

**SEGRA 2006 Annual Conference**  
**ADAPTABLE REGIONS: open minds open opportunities**  
**Keynote Address**

*Whither Regional Governance: Ten years gone, ten years on?*

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Sustainable economic growth for regional Australia is still a problematic proposition despite the best efforts of governments at federal, state and local level. There have been some successful outcomes from the raft of programs and policies implemented over the past ten years. At the same time there has been a change in the language of governance whereby state and non-state actors and institutions interact with one another to manage their own affairs. We now have 'partnerships', 'networks' and 'joined-up' government and there are efforts to build local capacity.

However there is still an institutional weakness in regional Australian that requires some major rethinking. Today I want to explore the basis for that weakness and suggest an alternative approach that focuses on more involvement by local/regional institutions in state and national agendas, more partnerships from the bottom up and a greater reliance upon local skill and resource levels to make the requisite strategic responses.

**The past ten years or more**

The notion of a 'regional policy' in Australia is not realistic in that most policies are tied to functional areas of government rather than spatial or area based coverage. To that extent the 'regions' in Australia have a place in government as areas of program or bureaucratic focus. Thus we have rural health, rural education, rural water etc. as part of the larger policy portfolios. Consequently regional policy as such does not really exist except in disparate program.

Nevertheless the regions are important in the making of government policies. The major state and federal drivers of much policy development in the regions is overwhelmingly economic. The global market place, free trade and competition for commodities is the most significant aspect of regional development for governments at state and federal level. A glance at some of the top industries in regional Australia gives you some idea of the focus on the economic.

- Corporatisation of Agriculture
- Agricultural adjustment for reduced subsidies
- Mining – Associated infrastructure
- Forestry – Managed investment schemes
- Energy – alternative, nuclear(??)
- Tourism

Beyond the economic are what I call the secondary policy drivers in regional Australia. If we use the other two elements of the triple bottom line as categories there are social participation and environmental programs. At Federal level there are examples of social participation such as Regional Partnerships, Networking the

nation, Small town regeneration etc. These can also be seen as economic programs in that the language used to promote them is about jobs, new business opportunity etc. The federal government also has a number of environmental programs such as the National Heritage Trust (including all the cares - Coastcare, Landcare, Bushcare, Rivercare), Community Water Funds etc.

The states also have programs of social participation such as partnerships for capacity building, small town capacity building, ITC policies for schools, hospitals etc. In the states there are also a host of environmental programs such greater environmental flows, renewable energy, forest protection etc.

The regions in each state are important for both state and federal governments because they supply life supporting elements for the capital cities.

1. Water
2. Electricity – not too many windfarms in Sydney or Melbourne!!
3. Food – although now global dependency as well
4. Commodities for export
5. Landscapes for tourism – look around locally.

Over recent years there have been attempts at developing new regional governance for handling government programs and policies in regional areas. One might be cynical and suggest that the focus on new regionalism has been pushed by governments as a means of avoiding devolution to regional areas. One could suggest that the federal government wants to bypass the states and deal more directly with local constituents for electoral purposes. At the same the development of regional bodies at state level may be seen as a lack of confidence in local government because they are often too small, too parochial and not professional enough.

What we have seen is a growth of *bureaucratic* governance. Remember that the ‘cratic’ comes from the Greek ‘Kratos’ which means ‘power or rule’. Accordingly bureaucratic governance is rule by the ‘bureau’ or ‘agency’. Many regional organisations such as

- Catchment Management Authorities
- Area Consultative Committees
- Tourism Authorities
- Economic Development Authorities

have management boards but these are not democratic institutions. Many of the board members are appointed and those that are elected come from a limited franchise. Rather than devolved institutions these authorities and agencies are what Genoff (2005) calls deconcentrated. Devolution is about bringing decision making closer to the people affected. It is not only about improving decision-making but also about changing the system. Deconcentration on the other hand is merely sending local advice to the central decision-makers rather than local decision-making. As regional institutions they are beholden to the centre.

### **The next ten years or more**

Since the federal bureaucracy is remote from regions in the Canberra and the state bureaucracies are located in the metropolitan areas there is a need for a new institutional base in the regions. Institutions play an important role in governance for the following reasons:

- They address perceived challenges in the socio-economic environment
- They establishment their own narrative of what needs to be done and what things can be achieved
- They attract users and supporters who identify with the institution
- They develop emotional attachments, especially loyalty

Accordingly if regions are to play the game and control their own destinies they need stronger locally based institutions. After all federalism is part of the separation of powers doctrine that gives the people (the demos) greater protection from centralised executive control. Therefore more devolution allows for more autonomy at local level. And there is one existing institution that if reformed can play that role – local government.

What regional governance requires are good professionals to help develop wider networks and partnerships. However to attract professionals you need good social infrastructure eg in health, education etc. which in turn need other social infrastructure like recreational and development facilities. Social infrastructure such as education is essential in the development and maintenance of local skills that will help to drive local economic development. Investment in social infrastructure is not one dimensional and involves the cross over of different networks and arenas. What is needed is a local coordinating institution that draws together the different elements at local level.

Federal and state governments should concentrate on the global, national and state issues that create the environment for regional governance to get on with maintaining and developing the framework for communities to live and work in creative ways.

### **New Localism**

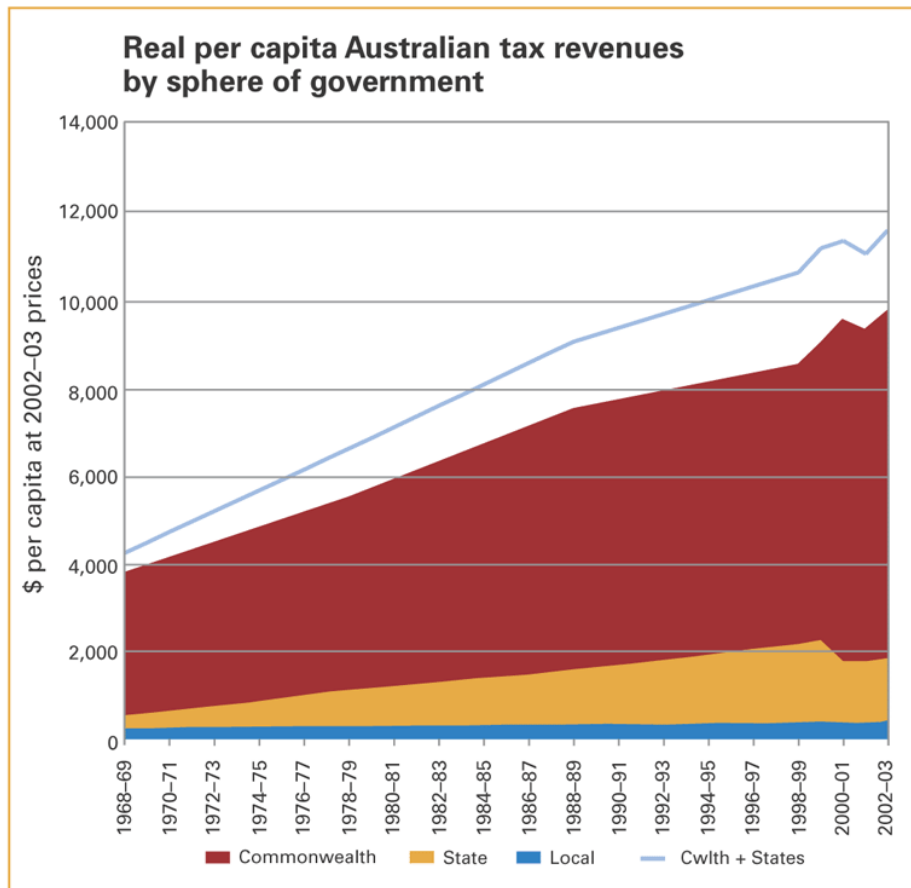
Local governance for economic development is important economically, socially and environmentally for a number of reasons

- Maintenance of regional infrastructure
- Local area coordination and planning
- Custodianship of local environment for sustainability of all systems
- Knowledge of local issues

But there are a number of obstacles to full local participation by the institutions of local government.

- Hawker Inquiry (2003) indicated that there was a significant infrastructure renewal gap across the country
- Lack of economies of scale for investment support and development
- Lack of local financial power in federal system

Local shares of taxation revenue are limited at the following graph indicates:



Source: Russell & Tregilgas 2005

Furthermore the value of Financial Assistance Grants (FAGs) as a proportion of total federal taxation revenue, had fallen from 1.18% in 1993-94 to 0.97% in 1996-97. It will be 0.77% by 2007-08 if the trend continues.

There are a number of reforms to local government already under way in most states:

- Intergovernmental Agreement on Local Government Matters – Cost Shifting
- Structural reform in NSW and WA local governments
- Regional partnership arrangements in Tasmania and SA
- Regional managers forums in Victoria and regional planning projects in Queensland

But there is a greater need by state and federal governments to review their relationships with local government as more equal partners. This will require a number of reforms at local level.

First there needs to be structural reform to local government on a regional scale. The dreaded ‘amalgamation’ term needs to be revisited. There has been a number of persuasive arguments about the internal economic efficiencies of amalgamated council as well as perceived threats to local democracy (Example Dollery). There have been alternative processes suggested such Regional Organisations of Councils (ROCS), Joint Board models, Virtual Local Governments. However there is a need to rethink on a broader scale for the following reasons:

- Greater ability to negotiate partnerships? Eg LGs that better match catchment areas have better chance of negotiating partnerships based on water management, land management, environmental regulation etc that gets better return for local as well as national economy. It also assists coordination of different services within and between other agencies eg fire protection.
- Better for taxation sharing? Taxation shares will be larger and thus give local government greater ability to act as strong regional developer
- Better ability for full time councillors? Ability to draw on all types of applicants from all walks of life.

Secondly there is a need for functional changes at local level that will lead to:

- Partnerships on more equal basis if there is a better share of taxation arrangements
- Whole of government approaches to state and federal activities at local level that lead to more local economic activity
- More coordination and facilitation eg skills base, workforce planning

Thirdly there is need for reform of the financial arrangements between the tiers of government. This can be achieved though a range of significant approaches by improving the vertical fiscal imbalance (VFI) and vertical horizontal imbalance (VHI) by changing tax share arrangements:

- Include Local Government in GST mix
- Increase aggregate value of financial assistance grants (FAGs)
- Modify indexing basis for FAGs
- Give tax collection of Rates to ATO – allow local councils to set rate
- Remove restrictions on LG source revenue raising and cost recovery
- Allocate tax share premised on network activity preferably at some form of regional scale.

One important milestone in the federal-state-local relations has been the Intergovernmental Agreement on Local Government Matters and it is important to make that a reality.

Fourth, the need for jurisdictional changes such as

- The negotiation of service delivery options that are appropriate to size and involve the principle of subsidiarity
- The creation of opportunities for more partnership activities thus setting the scene for institutional change at local level.
  - Shared economic development strategies
  - Better coordination of regulatory regimes

Finally there is a need to revisit governance arrangements to match the change to larger regional organizations:

- Greater levels of community governance to incorporate area based activities into larger regional activities
- Greater involvement in intergovernmental relations at regional level

## **Conclusion**

With the development of stronger institutions based on reformed local government the regions can begin to compete in Australia and the global economy. Strong regional institutions, that have strong financial and organisational capacity, have a better chance of representing regional interests to the wider world than the constituency representatives in the state and federal parliaments. They are not beholden to political exigencies and are not dependent upon the 'pork barrel' to fund local initiatives. They will be institutions of scale that can meaningfully join partnerships with other levels of government.

At the same time stronger local/regional governments have the democratic task of enabling the local community to develop economically, socially and environmentally. Their governance role is to ensure the well being of citizens by adopting new forms of community governance to ensure greater participation.

The time is ripe. Local government is now in a reform phase so state and federal governments could rewrite their compacts with local government. A stronger institutional base in the regional Australia will only help to promote better long term sustainable outcomes as the people who make the local decisions will own them as well.

## **References**

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