

13 March 2019

The Hon Peter Ryan
DIRDC Strategic Regional Growth Expert Panel
By email: regionalpanel@infrastructure.gov.au

Dear Mr Ryan

Thank you very much for your invitation to the Regional Australia Institute to provide written information to the Expert Panel on issues arising from the Government Response to the *Regions at the Ready* report. We understand that the core issues for the Expert Panel are:

- Priorities for growth;
- Regional leadership;
- Regional planning ;
- Local government;
- Current investment.

The Government's response to *Regions at the Ready* is based around the public commitments to decentralising Commonwealth public sector staff, continuing to offer grants programs for regions, changing the role of its network of Regional Development Australia Committees, and piloting a deals-based approach to agreeing and funding regional priorities. Of these actions, it is the deal-making model which our organisation, the Regional Australia Institute (RAI), believes has the greatest potential to mark a departure from the regional policy framework of the last decade.

The RAI has written on the significance of deals approaches for regional citiesⁱ, having seen the impact of this model in the United Kingdom. Deals are designed to bring together key players in a place including the regional community and different levels of government, and commit to a long-term place-based approach to developing regional economic and social resilience.

In the UK, deals are helping revitalise cities in England's north. However, these city deals are having limited impact in the regions surrounding the cities of the north, the regions that were strongly in favour of Brexit. In the UK, the London-led version of devolved decision-making is being challenged by locally-led reactions like One Yorkshireⁱⁱ which relies less on the big cities like Sheffield and Leeds to offer an approach "where power is devolved to the larger regional scale to create a more inclusive form of development that addresses the needs and aspirations of communities beyond the big cities." This tension reflects the difficulty of relying on deals based approaches to manage the unequal power dynamics between players. It has become clear in the UK that these negotiations are not always amongst equals, and still favour the most economically powerful actorsⁱⁱⁱ.

Regional policy in Australia is only starting to experiment with deals, and with closer partnerships between regional organisations and state and Commonwealth governments. Recent research by Andrew Beer^{iv}, John Tomaney^v and the RAI^{vi} highlights the importance not just of funded programs for regions, but of enabling regions to determine the nature and mix of that funding.



A real shift in Australia's regional policy framework would see state and Commonwealth governments empowering regions to make decisions on priorities that are then endorsed and resourced^{vii viii}. Progress down this path would mark a significant rethinking of regional policy.

Drawing on work by the Institute since its formation in 2013, we have set out the key points for the Panel to consider in reporting back on a national economic development framework.

1. Priorities for growth

A better balance to national growth should be built on the following^{ix}:

- Rebalancing of national and state infrastructure spending to enhance liveability in regional centres as much as dealing with congestion and housing problems in capital cities;
- Closer analysis of the net economic gains and losses from increasing urbanisation focused on capital cities alone;
- Targeted programs to support economic diversification and job growth in slow growing regions
- Improvements in education and training to help residents in areas with high employment needs to 'fill vacancies from within'; and
- Removing barriers to secondary migration of international migrants wanting to relocate to regional areas, and funding to support community initiatives to contact and assist settlement of these people.

2. Regional Leadership

Deal-based collaborative approaches need high levels of capability on both the central and regional sides of the table. There are four pre-requisites^x:

- First, acceptance in central agencies that a different approach to competitive grant making as the foundation of government 'value for money' requirements is required, bringing greater longer term efficiencies and benefits;
- Second, agreement that local solutions are needed that are driven by locals and which can be agreed by all stakeholders;
- Third, understanding the capabilities required. Most skills are held in government and or private consulting firms and few skills are held in regions, creating an unequal power and skills balance for regional participants; and
- Fourth, supporting the capability development of regions to be equal partners in delivering regional development.

Deals alone will not address the regulatory reform needed to support collaborative approaches. The RAI's reform agenda includes three components that will drive meaningful change in how governments interact with regions^{xi}:

- Enabling and encouraging pooling of resources in rural and remote Australia to increase the local service presence and its capability;
- A place for regions to raise issues where rigid programs and regulations are impacting local communities supported by legislated power to implement changes; and
- Supporting local experiments in solving regional issues with a mandate to spread the good of proven local innovations across policies for rural and remote Australia.



3. Regional Planning

The solution to better regional planning is partly around coordination of planning, but also about integrating and resourcing it via a collaborative process. The multitude of regional plans and planning reflects the requirements of different agencies for their own documents, a situation not conducive to cohesive strategy development.

There are contemporary lessons for the Commonwealth in looking to integrate different stakeholder perspectives and build a 'bottom up' element to regional planning in the experiences in recent years of the governments of Western Australia (Regional Development Commissions), Victoria (Regional Partnerships direct to Cabinet process) and NSW (Regional Development Framework including statewide analysis of growth drivers linked to regional scale priority setting).

4. Local Government

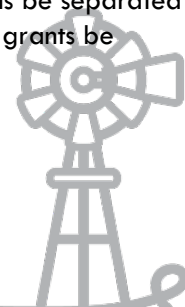
A paper on better government for regions written by Prof Andrew Beer for the RAI^{xii} showed that central government policy makers often over-estimate the degrees of freedom enjoyed by managers locally. Central Government frequently assumes there has been a higher level of local input into the design of programs than has been the case. It is important, therefore, to establish mechanisms and processes that facilitate local input into national programs, while allowing local actors the capacity to modify programs to meet the needs of the community. Without this capacity, there is a sense that central government policies and programs are 'enacted' upon regions. Coupled with the on-going 'churn' in regional institutions^{xiii}, this creates the impression of a tumultuous and ineffective policy environment.

Overall, effective governance for regions is a product of positive engagement between central governments and the regions. Relationship building and the generation of new capacities in both the centre and the periphery; and, an outcomes focus are essential. Accompanying this activity needs to be a political will to bring about change. This political will is essential both at the local and regional level as well as within Commonwealth and State Governments. Regional leaders can show the way by providing the local political will for State and Commonwealth politicians to enact change.

Overall, any viable solution must involve greater dialogue between the regions and central government, as well as a transfer of power between these. Such ideas can be challenging, but are essential if regional Australia is to achieve its potential.

5. Current investment

Investment in regional development at the State and Commonwealth levels combine funding for community and economic infrastructure. The quality of community infrastructure is increasingly being recognised as an influencer of private investment, and of the ability of employers to attract and retain staff in regional areas. But the employment impacts of community infrastructure investment are indirect, and so the economic impact of these programs is often criticised as being low. An RAI review of investment in regional development revealed a small number of programs in Australia targeted at catalytic economic projects^{xiv}. The review recommended that these funding programs be separated from more generalist investment streams, and that processes other than competitive grants be considered.



The RAI has also found room for government at all levels to leverage its existing procurement processes for greater regional economic gain^{xv}. Over time, public procurement processes have been developed and centralised within governments to minimise risk, prevent fraud and to achieve efficient outcomes for taxpayers. However, it is also important that these processes are not venerated as entirely objective mechanisms. A review of the evidence shows that procurement processes are regularly used to achieve other 'secondary' objectives, such as achieving environmental goals, fostering innovation in businesses, or encouraging the participation of SMEs in the provision of goods and services to government. Moreover, these processes have been so used for several decades and it may be disingenuous to suggest that a free market mechanism purely guides any public procurement practice.

Evidence shows that public procurement policies work best when they are part of a larger, considered, place-based approach in which the capacity of suppliers and the longer-term capability of local markets is understood. Procurement efforts to develop, sustain or catalyse regional economies can be impeded by a poor selection of policy tools that are unsuitable in a local context. For example, policy efforts have sometimes required officials to preference local suppliers even though these businesses do not have the capacity or scale to deliver on contracted obligations.

Using public procurement for regional development can be considered to be disruptive in a policy sense as it represents a different way of achieving government objectives. Leadership and clear objectives are critical in designing changes to procurement policies that will facilitate regional development goals. Studies show that officials who must now understand different conceptions of 'value' or 'impact' require detailed and clear guidance in policy implementation. Consistent guides and toolkits are essential in reducing ambiguity across and within departments. Where these can be developed with or by central finance agencies, ambiguity can be reduced.

We have included references for the summary points above, and would be happy to provide copies of these papers to the Expert Panel. If you have any questions for us about the recommendations we have put forward in this letter, the associated documents, or our original submission to the Select Committee, please let us know and we would be happy to provide the Expert Panel with further clarification.

Best wishes



Liz Ritchie
Co-Chief Executive Officer



Kim Houghton
Co-Chief Executive Officer

ⁱ www.regionalaustralia.org.au/home/2017/06/investing-national-growth-regional-city-deals/

ⁱⁱ www.citymetric.com/politics/george-osborne-offered-one-vision-devolution-one-yorkshire-wants-another-4316

ⁱⁱⁱ www.regionalaustralia.org.au/home/wp-content/uploads/2018/12/2018_Final_Competition_and-Collaboration.pdf

^{iv} www.theconversation.com/regional-australia-is-calling-the-shots-now-more-than-ever-110432



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- v *george-osborne-offered-one-vision-devolution-one-yorkshire-wants-another*, op cit
- vi *Competition and Collaboration* op cit
- vii <http://www.regionalaustralia.org.au/home/2018/12/new-approach-regional-policy-australia/>
- viii www.regionalaustralia.org.au/home/2015/11/better-government-working-paper-in-collaboration-with-professor-andrew-beer/
- ix National Population Plan for Regional Australia, www.regionalaustralia.org.au/home/wp-content/uploads/2019/02/2019_RAI_NationalPopulationPlanForRegionalAustralia_Final.pdf
- x *Competition and Collaboration* op cit
- xi *New approach regional policy Australia* op cit
- xii *Better government* op cit
- xiii Beer, A. Clower, T. Haughton, G. and Maude, A. 2005 Neoliberalism and the Institutions for Regional Development in Australia, *Geographical Research*, 43:1, pp 49-58
- xiv www.regionalaustralia.org.au/home/2018/07/public-investment-regional-economic-development/
- xv www.regionalaustralia.org.au/home/wp-content/uploads/2018/12/2018_Final_Public-Procurement-and-Regional-Development-Briefing-Note.pdf

