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10 April 2015

Hon. Ms Jaala Pulford, MP

Minister for Regional Development

Parliament of Victoria

Melbourne. Australia.

Dear Minister

Please find attached a submission to the review which you have established into Victoria’s regional economic development strategy and service delivery model.

I am pleased to provide this submission on behalf of five researchers from three Victorian universities who have chosen to comment on a set of regional policy matters drawing on the research conducted at their respective universities. Victorian regional researchers have collaborated for more than a decade, and look forward to continuing to do so in support of the Victorian Government’s development process.

We would be pleased to make an oral submission to the Review, should this be possible.

Yours sincerely

Professor Bruce Wilson

Director

**Review Of Victoria’s Regional Economic Development Strategy and Service Delivery Model**

**A Submission by Regional Researchers from RMIT, La Trobe and Federation Universities**

**Introduction**

Researchers working on regional development in Victorian universities have collaborated for more than a decade. Working under the auspices of the Victorian Universities Regional Research Network (VURRN), a number of shared events and projects have been conducted, seeking to inform policy development in Victoria. In that spirit, researchers at RMIT, La Trobe and Federation Universities have cooperated in preparing this submission.

The authors of this submission note that the review has a very comprehensive set of Terms of Reference. The comprehensive agenda is very important as too much regional policy formation in Australia has been fragmented and even contradictory. A key objective for the review should be to establish a coherent foundation for policy development which is cross-sectoral and encompasses the contribution of government, business, university and non-government partners.

There is substantial research available on most of these topics, not least work undertaken within the Department itself and its antecedents. However, this submission does not set out to deal with each issue. This is partly because the scale of material available, but also because we have chosen to highlight key areas where we have specific expertise. Details of the authors’ publications and current research projects can be provided on request.

**Underpinning Axioms to Inform Regional Policy**

1. Regions are diverse. Universal Statewide prescriptions are hit and miss*.*

*Work* with *regions to define their employment and related development needs*.

1. Regional employment is a function of the success of regional, state and national economies. These economies are contingent on circumstances beyond a region’s control at any point in time and over time.

*Encourage a broad-based diverse regional economy with strong emphasis on local value-adding.*

1. Skills enhancement must be demand-side driven. Training for the sake of it is a waste of time for all involved.

*Enhance knowledge and skills through industries with education and training providers in partnership.*

1. Regional employment is influenced by many factors not always related to economic success. Business owners make employment choices based on a range of factors, for example employment rules and regulations.

*Work with business owners to understand their aspirations and needs.*

1. Regional growth and employment are not always correlated. Regional GDP can be strong in a region with relatively high unemployment.

*Develop employment initiatives that engage long-term unemployed in community development endeavours*.

1. Investors from outside of a region make decisions related to national and global rates or return, rather than local priorities. If local owners sell, don’t be surprised if external investors do a slash and burn.

*Encourage local investment options (for example, community banks), support local businesses that continue to be viable to stay local.*

1. Government’s role in export development is complex, and needs to focus on understanding global value chains and emerging markets. Regional businesses have shown themselves to be adept at finding their niche.

*Showcase local export development initiatives.*

1. Businesses learn from each other; they can both collaborate and compete according to sectors and circumstances. The real competition is global, rather than local. Show off those who succeed to those who aspire to succeed.

*Facilitate local networking. Celebrate success via regional events such as annual shows etc.*

1. Serendipity is a major catalyst for change. Create the context for this to happen. *Infrastructure matters: transport, health, education and training, communications should be top priorities.*
2. Strategic planning processes should be focused on the conversation. Plans will change. *Develop strategic thinking processes across communities, encompassing both local assets and external trends.*

**Major Economic, Social and Demographic Issues**

1. Labour markets are in and of regional economies; that is, regional economies produce certain kinds of labour markets, while certain labour markets enable specific patterns of development in regional economies. Any change in patterns requires change in both the structure of regional economies, and in their labour markets.
2. Identify the embedded and externally based economic activities and resources, as the basis for future growth:
   1. Economic success is built around existing resources and industries, be these people skills or commodities, such as resources.
   2. Embed resources and industries, such that where an economy comprises commodities (resources) within a region, then manufacturing and construction should in relation to the resource base and not as an external investment
   3. External resources and industries usually do not provide the basis for long term sustainable regional futures, unless they are bound to the region in some way.
3. Labour markets are part of a wider set of labour market relations (sources of skills and training, and origins/destinations of outputs). These relationships have administrative, economic, social and political dimensions.
4. The service sector, particularly education and government services (health and community services) are integral to regional economies, providing the bases for the reproduction and enhancement of labour.
5. European Union policy sees the public sector as fundamental to driving innovation for growth in city-regions, with major implications for labour markets. Evidence from Europe suggests that innovation and entrepreneurial discovery are central. Successful commercialisation process for innovation involves planning by entrepreneurially-aware public sector officials together with business, academic and community participants. The aim is to help regional economies to diversify and build on knowledge assets.
6. Skills: Analysis requires a political economy of skills acquisition, skills recognition and the transition of skills in a changing world. This approach goes beyond the narrow focus on the ‘skills gap’, which rests on an assumption that skills will be, and should be, determined by business interests and concerns. An understanding of skill formation and skill transition challenges during structural change in this broader approach includes an understanding of both the specific socio-economic contexts in which skills are embedded and the dynamics that underpin them.
7. Skills: The starting point for analysis is to consider the interrelationship between corporate reorganisation, the changing labour market, the specificities of a sector, and the prospects for transition. The first task is to ask ‘what is a skill?’ and then to ask ‘what are the changing requirements for skills and for whom?’
8. A comprehensive review of international experiences identified the way that many countries face similar problems and experiences. It is apparent that many regions have struggled to remedy the negative effects of decline and closure of major industries. Nevertheless, there are some positive examples. Additionally, in struggling regions, there are stark opportunities to develop programs to promote low carbon economies.

**How to Drive Regional Growth**

1. Local Assets, Global Value Chains: Much of Australian regional strategic planning has been introverted. It has focused on strengths and weaknesses, opportunities and threats with a priority on seeing the region as a distinct entity. Restructuring of global and national economies mean that there is much to be learned from understanding emerging trends in value chains, focused on customer preferences, and identifying new opportunities for regional assets to compete.

2. Resilience of Regions: Adaptability through broad resilience strategies developed in public and private policy mediums arises out of deep understanding of causal mechanisms using resilience models to examine how regions survive economic situations like drought and financial crises. Regional resilience, or lack thereof, and the factors affecting it are either national (drought) or global problems (financial crises). Understanding the variation in the factors affecting resilience between regions can benefit policymakers by providing a deeper understanding of the specific issues in each region rather than using general data and findings from elsewhere.

3. Environmental Sustainability: Recent studies have identified ways to improve knowledge and understanding of environmental concerns that can lead to regional development economic and community-based policies that build ecosystem sustainability:

1. Solar Cities project examined energy efficiency programs, assessing their effectiveness and identifying opportunities to increase energy efficiency. Such knowledge assists in better policy decisions aimed at achieving energy security and lowering carbon pollution.
2. A sustainability indicators framework for south-west Victoria was developed as a community report card. This framework enables the monitoring of regional development and highlights areas of concern for the each community. The indicators used in the framework can be tailored to suit the region or community if there are particular concerns or goals that they would like monitoring.

4. Endogenous innovation: Economic stimulation is accomplished by designing regional-level interventions that allow actors within regions to shape their own development prospects and stimulate inter-organisational collaborations. The trend for regions is not “business as usual” but rather a need for shared understanding of future development. Despite the popularity of a collaborative regional development agenda with academics and international policymakers, there are limitations vis-a-vis on-the-ground implementation. The focus needs to be on examining entrepreneurship within an endogenous economic development frame.

5. Community-based tourism: Heritage tourism and Visiting Friends and Relatives (VFR) travel are key community-based entrepreneurial opportunities that reflect a specific form of endogenous innovation. Heritage plays a crucial role in regional towns and cities that have strong links to their historical past that can be demonstrated to tourist visitors. Research based on the historic urban landscape approach means that such towns/cities can engage with the community to integrate what the community is connected to, for regional development. VFR travel is another community-based asset existing in Regional Victoria that can be promoted and supported by targeted infrastructure and other public policy decisions which can add significantly to regional economic development. This can contribute to the prevention of disease and illness by promoting healthy lifestyles.

6. Analysis of regions under stress shows that success in addressing transition is highly context specific and involves:

• Early retirement strategies and job transfer schemes;

• Planned state policies and practices are critical;

• ‘Green’ development initiatives usually create jobs;

• Successful training and education schemes require a multi-stakeholder involvement, including education and training bodies, business, government and unions and Non-Governmental Organisations;

• Appropriate job transfer depends on both skills and opportunity; and

• Recognition that employment adjustment depends on multi-level government involvement working with regional stakeholders.

**Current Regional Strategic and Related Planning Models**

1. In the 2014-2020 period, the European Union has adopted an approach to Regional Policy which encourages cross-sectoral groupings of business, government and universities to undertake a process of ‘entrepreneurial discovery’ which examines existing and developing regional (knowledge) assets, and links them with trends in global value chains. This initiative involves detailed analysis of existing knowledge assets, on the assumption that the knowledge economy is becoming increasingly important. The entrepreneurial discovery process then enables local stakeholders to examine opportunities for development of their local assets to connect with new opportunities as value chains evolve.

**Structural, Governance and Strategic Models for Regional Service Delivery**

1. The current grants-based approach to regional development has become too comfortable for both conservative and Labor governments. Regional policy becomes ‘chase the grants’. Policy must support regions in putting strategy first, and then determining where public sector investment is most likely to facilitate and enhance work to support strategy implementation. We need a radical change.
2. If the State Government is to make a difference across regional communities it needs to be more engaged with people in these places. The current RDV ‘post office’ approach for managing grant applications is selling our very competent officials short. They need to be more involved.
3. Governments at all levels are critical to success. Nonetheless, the evidence demonstrates that government action and involvement is often uneven and sporadic, yet that government action, at all levels is critical to positive outcomes. .

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