
Few readers will be unaware of the Federal Government’s White Paper entitled ‘Working Nation’ delivered by the Prime Minister to the House of Representatives on May 4th. The Paper focused mainly on strategies designed to reduce unemployment, especially among those out of work for a long time. However, it also contained strategies to increase regional development given that unemployment tends to be concentrated in some areas. These include the western suburbs of Sydney and Melbourne, such industrial cities as Newcastle, Wollongong and Geelong, some coastal regions like the North Coast of NSW, and many small inland country towns.

The regional development component of ‘Working Nation’ is extremely modest when compared to DURD’s programs during the Whitlam era. It has five components: improving finance options; facilitating infrastructure investment; encouraging best practice; promoting export activity; and better program delivery. The cost of the main package is estimated at about $150 million over four years, or less than $40 million per annum. Some additional costs, including tax revenues foregone and the accelerated construction of Badgerys Creek airport, raise gross expenditure a little. The total, even before substantial administrative costs are deducted, would buy only a few floors of a Sydney office tower. Expenditure therefore falls far short of what regional interests would have expected in the light of the Kelty Taskforce Report.

Let us examine some of the White Paper’s provisions in more detail. In a move that will be welcomed by most regional development practitioners, some $80 million of that is earmarked for a Regional Best Practice Program. This is designed to support regional development organisations and fund the formulation and implementation of regional development strategies. Thus it aims to improve the analytical and management skills of those charged with promoting local development - a requirement identified strongly by the Kelty Taskforce.

We do not yet know the program’s operational details: who will be eligible for financial support, how they apply, what kinds of projects will be funded, or other administrative arrangements. However, I believe strongly that regional economic advancement depends primarily on the efforts of local business and civic leaders. If this program succeeds in enhancing the leaders’ economic literacy and management skills, it may prove one of the more cost-effective strategies developed by the federal government. Perhaps the ANZRSA, as one of the principal repositories of regional development expertise ought to seek a role in the program’s delivery.

I have several words of warning. The money needs to be targeted on a small number of regions and actors where development problems are substantial and the prospects of successful development outcomes are likely. A scatter-gun approach is likely to dissipate resources with little to show for the expenditure. Moreover, it ought to target innovatory practice and the dissemination of outcomes. The government must dedicate as little of the money as possible to administration which only serves to boost Canberra’s economy at the expense of the rest of the nation. Finally, the program’s effectiveness requires careful evaluation.

Another $70 million is dedicated to a Regional Infrastructure Fund. This set alarm bells ringing in my mind. To start with, there is no definition of infrastructure, a term which, if construed widely, could even encompass educational and medical facilities, telecommunications links, and sources of power. The sum allocated is also tiny given typical infrastructure costs. This raises the prospect of money being spread too thinly to have any substantial effect. There is some doubt, too, that infrastructure supply is a critical element in most regions’ failure to develop fast enough. Although the Kelty Taskforce identified lack of quality infrastructure as an impediment to regional expansion, it did not rate highly with the Industry Commission while McKinsey & Co explicitly viewed it as a relatively minor consideration. The problem with infrastructure investment in country areas is that it is a two-edged sword. A frequent outcome is that the capital cities and, to a lesser extent, regional cities benefit at the expense of smaller places.

The White Paper requires that infrastructure
projects demonstrate a high level of public benefit (consistent with regional strategy) and innovation before they proceed. However, there is no definition of what constitutes a 'high level' of public benefit. One could argue, as in effect did the Industry Commission’s Draft Report, that investment should occur where benefit-cost ratios are highest nationally in order to minimise opportunity costs and maximise returns from scarce public capital.

The regional package also recommends improved efficiency in the delivery of existing government programs. In line with Industry Commission and Kelty recommendations, it identifies the elimination of program duplication, program co-ordination across tiers of government, a reduction in the multiplicity of programs, and delivery of better advice about programs. This is praiseworthy, if only it can be made to stick. Students of political and bureaucratic behaviour will join with me in expressing doubt as to whether much can ever be achieved in this direction. Governments find it too attractive to develop new 'initiatives', while the attrition rate for old programs tends to be slow in order to appease existing beneficiaries.

The notion of increased inter-government consultation to give added focus to regional issues and policies is also praiseworthy, but difficult to implement. This time the problem lies in the unequal weight between governments, in questions of trans-government co-operation and in the fact that spatial policy is subordinate to line departments. The Commonwealth dominates the other tiers and its principal focus is, for good reason, national rather regional well-being. At both State and Federal level, the line departments jealously guard their autonomy and implement service delivery strategies, which frequently have spatial ramifications, according to their own internal agendas. Worse still, departments charged with spatial well-being are often low in the bureaucratic pecking order on account of their fuzziness. Line departments tend to be much more focused and therefore able to win bureaucratic battles. Good intentions may therefore fall well short of the mark.

The Kelty Taskforce set considerable store by increasing the availability of capital for infrastructure and industry. This influenced the White Paper’s proposal to widen the eligibility for Pooled Development Funds (PDFs), extending the applicability of Infrastructure Bonds, improving access to the Commonwealth Development Bank, and freeing up finance for small business. I have said before that there are major problems with the first two of these. Where, for example, are the fund managers with sufficient expertise to yield the high competitive returns expected from risky portfolios involved in Pooled Development Funds? The reduction in the tax rate on returns from investment in Small and Medium Sized Enterprises (SMEs) from 25% to 15% may make little difference to the funds available, especially in the early stages when the PDFs have no track record. Like the MICs before, I expect the track record to remain patchy in the longer term.

Infrastructure Bonds have flopped badly to date. One reason lies in their inherent riskiness. Infrastructure projects have long lead times and returns stretch even further into the future - up to 20 or 25 years in many instances. It is difficult to forecast both costs and revenues, and therefore returns, that far ahead. Such sources of capital as superannuation funds operate conservatively and may well find that the announced tax breaks are insufficient to compensate for the risks involved. The use of private capital in public infrastructure also poses considerable administrative difficulties in many instances. It is not easy for governments to (a) set their infrastructure priorities and attract capital to the items that government rather than the market prefers; (b) specify projects; (c) establish a competitive and clearly articulated tender process; (d) pitch the appropriate level of government guarantee; (e) observe loan council guidelines; and (f) develop water-tight contracts.

Nor is it easy to free up capital for small business. The banks and other financial institutions tend to have national (or state) rather than regional lending policies. Thus their loans to SMEs reflect businesses' inherent merits when viewed from a national perspective. The best that might be achieved is to cajole financial institutions to improve the quality of management in rural areas so that worthwhile projects are recognised and considered favourably.

These comments may appear unduly sceptical. I prefer to think of them as realistic. All the enquiries of the past year – by the Industry Commission, the Kelty Taskforce, and McKinsey and Co. – seem to have yielded little advance on the status quo. This is despite the widespread recognition of regional
problems stemming principally from the recent recession and on-going structural adjustment across much of the country. What will happen to policy when unemployment declines in the wake of (probable) sustained economic growth?

Thank you for bearing with me thus far. I accept full responsibility for the matters raised. If you have any opinions of your own on the subject matter raised by this editorial please write and let me know. I would like to include letters on the subject in the next edition of Regional policy and Practice.

Meanwhile, this issue contains widely contrasting articles pertaining to regional analysis, management and development. Diana Day considers the management of NSW water resources. She emphasises the importance of informing local people (or local government) about, and of involving them in, policy formulation. Adams and Dixon forecast the prospects for Australian industries and states over the middle parts of this decade. Such information might assist regional communities in targeting appropriate industries to propel local development.

These are followed by two articles on regional development practice by McRuvie and Taylor, and by Graham Oke, a topic about which they are well qualified to speak given their considerable real-world experience. Both these papers continue our policy of publishing significant contributions to our annual conference.

Finally, we include a contribution from one of our new editors, Sean Bevin. Sean works in a regional development capacity with Napier City Council and is well qualified to introduce us to New Zealand regional development practice. It stands in sharp contrast to what Australia’s federal government is trying to achieve through the ‘Working Nation’ strategy. Basically, New Zealand’s path towards central government disengagement from local affairs has thrown considerable responsibility for economic growth on to local and regional authorities.

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Regional Implementation of Natural Resources Management Policies in NSW

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(The views of the author in this paper do not necessarily represent those of the NSW Department of Water Resources).

[Editorial Note: One of the critical factors affecting regional development in many parts of Australia is the availability of good quality water supplies. This article on water planning is a timely reminder of that fact. It explains some of the management and policy approaches adopted in NSW to improve the quality of water supplies and protect the environment.]

Water Planning in NSW

The NSW Department of Water Resources is the state’s water management agency. Major legislation under which this role is undertaken is the Water Act 1912, Water Administration Act 1986, Rivers and Foreshores Improvement Act 1948, and the Murray-Darling Basin Act 1987. The Department’s main functions are to supply water to multiple uses and values and to strategically plan to meet society’s future water resource needs. These include the sharing, use and protection of water and the environment.

Key performance areas for the department are state resource planning, water sharing, water supply, environmental management, water quality and business performance. Priority areas in 1993 were clarifying its wider natural resource management role and external relationships with other agencies, promoting community and customer consultation, progressing corporatisation/privatisation of the irrigation areas and districts, maximising responsiveness to the business environment and nutrient and salinity management.

Over the past decade the Department has decentralised its specialist management, technical and operations staff (60%, 1000) to eight regions in NSW with a head office at Parramatta, Sydney. Across these Regions,