

Growing Regions: lessons from around the world

Charles Jenkinson

Introduction

The 2006 Growing Regions conference was hosted and sponsored by the Commonwealth Department of Transport and Regional Services (forerunner of Infrastructure, Transport, Regional Development and Local Government). This is a bullet-point overview from note-taking.

Slawomir Tokarski

Regional Policy, European Union

- While the EU is huge in population terms, the same issues that affect regional Europe mirror those in regional Australia, namely that impediments to economic development come in four areas:
 - Transport infrastructure
 - Access to telecommunications
 - Availability of water
 - Energy infrastructure
- To overcome these issues, the European experience has shown that investment in the following areas has delivered the best results:
 - Human capital (education and training)
 - Job creation
 - Encouraging migrant workers to “problem” areas
- A major key to positive change is local leadership
- A policy focus of the EU is to bring all member states up to the same standard and that means significant investment in those regions that have fallen behind.
- 36% of the EU budget is spent on balancing economic disadvantage
- Grants are capped at 4% of GDP with consideration for not only infrastructure but transport and the environment, and human resources
- Governments must be aware that a focus on the value of human capital creates its own problems as the demand for infrastructure increases and must be budgeted for in long term planning

Odile Sallard

Policy Director, Organisation for Economic Co-operation and Development

- Sustaining regional growth means a shift from subsidy policy to making regions more competitive
- Governments must encourage private investment
- Local advantages/assets should be exploited
- Funding should be more general (like infrastructure) and less sectoral
- Decision-making should be more bottom up than top down. This makes decisions less political, less sectoral and less wasteful of public money
- New focus on building regions must be endogenous (from within) so spending is on people – particularly youth
- Business and education should be linked to provide skills
- Government support should be for enabling the environment for business and competitiveness
- Public money could develop infrastructure for clusters (say, a business park for engineering) and let business worry about being competitive
- Governments should acknowledge that spending on telecommunications is cheaper than spending on highways – it connects otherwise remote communities without the cost and impact of road-building
- No one should not be afraid to experiment

Prof Edward Bergman

Regional and Environmental Economy, Vienna University of Economics

Bergman's work centres on CENTROPE, the Central European Development Region (7,000,000 people). Essentially, Austria brokered relationships with the Czech Republic, Slovakia and Hungary to boost their prosperity and soften the blow of economic change when its poorer neighbours joined the EU. The most relevant findings include:

- Regions can work together to their mutual benefit
- Regional innovation/differences should be exploited
- Clusters of similar/same industries work to the economic benefit of competitive companies within the cluster
- Clusters can add pressure for specific infrastructure
- Clusters benefit from knowledge synergies and can benefit competitors willing to share costly equipment
- Greater recognition results from co-/close location to the benefit of all and to the generation of employment
- Contrary to what might appear logic, grouping competitors delivers benefits by reputation and marketing beyond the region's borders
- The cluster mentality is less about internal competitiveness and more about regional co-operation to compete against other regions

Mark Drabenstott

Director, Study of Rural America at the Federal Reserve Bank

Drabenstott's area is sparsely populated, mainly agricultural (especially historically) and there is a slow migration to cities. The most relevant findings include:

- Past regional development was about recruiting/attracting businesses
- Globalisation means that policy is less effective – it is best to produce your own entrepreneurs and encourage innovative business practice as a means to economic development
- Getting ahead means understanding your regional assets and market opportunities
- Entrepreneurship strategies should support companies in:
 - Identifying assets/supporting research
 - Marketing
 - Accessing equity capital (not debt capital)
 - Producing more entrepreneurs
 - Coaching businesses
- It is important that economic development focuses on driving the new rather than protecting the old
- Sector policy is important – for example, encouraging bio-fuels
- Fostering entrepreneurship in one area spills over to neighbours
- The bigger the centre, the greater the impact of entrepreneurship especially where there is business agglomeration/clustering
- Entrepreneurship is a long term goal – start with school children!

Maria Mueller

Youth Strategic Planning Head, United Nations Educational, Scientific and Cultural Organisation

Mueller spoke about empowering youth (defined as aged 15-24 years) as an asset in growing regions. She said a telling statistic was that 65% of all migrant people are aged under 30 years. Other points:

- Tie young people to regions by involving them from an early age and giving them ownership of their communities
- Youth employment opportunities are important in halting youth/brain drain migration to cities
- Communities/organisations should tap into youth skills and youth networks
- Involve young people in decision-making
- Youths do respond well to being given responsibility
- Youths are the best opportunity to break down race and cultural barriers through sport, music and attitudes generally
- When involving young people, give them freedom but establish limits/controls which can be eased as they gain life skills and experience

Ligang Song

Director, China Economy Business Program

Song works at the Australian National University and believes some lessons from China can be learned by Australia:

- Decentralisation creates an opportunity for bureaucratic restructuring
- Additional resources on the ground in regions is more cost effective
- Global integration of trade leads to positive pressure for infrastructure boost
- Foreign investment should be encouraged
- China has encouraged the move of rural people to regional centres as farming becomes less labour intensive due to mechanisation and jobs are available in growing regional centres
- Education of rural people influences them to move to cities
- The government has been tackling regional inequality through:
 - Education (see impact in point above)
 - Health policy
 - Fiscal policy
- China fears the ageing population in rural areas – the young move out, not the old – and China does not know how to deal with the timebomb yet

Ray Bollman

Research Economist, Statistics Canada

Bollman talks about changes in price, technology and people movements as opportunities for rural communities to compete on a more equal footing, grow economies and gain population:

- As primary industry requires less labour, communities need to evolve alternative forms of job creation
- While freight costs grow, in real terms the cost of distance in time and money has fallen
- Telecommunications costs have fallen
- Personal transport costs have risen
- Combining the above points leads Bollman to suggest there are opportunities in manufacturing and product sales
- Canadian demographics mirror some of ours – the indigenous population is experiencing growth and the general population is ageing
- Average age rises as distance from major centres increases
- Strong regional centres halt the decline and protect smaller regional communities
- Trends show more young adults (with children) moving back to the country
- Rural areas are attractive to overseas migrants and policy can play an important role
- Communities with natural amenity attractions should exploit them

Joe Procter

Financier, Member of the National Indigenous Council

Procter is a former director of Indigenous Business Australia. He doesn't believe in hand-outs but does believe in a fair go and the potential for Indigenous people to grow and take on the business world just like everyone else. These are his points for Indigenous growth:

- Race is irrelevant – if a mining company wanted your backyard you would bargain hard and so should Aboriginal people
- Indigenous people should seize commercial opportunities and should get only the best independent advice
- Seek the best qualified people, not those you know
- Governments should provide business support
- The lack of hand-outs should be embraced – learn commercial lessons and develop a business that is sustainable
- Business sustainability means freedom and independence
- Embrace joint venture partnerships with the mainstream – take the opportunity to learn
- Take a long term view on partnerships/business
- Seek equity ownership (not cash) as a means to leverage a better deal
- Affirmative action is reasonable where appropriate

John Freebairn

Director, Melbourne Institute of Economics

Freebairn argues against on-going subsidies/market interference for regions and says future sustainability must come from making choices whereby regions compete without false influences:

- A third of all positive impacts on regional economies result from entrepreneurial/innovative efforts
- Regions can be disadvantaged by the attitude of lending institutions to regional business risks
- Given that regional locations suffer some economic disadvantages in a general sense, it is important to develop businesses that benefit from remote location choices specifically
- Governments can boost regions through the provision of infrastructure to facilitate trade
- Agglomeration/clustering of sectors is a proven winner

Prof Ann Markusen

Director, Project on Regional and Industrial Economics

Markusen carried out studies on the influence of the arts which play a greater economic contribution than sport. On a local level, investment in the arts can pay well:

- Cultural industries play an important role in economic development
- The aggregation of skills is important
- Artists are generally driven by creativity not business sense and require support
- From a metropolitan perspective, cultural development can reinvigorate downtown areas, the same can be said of regional locations
- In employment terms, the arts are dominated by self-employment and entrepreneurship
- Secondary jobs are created in retail, tourism, supplies and so on
- Arts must be seen as all-encompassing so communities acknowledge that they are participants and “get it”. In addition to the more popular view of painting, drawing and sculpture, think in terms of sectors and include:
 - Photography
 - Graphics
 - Music – classical to pub bands
 - Fashion
 - Performing – theatre and dance
 - Writers
 - Ceramics
- Investment and support of arts economic development is slow to pay back – a longer term view is required
- Public art space is important – CBD location is essential for artists to meet and give public displays
- Arts produce a social dividend too – youth, ethnicity, public art

Prof Edwin Mills

Kellogg School of Management, Northwestern University, USA

Mills surveyed the economic growth and urbanisation of South and East Asian countries, identifying barriers to growth. While not directly relevant, some parallels can be drawn to regional Australia:

- Growth is badly impaired where the rule of law is challenged
- Corruption and violence are linked with growth – the cause and effect argument works both ways
- Low income families do not contribute to economies since there is little or no disposable income
- Business/growth opportunities decrease as agglomeration decreases
- Positive growth goes hand in hand with population growth
- Discrimination against the rural poor is a matter of social access and not simply income

Prof Graeme Hugo

Director, National Centre for Social Applications of Geographic Information Systems

Hugo looks at people as the regions' most important resource, noting that coastal communities are winning at the expense of inland communities:

- Regional populations (especially regional centres) are generally growing but there continues to be a loss of youth
- Regional mortality rates are higher in the regions while regional fertility is higher
- Only immigrants are driving growth in the cities – government policy could be used to impact on the trend
- Drivers of migration to the regions include:
 - Employment
 - Improved environment
 - Lifestyle
 - Affordable housing
 - Education and health (where strong)
- Growth over the next 30 years will be among the over 25s
- Regional skills shortages present an opportunity to grow regions (unless those skills shortages are not nationwide)
- The growth of some regional areas will be at the expense of others
- Population retention strategies include:
 - Improved services
 - Decentralised government (to the regions)
 - Tertiary education opportunities (regional universities)
- Internal migration strategies include:
 - Attracting young families
 - Attracting boomers (hold 24% of the wealth)
- Regional migration schemes should offer only conditional settlement to overseas migrants

Ken Matthews

CEO, Australian Government National Water Commission

Matthews spoke about water as a national issue, highlighting the need for regional planners to think ahead. While the issue has little direct relevance to boosting the economy, the points made are no less interesting:

- Water is now a national agenda item and the NWC reports directly to the Prime Minister
- 85% of Australia's personal water use is in the regions
- On average, urban users take less (apartment living)
- The agriculture sector has the greatest demands on water resources

- The impact of lower rainfall is exponential – less precipitation is reflected disproportionately in the lowering of the water table
- There is an urgent need to look ahead and take measures now
- Water is a commodity and is traded – strategy used to control water quantities taken for irrigation from rivers and dams [This is relevant to Carnarvon irrigators who take water from under the Gascoyne River]
- Recycled water use is predicted to become normal

Drew Clarke

First Assistant Secretary, Department of Industry, Tourism and Resources

Clarke's presentation focused on energy use and painted a frightening scenario for global warming. He suggested that energy use should be a consideration in all planning matters:

- Australia has high energy security (reliability and availability) and low prices
- The market decides on infrastructure investment
- Two-thirds of national energy production is exported – the largest LPG reserves are in WA
- Australia is the world's largest coal exporter and second largest LPG exporter
- 40% of the world's uranium assets are in Australia
- Australians have the cheapest domestic gas prices in the OECD
- 70% of Australia's power stations are coal fired (33% in WA)
- There is a growing gap in fuel imports as increased demand on refined product is met by overseas producers
- 250 companies use 37% of the entire nation's energy use and they generate 29% of the national CO₂ output (73% of CO₂ is generated by power stations)
- Air conditioners create energy peaks
- Renewable energy costs more to produce
- Australia contributes 1.5% of the world's greenhouse gases while the US, China, India Korea and Japan alone are responsible for half of the global output
- To halve our greenhouse outputs, Australia would need 60,000 wind turbines and 60 nuclear power stations
- Efficiency is the lowest cost response to cut greenhouse gases ie cut the amount of energy required by having more efficient homes, businesses and power use generally (street lights etc)
- Global temperatures will rise 1.5-5⁰C in the next 100 years