WEST NORTH WEST TASMANIA
BUILDING THE REGION

A discussion paper by
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INTRODUCTION

There currently seems to be a window of opportunity to bring about real change in the North West of Tasmania. The closure of the Burnie Pulp Mill seems to have finally brought about a consensus that this part of the world cannot continue in the way that it has done if it is to maintain any kind of economic prosperity. A change of State government has also acted as a catalyst for change as has the election of the new Member for Braddon, Peter Sidebottom, who has a strong interest in developing a strategy for the region.

For some time, this writer has been talking to several audiences about the European Union (EU) concept of subsidiarity. This is loosely defined as decision making at the appropriate level. Subsidiarity emerged as a concept because of increasing concern in Europe that the creation of a supranational entity and increasing centralisation were leading to a 'democratic deficit'. In Tasmania 'democratic' deficit is not a problem - the problem is a surplus of democracy rather than a deficit!

In the EU they needed a mechanism to counter centralisation. In Tasmania we need a mechanism to counter the damaging affect of too much 'parochial' government.

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Nonetheless, the concept is useful even if it is being approached from a different direction.

Subsidiarity involves asking the questions:

- At what 'level' is it appropriate to deal with a particular issue - local, regional, State or Federal?

- Which government departments / organisations / 'players' should be involved in resolving the issue?

- Are there appropriate mechanisms and response systems in place to deal with it?

The third question is crucial and I think that all too often in the past the answer has been no. Local councils (and other regional operators) are well equipped to deal with parochial issues (e.g. relating to the local infrastructure needs of small business, issues relating to their particular community and so on). However, they appear to fall down when it comes to more substantial issues: attracting substantial inward investment or the development of systems and processes where economies of scale are important or where a certain 'critical mass' is required for example.

In the context of the economic development of the region, individual Councils can employ a local development officer who can adequately look after development within parochial boundaries as long as they co-ordinate with (and recognise the autonomy of) the other parochial players. Such officers can utilise the resources and assets of their particular Council to work toward economic development of an appropriate scale: local infrastructure work, attracting smaller 'Small and Medium Enterprises' (SMEs) and micro enterprises into their particular 'patch' by offering rate rebates; assisting with small scale capital works and so on. These efforts can make a real difference to the survival and growth rates of small firms. A small percentage of these will eventually transform in to high growth SMEs and begin to have some impact on local unemployment rates.

However, such efforts can have little impact on larger scale issues. Larger economic development initiatives require a recognised process of consultation and co-ordination and it is this process that is largely lacking in the West North West of

Tasmania. Individual Councils on the North West Coast do not have the resources (financial, physical, or human) to be able to fully develop their own particular areas - they all need to be able to call upon the additional resources that are available in the region (the same is true of any other organization which is involved in economic and business development). For example, individual Councils are unlikely to be able to offer suitable attractant packages to larger SMEs, provide appropriate support services or develop necessary regional infrastructures.

The problem seems to be that each particular parochial economy wants any initiative to take place on its own particular area. I sometimes get the impression that opportunities pass us by because local governments and other local organisations are actively competing when they should be co-operating. An element of competition is fine if the initiative is small scale. It is self-defeating if individual organisations compete for something when they alone do not have the resources or 'clout' to have a significant influence on the outcome. The result of this type of competition is that everybody loses!

It would be far better if all the parochial players could come to a position where they are able to say: " We collectively offer a choice - the initiative can take place in any one of our parochial areas. Each one of us would, of course, prefer that it takes place in our own particular area, but if you choose to implement it next door that is fine too - we will co-operate fully with you and all the parochial players in the region and we will do all we can to ensure that the initiative is a success". If this were to happen, everybody would benefit (albeit to a greater or lesser extent).

The question, then is how do we develop a recognised process of consultation and co-ordination and a permanent, integrated system that is capable of dealing with economic and social issues as they occur?

DEVELOPING THE PROCESS

The 1994 McKinsey Report, *Lead Local Compete Global*[*] found that the key to successful regional growth lies in strong leadership in the regions, with all tiers of government, business, the trade unions and communities co-operating in the push to stimulate investment and foster a global outlook.

In the light of this, what sort of process / system / entity should we try to create in North West Tasmania and what should be its functions?

We need to establish a framework that will enable all the communities in West North West Tasmania to prosper through developing appropriate regional economic development strategies. Recognition of communities is important - people feel that they belong to Burnie, Devonport, Penguin, wherever - they do not belong to the WNW Tasmanian community - it doesn't exist. A strong sense of community is, or should be, seen as a 'positive' and community level initiatives can play an important role in the overall development process. The trick is to use this sense of community to bring about positive outcomes rather than to allow it to reinforce xenophobic and parochial attitudes. It is thus important to try to ascertain, develop and strengthen areas of common interest.

Regional 'leadership team'

"Committed and energetic leadership can have a significant impact on a region's growth and it is an essential pre-requisite for dramatic growth or rejuvenation of a region"[*]

Regional leadership can take many forms, but increasingly it is recognised that 'leadership teams' are important. Such teams can have formal structures, but in many

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[*] McKinsey & Company (1994), *Lead Local Compete Global - unlocking the growth potential of Australia's regions.*

[*] McKinsey & Company, *op. cit.*

cases loose networks work equally well. If parochial boundaries and barriers are strong it is possible that a loose network is more appropriate in the early days.

The McKinsey study found two aspects of leadership to be important in increasing investment in the regions.

The first is the commitment, energy and attitudes of the leaders of local businesses. Some 70 % of all investment in the regions is driven by businesses indigenous to the region; therefore the most important force for encouraging growth has to be existing businesses. The extent to which these are outward focussed and committed to growth is absolutely crucial.

The second key element is the initiative, drive and attitudes of the region's community leaders: leaders of local government, union leaders, leaders of schools, colleges and The University, leaders of community development programs and so on. If they and business leaders work together, they can have a significant impact on the attractiveness of the region for investment. They can begin to address such issues as the need for a flexible, multi-skilled and committed work force, the need to reduce bureaucracy and red tape, the need to provide business support services, help to make the area an attractive place, provide top quality education and so on.

What is now needed in North West Tasmania is the establishment of a regional 'leadership team' to:
- undertake a regional audit
- develop a coherent, achievable vision for the region
- devise mechanisms and *modus operandi* to bring about the vision.

In the first instance, the key objective should be to establish a regional 'leadership team' which can eventually evolve in to some kind of formal regional development agency. However, it is important to recognise that different sectors need to develop a commonality of interest if it does not already exist before such a 'leadership team' can be set up. This is precisely why the Chambers of Commerce and business support organisations are working to establish a West North West Business Alliance. It is

envisaged that leaders from each of the different sectors (including the WNW Business Alliance) could become members of the 'leadership team' with the full support of their particular constituencies.

Given the fragmented nature of the region and the lack of cohesion, the establishment of a regional 'leadership team' may take some time and I envisage that the process would need to go through the following stages:

[a] **Acculturation of the area**

This involves debating and publicising the issues involved and seeking public comment. Do people know enough about the concepts involved and has the realisation emerged that the need to think regionally is crucial? People need to be reassured that a regional approach will not erode the communities in which they live, nor will it lead to any kind of dilution of local democracy. People need to learn that it is simply better to do some things collectively rather than do them alone.

[b] **Changing attitudes and mind sets**

People who recognise the need for a regional approach need to work hard to change the attitudes and mind sets of not only key decision makers, but also ordinary folk. It is important to engender a climate of co-operation and confidence. However, everybody needs to recognise the autonomy and independence of local operators - we all need to learn to work 'with' each other and not 'for' each other! An important element in this process is to assess whether local players have not only recognised the need for change, but that they have also recognised how they need to change.

[c] **Building coalitions and partnerships within sectors**

Leaders in each sector need to work hard to build upon common regional interests in order to set common regional goals and objectives, break down barriers and build coalitions. In particular, they need to try to bring any opposers inside the circle in order to prevent them from building movements of opposition. The following groups need to work on this:

- Chambers of Commerce and other lobby organisations
- Business support organisations
- Financial institutions
- Local government
- Regional offices of State government
- Trades Unions
- Higher Education Institutions, training organisations and schools
- Region-wide community based organisations

It is recognised that Trades Unions and some other sectors tend to have a national or state focus; nonetheless, they need to be encouraged to consider regional issues and how they can address them.

[d] **Cross-sectoral coalition building**

At some stage representatives or leaders of the various regional sectors (as indicated above) plus possibly the key big businesses of the region, need to come together, initially in some kind of informal 'leadership team'. These regional players would then need to ascertain to what extent a consensus has emerged and what further work in this area may be required. Development of clarity of purpose and overall goals (the vision) should begin to clearly emerge and this group should then devise a method of moving forward which has the broad support of all participants. The sectors represented on the 'leadership team' would need to be kept informed of developments by their representatives and would need to be able to give their support to any initiatives that might emerge.

[e] **Establishment of a 'regional development authority (RDA)'**

If the above stage is successfully concluded, it should be possible to establish some kind of formal development organisation. It is worth emphasising that this may not be necessary - some regions of Australia and other parts of the world develop adequately without proceeding to this stage. However, given that any RDA that is established will require funding (from all levels of government) and given the lack of cohesion in WNW Tasmania, it is probable that such a formal body would need to be established.

It is envisaged that such a body would consist of a Board of Directors made up of representatives of the sectors mentioned above plus one or two 'big hitters' from local industry and the finance sector. Answering to the Board would be an Executive Committee and answering to this would be various technical committees (both permanent and *ad hoc*).

NATURE OF A RDA

Any RDA established would need to have:
- the strong commitment from all those people who make up the RDA
- stability and permanence because few tangible results are likely to be achieved in the short term
- a deep understanding of the problems and potential of the area (see *Regional audit* below)
- be staffed with people who are suitably qualified and skilled in the area of regional development
- an ability to think strategically and long term
- a strong ability to work with the existing economic, cultural, social and political structures in the region: it would need to be accepted and understood by existing political structures in particular
- the ability to overcome such difficulties as the lack of instruments to stimulate investment

- the ability to promote partnerships between public and private sectors

- the ability to refocus the mind sets of local administrators from the local to the regional

- be able to bring about any necessary changes in cultural attitudes that may be required

- a concrete and well understood development programme which is interdisciplinary, integrated and inter-institutional

- the autonomy to make its own decisions without continual reference to stakeholders

- the flexibility to be able to adjust to changing economic and social conditions

TASKS OF A RDA

The primary task of the RDA should be to provide strong, committed leadership and to agree upon a clear vision of where the region's future lies.

Defining the region / identifying stakeholders

Knowing the shape, size and make up of the region allows the RDA to define the region's key stakeholders and to define methods of managing / involving them. The roles of the various stakeholders will need to be defined and, given the diversity of the stakeholders in WNW Tasmania, methods of managing conflict will need to be devised.

Vision

The initial task of the RDA would be to develop a vision for the WNW of Tasmania. It is of the utmost importance that this be clearly defined before strategies are concocted, and it needs to be believable, emotionally appealing to the region's stakeholders and achievable.

As far as the 'general vision' is concerned, there is broad agreement about where people want to get to. There have been initiatives in the past that have explored this issue. For example, an event which took place in May and early June 1997 demonstrated people's commitment to the future when North West Tasmanian residents supported a series of Future Directions forums guided by futurist Dr Peter Ellyard. The intention of the forums was good but the envisaged outcomes (the visions) were too grandiose and too much out of the hands of ordinary people to be achievable. Big project ideas came out of the forums and not much has happened with them since. Whilst the vision was believable, it was not based upon an objective analysis of the region and no mechanisms were developed to bring it about so it wasn't achievable.

Regional audit (where are we now?)

Any vision for the region needs to be based upon a sound and objective analysis of the region, and it is thus important that some kind of regional audit be carried out. Visions should be built upon an honest appraisal of the regions capability. Such an audit should examine the regions factor endowment (natural /physical, human, capital and knowledge resources and created infrastructures). Such an analysis should pay attention to both general factors (roads, motivated employees, college graduates, etc.) and more specialised factors (skill levels and knowledge bases in specialised areas, infrastructures with specific properties, etc.). It tends to be the latter that provide a more sustainable basis for competitive advantage.

The State government carried out an industrial audit that examined specific sectors. This initiative is to be commended, but it has a state-wide focus and it is unlikely to be detailed enough for the needs of the region. It is also too narrow - there are many factors that lie outside industry which are also important. The regional audit devised by McKinsey & Company may provide a useful basis for a regional audit (appended).

Formulating goals and objectives (where do we want to get to?)

The regional audit should enable an RDA to establish a set of goals and objectives that are based upon sound analysis and expert views rather than committed belief. It is envisaged that any such objectives need to encompass more than purely economic objectives. Objectives under the following headings would seem to be appropriate:

- *economic*: increase in output (gross regional output), business establishments and growth, growth in regional employment, increase in value added, growth in regional exports, reduction in regional emigration, etc., etc.

- *social*: maintenance and development of the social and cultural values of the region, reduction in youth unemployment and youth emigration, etc. etc.

- *environmental*: improving the attractiveness of the region, development of organic production, reduction of environmental 'blots', etc.

Formulating focused strategies (how do we get there?)

It is all very well to develop a set of objectives for the region based upon a regional audit and a shared vision of the future, but an RDA would also need to devise clear long term strategies for achieving the objectives. A regional strategy needs to be distinctive, widely understood and supported. It must provide clear direction with all key tasks, responsibilities and priorities clearly identified. The strategy must link to the resources available in the region, or, if these are lacking (e.g. skills) then it must explain how these gaps can be overcome. It is also essential that people with the necessary skills and motivation fill the positions that are absolutely essential to the implementation of the strategy.

Key stakeholders would need to have a detailed understanding of the strategy and it would also be important for the community at large to understand its main elements. It should also be recognised that not everything can be done at once, so it would be important to focus on priority projects.

Operational activities

Precise activities of a RDA would need to be developed after its establishment and would depend upon what activities are already being carried out by other organisations in the region. The following activities are important in the context of regional development:

- Development and implementation of a strategic programme for the region
- Public relations and communication
- Carrying out of surveys and maintenance of data bases (on a wide number of subjects, everything from real estate suitable for enterprise development to where expertise or particular supplies can be found)
- Identification of training needs
- Identification of infrastructure needs
- Identification of bureaucratic hurdles and lobbying of government to eliminate them
- Liaison with / co-ordination of organisations charged with providing business support and which are working in the area of business development
- Innovation and technology transfer from universities, government research departments and other organisations
- Identification of potential sources of investment (venture capital etc.)
- Identification of sources of government assistance and grants and channelling these to the appropriate organisations and business
- Working with other agencies to identify markets for the products and services of the region
- Attraction of overseas and interstate investors
- Developing and maintaining good relationships with other regional development organisations in the State
- Sourcing of funds to maintain the agency

Some of these activities are undoubtedly being carried out by existing organisations (for example, the Business and Enterprise Centres (BECs) provide non-financial business support) but there are certainly some gaps (e.g. in relation to innovation and technology transfer) and there is almost certainly a lack of co-ordination across the region. One of the initial tasks of the RDA (as part of a regional audit) would be to

identify precisely which organisations are doing what and what would need to be done to improve co-ordination, efficiency and effectiveness.

CONCLUSION

The above simply outlines my initial thoughts on the subject of a regional development entity and this paper has been prepared simply to foster debate and discussion of the issues. Whilst I have a reasonably clear view of what I believe is required to foster development of the region, I am sure many others also have a view. After all: there are more ways than one to skin a cat!

However, I finish with one possible scenario depicted overleaf.

The Fall and Rise of WNW Tasmania?

Decline
- Business moving out
- Traditional base declining
- Less attractive place to live
- Poor image

Major shared vision and regional audit
- All stakeholders
- Business-led
- Multi-organisation implementation strategy

Wide communication
- To create vision and to shift attitudes

Targeted projects
- Private sector champions
- Public sector collaboration

Implementation focus
- Deliver on a few key projects in each area
- Monitor implementation

Revisit vision and re-audit
- Further focus
- Learning
- Commitment

Final positioning of region

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Adapted from Scottish Office/McKinsey

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Key sources:

In addition to the author's own material, material for this paper was derived from the following sources:

EURADA[*] (1997), *Creation, Development and Management of RDAs: Does it have to be so difficult?* (EURADA)

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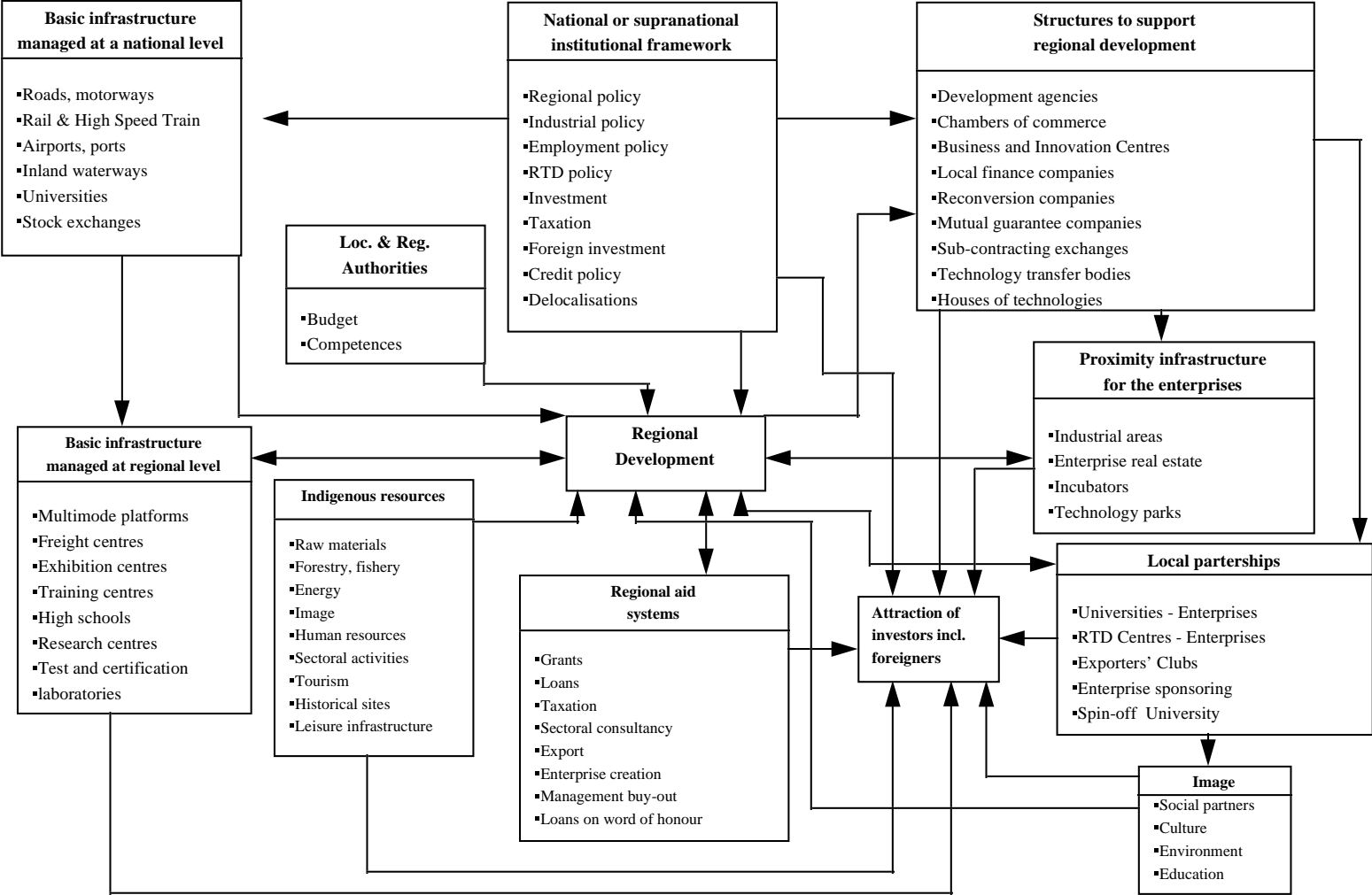OECD (1995), *Local Economies and Globalisation* (OECD)

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[*] European Association of Development Agencies

Elements of Regional Development and their Interactions

Basic infrastructure managed at a national level

- Roads, motorways
- Rail & High Speed Train
- Airports, ports
- Inland waterways
- Universities
- Stock exchanges

National or supranational institutional framework

- Regional policy
- Industrial policy
- Employment policy
- RTD policy
- Investment
- Taxation
- Foreign investment
- Credit policy
- Delocalisations

Structures to support regional development

- Development agencies
- Chambers of commerce
- Business and Innovation Centres
- Local finance companies
- Reconversion companies
- Mutual guarantee companies
- Sub-contracting exchanges
- Technology transfer bodies
- Houses of technologies

Loc. & Reg. Authorities

- Budget
- Competences

Proximity infrastructure for the enterprises

- Industrial areas
- Enterprise real estate
- Incubators
- Technology parks

Basic infrastructure managed at regional level

- Multimode platforms
- Freight centres
- Exhibition centres
- Training centres
- High schools
- Research centres
- Test and certification
- laboratories

Indigenous resources

- Raw materials
- Forestry, fishery
- Energy
- Image
- Human resources
- Sectoral activities
- Tourism
- Historical sites
- Leisure infrastructure

Regional Development

Regional aid systems

- Grants
- Loans
- Taxation
- Sectoral consultancy
- Export
- Enterprise creation
- Management buy-out
- Loans on word of honour

Attraction of investors incl. foreigners

Local parterships

- Universities - Enterprises
- RTD Centres - Enterprises
- Exporters' Clubs
- Enterprise sponsoring
- Spin-off University

Image

- Social partners
- Culture
- Environment
- Education

Source: European Association of Development Agencies - EURADA

Analysing different types of firms

1.   Has the audit evaluated the significance of the

constraints to investment by local firms in the

region's particular circumstances?   ☐   ————————————

- Stimulating demand

    - Growing international exports

    - Replacing imports

    - Encouraging population growth

- Creating a world-class investment environment

    - Flexibility of labour market

    - Improving quality of management

        - Management skills

        - Management attitudes and ambition

   -Improving the investment cycle

        - Market for ideas

        - Supportiveness of local business community

        - Access to finance

        - Red tape

        - Level of uncertainty

   - Increasing competitiveness of infrastructure

        - Capital efficiency

        - Linkages to local businesses

        - Prioritisation

2.   Has a focused review of the potential to attract

companies been undertaken?   ☐   ————————————

- Clear definition of region's potential value

proposition

- Clear segmentation of target firms
- Understanding of what region must deliver
  to attract firms
- Assessment of highest value communication
  and marketing approach

3.   Has the review investigated the issues surrounding

the success of new business start-ups?   ☐ ————————————

- Number of new businesses
- Success of new businesses
    - Failure rates
    - Growth rates

Reviewing the region's assets and capabilities

4.   Does the audit address the natural physical

advantages of the region?   ☐ ————————————

5.   Does the audit address the created attributes

of the region?   ☐ ————————————

6.   Are the competences and talents of the people

well understood?   ☐ ————————————

7.   Are there opportunities to leverage these

competences in new industries   ☐ ————————————

in the region?

Conducting a rigorous audit

8.   Are the audits of different types of firms' and

region's assets founded on

detailed fact-based analysis?   ☐ ————————————

- Quantitative date
    - Exports and investments

- Levels, trends, types

- Employment trends

- Small business start-ups

- Survey data

- Workshops and focus groups

9. Does the audit involve root cause analysis of

the constraints to firm investment? ☐ ——————————

10. Does the audit include Australian and international

benchmarks? ☐ ——————————

11. Has the community had an opportunity to contribute

to the audit? ☐ ——————————

Source: McKinsey & Company (1994) *Lead Local Compete Global - unlocking the growth potential of Australia's regions.*