

Regional Development in Southern Tasmania

Unlike the north and the north-western regions of Tasmania, there is a governance vacuum in southern Tasmania with no structure to coordinate and promote the area's regional development. Rob Sveen.

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INTRODUCTION

There is no one model that is universally accepted that explains regional performance or a single policy instrument or regional intervention that determines best practice. In regard to policies aimed at promoting effective regional development common themes emerging within the Australian and the international literature have been divided into streams of policy networks, policy instruments, network governance, learning communities, and new economies. It is argued that it is at the regional level where connections between community viability, economic development, and environmental integrity are best understood, and best planning decisions are made.

Unlike the north and the north-western regions of Tasmania, there is a governance vacuum in southern Tasmania with no structure to coordinate and promote the areas regional development. In 2003, the twelve Southern Tasmanian Councils (STC) entered into a Partnership Agreement (PA) with the Tasmanian Government (Department of Premier & Cabinet, 2003). Under the PA, the STC is essentially filling this void, but it has recognised that is limited as it is a body established to represent the collective interests of the twelve southern Tasmanian councils only. Given these challenges of regional governance, there is a need to review and improve models and potentially invent new ones. There is a need for a strategic policy framework to guide the development of the southern regional Tasmanian council's to tackle the diverse needs of this authority and assist in decision-making. It needs to include a whole-of-government partnered approach with clear roles, responsibility and coordination between different levels of government, state agencies, regional authority, local government areas (LGA's), industry with an aim to meet the needs of the regional communities. Ideally, there is also a need for federal, state and local governments to work together to develop a national sustainable rural and regional policy framework which is systemic, coherent, community-oriented, and which looks to the long-term.

Tasmania as a Regional Study

The northern regions of Tasmania have regional governance bodies established. The north-western region has established the Cradle Coast Authority (CCA) to undertake its regional development. The CCA is an authority set up under the *Local Government Act 1993* with an eight member Board of Directors comprised of business and community leaders. The north has established Northern Tasmania Development (NTD, 2007) to facilitate its regional development. NTD was established as a company (limited by guarantee and shares) with the eight northern Tasmanian councils becoming owners of the

shares in 1992. However, local government does not sit on the board of NTD.

The southern region includes twelve LGA's including Brighton, Central Highlands, Clarence, Glamorgan/Spring Bay, Glenorchy, Hobart, Huon Valley, Kingborough, New Norfolk, Sorell, Southern Midlands and Tasman. A STC consultation process with development of the Southern Economic and Infrastructure Development Strategy (SEIDS) has illustrated that the issues and interests involved with regional development are much broader than those of local councils and need to include all tiers of government, plus represent business and major educational institutions.

This paper examines options for a regional development governance structure to look at international best practice guidance principles for promoting issues of economic development and regional importance for southern Tasmania. The author uses a recent trip to Canada to experience examples evident in that region. The second part is investigating and exploring the structures and roles of regional bodies that exist elsewhere, with the collective view of identifying an appropriate regional development structure for southern Tasmania. The latter part of the paper is being conducted through a Department of Economic Development (ED) studentship with the University of Tasmania. To assist the SEIDS identify the southern region LGA's context, a supplementary section has been added to this paper (Appendix I—The Southern Region Report: Economics, Population, Innovation and Stylised Facts).

This paper intends to answer the following question: What are the international guiding principles that will help to build a body of best practice for the region of southern Tasmania? It argues the value of a new governance structure, long-term strategic development, local sovereignty within a global economy, business-university-industry clusters and a multi-organisational, multi-governmental and multi-sectoral network model. The following section elaborates on the salient features of regional development.

IDENTIFICATION OF BEST PRACTICE REGIONAL DEVELOPMENT

Policy Networks, Policy Instruments and Network Governance

A policy network is defined as 'a social system in which actors develop comparatively durable patterns of interaction and communication aimed at policy

problems or policy programs (Bressers & O'Toole 1998, p. 238). The authors describe a typology of policy networks used to explain the selection of government policy instruments that relies on distinctions along a dimension of fragmentation to integration. A social system network of high integration variables includes interconnectedness and cohesion; a large provision of information, power and resources; an understanding of shared vision and values; and group consensus as the means to move forward.

What are the international guiding principles that will help to build a body of best practice for the region of southern Tasmania?

Unfortunately in reality, integration is more often fragmentation with central governments continuing to 'steer from the centre' (Eversole, 2006). The Canadian development of regional policy involved the interaction of three levels of government in the development of regional policies to address regional disparity in economic growth and employment (DOTARS, 2003). This occurred through instruments like fiscal equalisation payments, tax concessions and training programs. However despite twenty five years of interventions in regional policy objectives were not achieved. Savoie (1992) noted that there is no other field of government expenditure where so little is known about the success of policies. He argues that Canadian policies have been driven by regional compensation rather than regional development. More recently a transition from income redistribution to tapping the unexploited potential of regions through top-down /bottom-up (Sabatier, 1986) initiatives has occurred, however weak local governance has generally hindered the inclusion of bottom-up input. This scenario is an example of low integration with weak cohesion and weak interconnectedness between the policy makers and their target group.

In the above example, regional policy instrument failure is not simply due to the size of Canada. Dissatisfaction with the effectiveness of their market-oriented reforms to reduce regional disparities has been the motivation for a new partnered approach with local government, Maori organisations and business and communities in New Zealand (Killerby & Smith, 2001). In both New Zealand and Canada there has been a shift from centralised ad hoc approaches to bottom-up based partnerships to address capacity-building, but it is too early to assess any long-term outcomes of their change in strategy.

Regional community's productive networks, values, levels of trust, shared vision of purpose, and commitment to action, factors that initiate and sustain growth, have been degraded by Australian federal policies for over two decades. Cavaye, Blackwood, Lawrence, Paton and Windle (2002) note that the modern economic benefits of federal policies have not assisted the regions writing 'past and current federal government policies are eroding social capital—yet it is social capital that governments are relying upon to build the regions' (Cavaye et al, 2002, p.1). Two opposing understandings of democratic governance involve people either in direct governmental decision-making or separate them from government through representative government (Hindess, 2000). Regional best practice models change the focus from top-down representative government to an inclusion of bottom-up governance; encourage participative democracy (instead of representative democracy) and shift power from single service delivery to collaborative policy communities. However, the acceptance of this transfer is not easily accepted. Torgerson (1986) discusses the post-positivist concept whereby knowledge is replaced by politics in an effort to subvert the perceived changing power structure. Public choice theorists also note that governments may be subverted when public interest is captured by private interest groups and when politicians and public servants use their power over administrative processes to promote their own interests (Hindess, 2000).

Policy instruments are rarely selected on their implementability and tend to be repeated regardless of their effectiveness (Bressers & O'Toole, 1998). Regional Australian interventions tend to rely on micro-level instruments that influence the allocation of capital or labour between particular regions or the well-being between social groups (DOTARS, 2003). Yet, Australian federal government intervention in regional development has been sporadic and less focused on particular regions. Like Canada, Australian Government instrument examples include compensation-based fiscal equalisation principles such as the freight equalisation scheme to allow access to services to States and regions and assistance for areas undergoing economic or social hardship from cyclical events or industries undergoing structural decline. Yet the equalisation principle receives a liberal interpretation. The 100% tax deduction on plantation forestry schemes does not easily fit the hardship scenario and may more accurately describe an example of an instrument to provide favoured industry treatment. The Industry Commission wrote over a decade ago, that where additional assistance to the regions is needed measures that enhance the skills and mobility of the regional labour force or measures that improve the infrastructure will lead to more sustainable outcomes than assistance that compensates for a region's

disabilities (Industry Commission, 1993). Cavaye et al (2002) argue that lasting regional development will occur when current ad hoc approaches are replaced with long-term strategies and policies, and that present processes of community consultation are replaced with processes of community empowerment, engagement and ownership. These strategies, policies and processes can only effectively evolve in a systemic environment of government and community partnerships that captures and enhances the various forms of capital to build community prosperity. Eversole (2006) defines good rural and regional development as those that provide jobs, brings population and economic stability. To maintain local sovereignty instruments need to be measured against these criteria particularly in the global environment where the economic interests of investment shareholders live elsewhere.

Against this backdrop of unsuccessful regional policy development through low integration, the Greater Halifax Partnership provides one standard for success. It was founded to manage the growth of the newly amalgamated Halifax Regional Municipality. Against a concerted level of opposition, the Greater Halifax Partnership rallied around a central strategic focus in a unified strategy across both private and public sectors. Smart Growth is the Greater Halifax Partnership's enabling strategy that achieves and maintains prosperity for the area while protecting the unique quality of life that sets them apart from other regions of the world. Smart Growth creates opportunities rather than simply speculating about if and when they are going to arrive. The organization is primarily focused on business development, marketing and initiating strategic projects and building positive investor relationships. The Greater Halifax Partnership has also leveraged the municipal funding model with significant private sector leadership. The funding model makes Halifax one of the more competitive economic development organizations in North America. The success in Halifax can be largely attributed to the leverage the municipality receives from the intimate involvement of the business community in both funding and leadership.

The new economy (Birrell & O'Connor, 2000) has played out in the advanced nations through the globalisation of production processes and the deregulation of trade and financial systems. It has occurred with a transition from the industrial age to the services and information economy and the emergence of sun-rise industries (Stemson, 2006). The CEO of Austrade, Peter O'Bryne, recently told a Sustainable Economic Growth for Regional Australia Conference that Tasmanian companies have developed their markets both nationally and internationally because of the relatively small local environment. He claimed that Tasmanian merchandise exports increased 9 per cent in 2005-06 to reach \$2.9 billion, a record

level indicating Tasmania's strong base of world-class capabilities. These have been enhanced through the new global economies preference for bilateral and regional trade agreement instruments. In Australia's context this has freed up trade opportunities with United States, New Zealand, Singapore and Thailand and set-up negotiations for similar market access arrangements with ASEAN, China, Malaysia, Japan, Korea and the Gulf Cooperation Council (O'Byrne, 2006). Foreign investment in the new global economy is the major driver of transformational economies in countries such as Taiwan, Ireland, Hong Kong, Singapore and Israel; and is an investment strategy for Tasmania (ED, 2007).

Yet many of the advantages of globalisation and economic development are not flowing to non-metropolitan Australia. By selectively choosing particular areas for investment, transnationals capital can dictate the terms of future development which is detrimental to many regions. Communities remote from major centres or coastal areas are struggling to maintain their population, infrastructure and services. In rural location suffering sustained decline, outward migration and the decline of the family farm has eroded social networks (Cheers, 1998, in Cavaye et al, 2002). The Australian Local Government Association (ALGA) *State of the Regions Report* argues that unless a coherent regional policy development framework is introduced Australia will become increasingly vulnerable to a loss of competitiveness in the global knowledge economy and its regional economic sovereignty (ALGA, 2007).

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The proposed wide representation of SEIDS members of councils, business and educational institutions with a common interest in the development of the southern regional Tasmania creates a high integration dynamic. It forces a change from a single authority command and control environment with direct line accountability to a multi-organisational, multi-governmental and multi-sectoral network model. For this partnership to succeed it needs to be built on the principles of distributed leadership with a focus on people and places, sustainable strategies, local

information networks and local resource allocation. Recognising an inequality between rural and metropolitan southern Tasmanian areas, the equity consideration of 'rural and regional' governance is particularly relevant. There needs to be shift from state-based planning to rural and regional planning and a shift of power, authority, ownership and funding from the state to a broad base of the community. The group needs to have a voluntary code of membership, equity of power sharing, and proportionality of representation across the region to represent its target group. The Secretary of the Department for Victorian Communities, Blacher (2006) claims that the hierarchical nature of bureaucracy, particularly the funding and provision of regional services has been evolving for a decade or longer. The broad base needs to be diverse with empowered participation from passionate, enthusiastic and motivated people, strengthening participative over representative democracy. When people feel empowered to address their issues effectively and on an equal footing at an inter-sectoral level they are most likely to operate in a cooperative and collaborative manner (Cavaye et al, 2002). An Australian metropolitan example that seems to show promise has focused on a principle of population decentralisation. The Melbourne 2030 municipal planning model encourages the development of regional town centres away from the highly urbanised city. Melbourne 2030 emphasises the city's interdependence with regional Victoria, to provide maximum benefit to the whole state (Department of Sustainability & Environment, 2005).

Although funding is proposed initially in the form of seed funding, the goal of a self-funding initiative creates a governance model that would be primarily self-directed. On the basis of its diverse membership and highly integrated framework the body could be overseen by a steering committee that helps to provide expertise and research into a wide variety of development areas regarding southern Tasmania. Another strategy would be for frequent, full and open reporting to the wider community to keep the communities in touch (Eversole, 2006).

Economics, Population Learning Communities, and Research

The Chief Economist of ANZ Bank, Saul Eslake, states that there is now a risk that the productivity gains which have occurred within Tasmania over the past few years may be eroding. This is because of lower mainland immigration rates, business investment and population growth have slowed and the recently high \$A has eroded the competitiveness of Tasmania with its heavier reliance on the manufacturing (14 per cent)

and agricultural (6.5 per cent) sectors (Eslake, 2006). Tasmania's future in a global and national economy depends on its capacity to produce and market highly differentiated goods and services embodying a high intellectual content at a premium price. Intellectual input is the common ingredient in Tasmanian success stories and the missing ingredient in its failures. Specifically the ANZ Chief Economist claims this means developing a brand, diversifying sales away from monopolistic multinational buyers, undertaking research into new variety of products and services, and marketing environmentally-friendly, ethical practices while paying reasonable wages. He argues that with the improved level of Tasmanian public finances there needs to be an enhanced focus on sustaining the key drivers of productivity growth including a competitive business environment, innovation, and investment in human capital (Eslake, 2006). Eslake believes that it is more important to have reliable and competitively-priced infrastructure, a well-educated and motivated workforce and a facilitative, supportive, can-do approach on the part of state authorities. Most specifically he sees the investment in education as a major priority because present increases in the state education budget remain less than the inflation rate. Tasmania, like the remainder of Australia, is a commodity-based economy, with some stronger representation in sub-industry sectors. The major difference between the two is the size of the economy and the relative effect on the economy by major investment projects. Endogenous (internal) growth in mainland regional areas is most prolific in rapidly growing coastal areas attracting tourism and sun-belt in-migration, sun-rise industries, mining-boom towns, areas surrounding metropolitan bases that can sponge off the economic centres and regions engaged in the new economy. Population growth, the level of industry sector specialisation, and number of people with university or technical qualification emerge as strong positive factors related to regional advantage.

Perhaps not surprisingly, Stimson (2006) determined that there are many more disadvantaged compared to advantaged areas across Australia. There is a clear pattern of disadvantage associated with declining agricultural areas and old economy manufacturing industries. Using Australian Bureau of Statistics data and comparing to the rest of Australia, Stimson classified the following southern LGA's of Tasmania as income and employment disadvantaged: Glamorgan-Spring Bay, Derwent Valley, Huon Valley, Tasman, Southern Midlands and Central Highlands (Stimson, 2006). Tasmania's working age population is projected to grow to 66 per cent of the total population until 2011 after which it is expected to decline to 55 per cent by 2046. To add to the further strain of an economy stressed with fewer contributors due to

age, Tasmania's population is expected to become the oldest in Australia within the next few years, with a projected ratio of 14 elderly people (65+) to every 10 children by 2021 (Tasmanian Government, 2007a). One implication for all tiers of government is that services for the elderly will become increasingly expensive over the next 25 years (ED, 2006). There will continue to be a population movement from rural areas to urban, semi-rural and suburban areas (Inspiring Place, 2007), further widening the current disparity in population. This will impact on demand for more infrastructure when existing funding does not match current maintenance needs. Barriers to achieving economic growth in Tasmania are our low level of qualification and our low productivity. Productivity improves when workers continue to improve their skills throughout their lives. Presently 86 per cent of the jobs within Australia require post-school qualification yet only 47 per cent of Tasmanians have that qualification (Tasmanian Government, 2007b).

Regional policy development in Australia is closer to pragmatic incrementalism or 'muddling through' (Winternitz, 2004). This may be because regional research is complex and fragmented covering such disciplines as economics, regional science, demographics and sociology. As a consequence it is difficult to offer 'objective and precise' policy guidance as differing outcomes occur from differing research methods and data. At the same time this amalgam insures that research to be of value is conducted in the local space providing a 'bottom-up' context rather than relying on macro-models (Savoie, 1992). Indeed as regional planners have learned when considering regional analysis, most theories constructed on the foundation of assumptions regarding individual behaviour are either invalid or useless (Higgins & Savoie, 1995). Regional interest as distinct from national interest is more important than the weight attached to political theory. Regional policy complexities are driven by a range of often-fragmented national, state and regional priorities with endemic and parochial conflict between parties. It is also important to recognise the effects of multi-location identities where people belong to a number of locales dependent upon their function, yet frameworks are built from the mindset that people belong to one location alone.

Kilpatrick's (2004) research has demonstrated that only 20 per cent of learning comes from formal education and that the majority comes from learning from experience. She sees the function of learning to be a mechanism for managing change and needs as a prerequisite an openness to new ideas. She claims the features of effective learning communities promote individual strengths, respect a variety of perspectives, actively promote learning opportunities, build social capital, effectively interact and provide a collaborative structure. Wolfe (2006) sees learning regions as

'anchors of talent' in the global economy where regional knowledge capabilities influence industry location. Knowledge capable firms will seek regional knowledge domains especially in advanced research fields such as biotechnology. Universities remain the key attractor and creators of talent and new economies are major investors in education.

Indirect, externally created knowledge, where knowledge is created elsewhere and deploy it in ways suitable to their needs, is of particular importance for medium and low tech industries in the Australian economy. But the concept of 'bounded vision' recognises that new technologies emerge from neighbouring areas where a corporation does not have current activities will take more time to penetrate the corporation's field of vision (Smith & West, 2005). Innovation policy should have a focus wider than individual business with a scope to build knowledge infrastructure. Knowledge infrastructure needs to pertain to the industry and broader scientific knowledge bases relevant to the industrial structure, and be a whole-of-government issue, not left to fragmented agencies. "Co-operation and collaboration between innovating firms and suppliers, customers, design or engineering consultants, universities or research institutes are frequent characteristics of modern innovation processes. In this context, the role of universities and research institutes is not to generate innovations, but to solve background problems relevant to innovation processes" (Smith & West, 2005, p.5). Eveline Charles entered into the hair industry in 1974 and ten years later opened her first salon in Edmonton, Canada. By 1995, Eveline expanded her salon to include a full-service spa; by 2005 five new centres were opened across Canada. Recognising the need to recruit talented and motivated staff in an environment of fierce competition, the EvelineCharles™ Academy of Cosmetology and Esthetics in Edmonton was opened in collaboration with the Northern Alberta Institute of Technology offering diplomas in Cosmetology (hair) and Esthetics (skin). The EvelineCharles™ Academy (2007) at 26 000 square feet is now one of the largest schools of its kind in Canada.

Regions and not just companies compete against each other. Policies must therefore take into account the positioning of sectoral and global contexts. In 1991, links between actions for the development of the rural economy (LEADER) was established by the European Commission as a pilot program. Now in its third phase of funding, LEADER encourages the collaborative exchange of information between local action groups from different countries to broadcast ideas of best practice in local rural development. Local Strategic Partnerships are single non-statutory bodies

that bring together local public, private, community and voluntary organisations, generally at the district, county and unitary level. They work with the local community to identify and tackle key issues such as crime, unemployment, education, health and housing in a coordinated manner. The LEADER approach consists of a local development strategy designed to select the best development plans by local action groups representing public-private partnerships implementing cooperation projects between areas involved and networking of local partnerships (Scott, 2004). A European Agricultural Fund for Rural Development (EAFRD) creates a single policy instrument to finance the rural development policy entered into force on 1 January 2007. The use of a single fund is intended to improve the competitiveness of agriculture, forestry, environment and rural land management as well as improve the quality of life and diversification of the rural economy. EAFRD will also finance local development strategies and technical assistance for LEADER-type projects. The European Investment Bank exists to provide loans for investment projects around 70 per cent of which are granted to disadvantaged regions (DOTARS, 2003).

Fostering regional networks requires an investment in relationships, trust and communication as abandoning rural and regional communities to the whims of market forces has proven to be a recipe for disaster.

Gray and Lawrence (2001; in Cavaye, 2002) have pointed to a similar process and principles for the Australian context. No Interest Loan Schemes are available through Macquarie and the National Australia Bank, and PlaNet Finance (microfinance) projects are now available to assist those unable to attract business loans. The Bendigo Bank is also providing a local-oriented system similar in Australia in its grass-roots dimension on a smaller scale to the European Investment Bank (DOTARS, 2003). Fostering regional networks requires an investment in relationships, trust and communication as abandoning rural and regional communities to the whims of market forces has proven to be a recipe for disaster (Cavaye et al, 2002).

A regional cluster is a geographically concentrated group of horizontally and vertically related organisations actively similar or closely related synergies such as local labour markets or resources. Clustering is not a new phenomenon; spatial clustering has been

discussed since 1920 (Krugman, 1991). The key forces include economies where specialisation attracts suppliers, labour with a particular knowledge and skill, and concentrates knowledge and information flows. Industry cluster target industries that have a high potential for locating in an area and that provide attractive local economic development impact for future job growth, wages paid and contribution to the local tax base (Barkley & Henry, 2002). Market forces usually drive the birth of clusters; however sustainable growth cannot be left to market forces.

Although the context is more global than the southern Tasmanian environment, the Irish experience is also worth noting. In particular, the close links between universities and business with industry clustering, technology transfer, and the building of supply chains for industry development (Gleeson, Ruane & Sutherland, 2005). Human capital has been the foundational driver with an emphasis on university training in the disciplines of engineering, science and information technology. According to the Chief Economist of the Australian Trade Commission, the long-term commitment to building their human assets has proven to be the drawcard for the high levels of foreign direct investment in emerging industries (Harcourt, 2006).

Clusters in regional Tasmania offer the potential to create critical mass, establish a global market presence, develop existing and potential networks and capitalise on regional status. Clusters located close to research will benefit disproportionately. Regions with a high value for new patents generally prosper, as innovation leads to greater value added and wealth creation. ALGA (2006) highlights the following hi-technology patents: electrical devices and engineering, information technology, optics, instrumentation, medical engineering, polymers, pharmaceuticals, biotechnology, environmental processes, nuclear engineering, space technology and weapons. ALGA notes that there appears to be a significant number of high-tech start-ups in remote regions of Australia including Tasmania, aligned to the burgeoning of resource industries.

CONCLUSION

Jenkins (1978, in Howlett & Ramesh, 2003, p.6) definition of public policy is a 'set of interrelated decisions taken by a political actor or group of actors concerning the selection of goals and the means of achieving them within a specified situation where those decisions should, in principle, be within the power of those actors to achieve'. This helps define the micro-level behavioural and macro-level socio-economic determinants of the case study at hand. At a micro-level, the group of actors in a regional sense are

diverse; cross-sectoral, inter and intra governmental, and inclusive of community members in the region itself. The goals and means of achieving them again are unique, as conflict must be resolved through consensus across all parties in order to retain the structure of the group. Decision-making models require collaborative power sharing rather than singular agency linear hierarchical approaches whereby 'command and control' techniques control power. The foundation of participation is entrenched to obtain functional longevity and offer a methodology of participatory, action-oriented research for policy learning. The model redefines the scope of decision-making regional development bodies can make recognising contextual mechanisms of accountability. Anderson (1984, in Howlett & Ramesh, 2003, p.7) adds the need to discern how problems are perceived, prioritised and addressed within the policy-making environment, and this too creates a new challenge, as competing priorities require communal assent within a regional framework. At a macro-level, the dimensions of the organisational relationships require a structural change to more effectively meet the demands of regional development. Ivory towers need deconstructing and new organisational relationships built and sustained with trust as the key operative principle. Other macro issues include the regional models capacity and limitations within the new structure including temporal factors and mechanisms for sustainability, evaluation and review.

This paper has argued the value of a new governance structure, long-term strategic development, local sovereignty within a global economy, business-university-industry clusters and a multi-organisational, multi-governmental and multi-sectoral network model. It concludes with the recommendation of the following key guiding principles for regional governance in the creation of a southern Tasmanian regional body (Alberta Government, 2007; Australian Local Government Association, 2007; Bennison, 2006; Blacher, 2006; Central Alberta Economic Partnership, 2007; DOTARS, 2003; Florida, 2000; Urbecon Bulletin, 2003).

GUIDING PRINCIPLES

1. Principle of Local Capacity and Ownership. Harness the capacity of local leaders and entrepreneurs by enhancing human capital. Each region's most valuable assets are the one's they already have.
2. Principle of Well-Integrated and Stable Governance. All levels of government, business, education and the community work together to create a vibrant local economy through a long-term investment strategy of vision and inclusion. This new role of governance overcomes policy silos and improves coordination among policies at different levels.

3. Principle of Wired Communities. Invest in technology that supports the ability of local business to succeed and provides open access to information and resources.
4. Principle of Enabling. Shifting from government in control of the directing of services to the role of enabling and facilitator of services.
5. Client-focused Principle. View the world through the eyes of the clients, be they ratepayers, individuals, families or communities. Target local economic development to promote jobs that match the skills of the residents, improve skills of low-income individuals, address the needs of families and insure affordable housing, transport and child-care.
6. Principle of Solidarity. Devolution of service planning and delivery to the local level.
7. Principle of Partnership. Using cross-sectoral approaches to address social opportunities and problems through building social capital.
8. Principle of Businesses as the Key Drivers of Economic Development. Instruments include small business incubators, entrepreneurial training, export promotion and capital access.
9. Principle of Endogenous Development Strategies, Industry Clusters and Innovation. Non-metropolitan regions can profit from the success of regions with large talent pools by offering a diversity of lifestyle and open space recreational opportunities.
10. Principle of Place. Developing a single-face of government at the local level and build on the comparative advantage of a particular region rather than competition within regions.
11. Principle of Living Communities. Regions should have multidimensional land use patterns that ensures a mix of uses, promotes walking, bicycling and transit access to employment, education, recreation, entertainment, shopping and services.
12. Principle of Sustainable Development. A unifying framework to attain inter-generational equity of social and environmental outcomes.
13. Principle of Evaluation and Evidence-based Policy. Develop a learning community through culture of ongoing evaluation.

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APPENDIX I

Southern Region Report: Economics, Population, Innovation & Stylised Facts

The Stylised Facts: Conclusions apply to the majority of Australian LGAs and regions in 2007 (ALGA, 2007)

1. High-income economies, apart from those with a unique and extensive natural resource base, now depend on sustained innovation as the core driver of long-term economic growth.
2. The capacity to innovate depends on knowledge and networks at the regional level. Most high-income countries which have maintained sustained growth have done so because they have established successful knowledge based regions. (One indicator of capacity to create knowledge and innovation is patent activity. There is a good correlation between the economic success of a region measured in terms of non-mining gross regional product per person employed and patent activity).
3. Regions with high productivity have high household incomes and low unemployment rates.
4. The young are leaving low-income, high unemployment regions and migrating to high-income, low unemployment regions.
5. The old are leaving high-income (high cost regions) and low unemployment rate regions and migrating to low-income (low cost) and high unemployment regions.
6. Low productivity regions are rapidly ageing, while high productivity regions are ageing relatively slowly (because of the strong correlation between income and productivity, high productivity regions have low rates of decline in the share of population aged under twenty four and slower rates of increase in the share of population aged over fifty five. A corollary to stylised fact six is that low productivity/high unemployment regions may be locked into a vicious cycle of rising unemployment and rapid ageing. Currently this mechanism is being blunted by high levels of construction activity spreading across the nation. When the building cycle turns down, rapid ageing and rising unemployment could quickly return to these regions).
7. Successful knowledge based regions have a high concentration of highly skilled (scientists, engineers, etc.) global knowledge workers. These workers tend to migrate to regions with scale and diversity of social and community infrastructure and cultural and lifestyle choices. (ALGA State of the Regions showed a high correlation between community infrastructure/lifestyle choice and

concentrations of global knowledge workers across Australian regions).

8. The regional centres that have contributed strongly to the improved economic performance of the rural regional group have had high employment growth relative to population growth. This, in turn, has occurred in provincial cities that maintained a population growth rate in excess of 0.3 per cent per annum; developed diversified lifestyle and cultural choices for residents; concentrated on attaining large-scale production in selected non-mining, non-agricultural industries; and developed inter-regional export capacity in business and/or education services.
9. Regions are successful because enterprises in them are successful. To assist enterprises to grow, policy must explicitly focus on developing and strengthening the emerging flexible entrepreneurial supply lines of industry clusters on which knowledge based economies are founded. (Policies to establish a successful regional economy require complex policy strategies involving a whole-of-government approach. Important components are policies designed to strengthen the networks that link the institutions, organisations, enterprises and key personnel within regions and to strengthen regional supply chains).
10. Unfortunately, current policies to encourage regions to develop and increase their productivity are acting perversely. They are imposing barriers preventing low productivity/high unemployment regions from increasing productivity. In mid 2006 average download speeds available to households and firms by industry was significantly positively correlated with household income per capita and negatively correlated with NIEIR unemployment rate. This report estimates that if download speed differentials are not equalised, the cost to lagging regions will be \$2.7 billion in 2005 prices in foregone gross regional product and 30 000 employment positions will be lost. Also low productivity/economic regions have relatively high local government tax rates because the cost of delivering basic services to the community is relatively high. This report estimates that additional resources of \$2.3 billion would be required to provide lagging councils with the resources to reach current average standards. In addition, another \$112 million per annum (cumulating each year) will have to be found to prevent further increases in current local government financial imbalances. The lack of local government resources for some councils means that they cannot effectively take the steps required to attract the skilled households in order to lift the productivity of their regions.
11. For much of the 19th and 20th century's nations and regions tended to converge in economic performance. The rise of knowledge-based regional economies means that divergence in economic performance between regions is both possible and probable. The rise of the knowledge based regional economy has meant that the classical mechanism for regional convergence in economic performance, namely real wage adjustment, has become a weak force. Low unemployment regions are high real wage regions.
12. Because of the weakening of market forces driving convergence in economic performance, government intervention to drive regional economic development is at least as fully justified as it was in the past.