatives. Such was the standard of outcomes that the Australian Taxation Office praised REROc Members for being 'the most informed and aware group of councils they had addressed in NSW' (REROc *Annual Report* 2000).
- A partnership initiative which involves the private sector is the 'Riverina First' project. In this instance REROc worked with the Riverina Regional Development Board and Telstra Countrywide to address on-going difficulties affecting the quality of the region's telecommunications infrastructure. The strategy here is to direct funds into problem areas across the region which have been identified by local consumers. The program commenced in 2003 and has since resulted in two REROc areas receiving upgrades to broadband technology (REROc *Annual Report* 2003).

## Polymaking - Cohesion and Coordination

REROC formulates policy in relation to such matters as regulatory proposals, social and environmental planning, and the preparation of guidelines for regional activities. It is in terms of political lobbying, however, that the organization's ability as a policy maker is best demonstrated.

Between 1997 and 2003 the organization presented 13 submissions, and mounted 12 delegations, on various issues to state and federal authorities. Despite the volume of activity involved, success in this arena is notoriously difficult to assess. Indeed, there would appear to have been only one unambiguous outcome over the last few years. This was the clear 'win' in the wake of REROC's strong opposition to Work Cover's proposed Code of Practice for Working Near Traffic in 1998 (REROC *Annual Report 1998/99*). In the great majority of cases the end result of intense lobbying efforts is uncertain. Decisions are often the result of compromise between a number of political actors. It is usually difficult to ascertain which interests have been most influential.

Nevertheless, there is a strong perception on the part of REROC members that their organization is a successful advocate. Nine of the 13 general managers interviewed, and 12 of the 14 elected representatives, considered REROC to be a highly effective lobby group. One manager observed that, as a result of REROC's efforts, 'we are being heard in some high places'. It is a view that has been officially endorsed by successive chairmen of REROC (REROC *Annual Reports 1999, 2000*).

The interviewees' confidence in REROC as an influential lobby stems from the nature of the organization's policy development mechanism. REROC's framework of interlocking networks ensures that all issues are comprehensively canvassed in working groups and council forums before any final determination is made by the Board. As such, Board resolutions embrace both a regional majority perspective and majorities in each individual local government jurisdiction. Such procedures not only ensure that proposals are thoroughly considered, but also build cohesion, a sense of identity, and commitment. Submissions to higher levels of government, in turn, tend to be accepted as credible and genuinely representative of opinion in the area.

## Cost Savings and Economic Benefits

The networks which have facilitated the emergence of effective problem solving and policy making processes under the REROC umbrella have also enabled the organization to create a highly efficient regional administrative infrastructure. Indeed, from an economic and financial perspective, REROC's success in this regard is its most salient and quantifiable outcome.

REROC's official evaluation of its own performance estimates that it has achieved savings in the order of \$4.5 million over the five and a half year period 1998 to 2003. These savings have occurred over a variety of activities, including:

- reduced duplication through the common approach to implementing new legislative requirements: on-site sewer management regulations, privacy laws, GST implementation and companion animals requirements;
- joint tendering: electricity supply, bitumen emulsion, GPS equipment, CTP green slip insurance, and various software purchases;
- regional lobbying (proposed WorkCover guidelines for working near roads); and
- co-operative sharing of resources: regional waste officer and shared Road Safety Officers.

The savings of \$4.5 million represent a total of \$360,000 per REROC council member over the five and a half years under review (or \$65,000 per annum).

We analysed the savings identified by REROC and compared these reported savings against the costs of providing the same services by other local authorities. As a result of this review we concluded that these savings by REROC are real and measurable and are an accurate reflection of the organization's performance.

## ROCs as Frameworks of Regional Governance

New Regionalism theorists argue that over recent decades localities across different nations have been subjected to greater competitive pressures as a result of globalisation, and forced to consider new strategies to ensure sustainable development. Regions that respond successfully to such demands exhibit common characteristics. They have moved



from a dependence on traditional institutional structures of government and embrace systems of governance which are non-hierarchical and where responsibility for policy initiatives is shared between organizations. These systems are relatively open and elastic, place more emphasis on process than structure, and are characterised by formal and informal networks of activity.

Regions that succeed in building cohesive networks and a strong sense of identity are more likely to be innovative and able to respond flexibly to changing circumstance. They are well placed to exploit local capacities and improve overall competitive performance (Kanter 2000, Wallis 2002).

From the evidence presented in the previous three sections, we suggest that REROC has created a regional environment that embraces many of these characteristics. While this study focuses on just one ROC (in order to provide a more detailed analysis), the literature indicates that, over the years, a number of ROCs have achieved similar stages of development. Other current ROCs that have built relatively sophisticated governing frameworks include; the Western Sydney Regional Organization of Councils (WSROC), The Hunter Regional Organization of Councils (HROC), the Southern Queensland Regional Organization of Councils (SEQROC), and The South West Group (WA) (Bertelsen 2002, Cutts 1996, Dore and Woodhill 1999, Gibbs *et al.* 2002, Gooding 1999, Marshall *et al.* forthcoming, Northwood 1995).

## Concluding Remarks

In our view, ROCs present a governing framework that possess the necessary attributes to facilitate and foster regional economic development. It is also a format that appears well suited to the structure and functions of Australian local governments. Moreover, ROCs seem to offer a superior alternative to conventional forms of municipal restructuring, like council amalgamation, since they provide most of the economic and financial benefits with few of the drawbacks (Dollery and Crase, 2004).

Although ROCs are first and foremost bottom-up organizations - and thus cannot be sustained without grass-roots support - they would nevertheless benefit from the provision of some incentives from state and federal authorities. We make two recommendations in this regard:

- Financial assistance to establish a CEO and secretariat. Our research indicates that a critical factor underlying the initial success of a ROC is closely related to the availability of a full-time CEO. A contribution of 50 per cent of a CEO's salary over a period of three years may well ensure the formation of a ROC.
- Official recognition of ROCs by state and federal authorities, and a commitment to negotiate regional program delivery through the ROC office.

Finally, we must stress that not all ROCs succeed. Some proposals never get off the ground. Others often stumble along for a period. They usually fail to create productive networks and subsequently falter and die. Moreover, not all regions in Australia seem to be capable of building sustainable ROC frameworks. Many are simply unable to generate the trust necessary to begin cooperation in the first place. In such cases other forms of collective structure would be more appropriate. Indeed, it may be that different frameworks of regional governance are suited to particular localities. Our contention is, however, that where ROCs are viable, they require both recognition and encouragement to grow.

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