

## ***Economic Development in Local Government***

### **Introduction**

This paper will provide an in-sight into some of the major impacts that are currently influencing economic development in Australia and their particular application to my own community situation. The areas to be covered relate to globalisation, economic restructuring and microeconomic reform, changes to the philosophy and role of government, local government restructuring and the ascent of information technology.

### **Background**

My local government area is the City of Greater Taree and it covers approximately 4000 sq. kilometres. It is located on the mid-north coast of NSW and has a current population of 45000 people. The city has a steady growth rate of 2% and sub-tropical climate. It contains some 30 villages which are spread from the coast and up into the rainforest mountains. The township of Taree is the main centre for commerce, industry, retail, education, recreation and health with a population of around 22000.

The City of Greater Taree is the product of three former councils being amalgamated as a result of municipal restructure which occurred through most of regional NSW in the early 1980's. Taree itself is widely known as the manufacturing capital for country NSW. It built up this reputation due to a number of industries being attracted to the area some 15-20 years ago through decentralisation incentives which were available at the time. Beef, dairy, timber and a variety of tropical fruit products make up the traditional agricultural base.

### **Globalisation**

Globalisation refers to the mobility of capital, firms and information across nations, as well as to the highly competitive and interdependent international trading regime of the 1990s.

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By definition globalisation is everywhere and cannot be avoided or ignored. Similarly it represents threats and opportunities for local and regional economic development. In the Greater Taree area the impact of globalisation has been evident where local industries have been closed or downsized as part of endeavours to centralise company activities into more strategic locations which provide efficiency or productivity gains. Companies are systematically looking at ways of improving productivity to ensure that they can be as competitive as possible in the world wide market. Our losses have been in the form of closures to the Bonds factory, National Dairies and Nouvelle Kitchens. In each of these instances the changes have occurred due to the impacts of overseas competition, cheaper off-shore salary costs and strategic centralisation of production headquarters. The process of globalisation impacts upon the mobility of firms.

In other examples it has been international companies which have been able to survive and expand local employment due to the parent company's favourable domestic or international circumstances. The problem that undermines such good fortune is the realisation that should trading falter or other situations arise which may offer improved productivity, local companies could relocate or downsize without warning. This factor causes communities much concern especially in regional areas where unemployment is higher per capita.

However, there have been other good stories where local businesses have been able to prosper in niche markets. The arrival of local product labelling, marketing and high standards of quality has meant some businesses have been able to take advantage of the locality. Good examples of positive product identification for the local area has occurred with oyster production, cheese and dairy related products, surf industry apparel, specialist yogurts and rowing oars. The future of such firms will rely on their individuality and ability to offer an attractive alternative to globalisation and its standard fare.

### **Economic Restructuring and Microeconomic Reform**

The processes and subsequent results of economic restructuring and microeconomic reform differs from State to State in Australia. In my view there has been a common aspiration to achieve structural change, pursue efficiency and productivity in the economy, reduce government spending as well as promote competition. The different results that have occurred are due to opposing political and philosophical influences that have been the drivers for restructure and microeconomic reform. Further factors can be the stability of

government, or change of government with strong mandates for reform as opposed against marginal government without control of the upper house.

In my own locality, the obvious areas where microeconomic reform has had the most effect have been in areas of deregulation and removal of tariffs. The deregulation of the dairy industry has caused local milk companies to rethink their long term strategies and rationalise operations on a nationwide basis rather than separate regional business operations. The removal of tariffs has also caused a Taree vehicle parts manufacturer to undergo major restructuring and equipment upgrade to remain viable in a very competitive industry. The results have caused some loss of local jobs in the dairy industry with a change in core business from mixed dairy products to a more specialised production output. The removal of tariffs from the textile industry has meant that local surf clothing manufacturers have set up business in places like Fiji to take advantage of cheap labour to remain competitive. This strategy has meant less employment for locals but has contributed to the viability of their business and kept existing staff in a job.

Reducing government deficits (debt) by cutting public expenditure is another major strand of microeconomic reform. It is apparent that both federal and state governments of either political persuasion have endeavoured to pursue reforms in this area in an attempt to reduce the cost of government over the past decade. In my view, this is a basic role in any management situation. Cutting government expenditure invariably means cutting employment levels. However, the impacts of such endeavours can have an adverse impact on the community and, in my view, more so in regional areas which do not have the diversity and selection of providers that are available in the big cities. In particular, there have been significant job losses in my local area through reform programs in the government sector via rationalisation of Telstra, State Rail and NorthPower (former local electricity authority). A high proportion of the new unemployed are unable to obtain work in their area of expertise and are forced to cope with whatever little work is around or rely on government handouts. The results provide for a lot of frustration and family disharmony as future job prospects are an elusive reality for people caught in this situation.

## **Changes to the Philosophy and Role of Government**

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Over recent years there has been a quiet revolution in the theory and practice of government. Sometimes described as *new governance*, this new model of government emphasises smaller government, a stronger strategic focus and a movement out of direct service provision. Associated thinking is also concerned with the removal of market impediments which discourage or prevent input resources (including labour, work practices, research and development, investment in new technology, etc.) being used in the most efficient manner or which limit the flexibility and responsiveness of both workers and enterprises.

For the present, the NSW government has quite a different approach to reform to most of their opposite coalition State governments. Its program for reform is also more restricted as it holds a slender margin to govern and any reforms that may cause public outcry provide political limitations for this government. Nevertheless, there has been a steady pattern of change which has resulted in an increase of contracting out of specialist services; private sector financing, construction and operation of public infrastructure; and the preparation of some services such as water/sewerage/electricity for privatisation in the future. It has not been a government that has been overly enthusiastic about compulsory competition and is most critical of changes in Victoria which it claims have not delivered any substantial benefits.

In my view, the local community has not been subjected to as much a change of philosophy of government but a growth in the area of service providers and investors who are willing to partner the government in a host of new areas. The NSW government is like all other organisations and explores every opportunity for raising additional finance and explore efficiency gains where possible and logical. However, it is not a government that is comfortable with privatisation of all public infrastructure. The main advantage for NSW however, is the size of its market and Sydney as the hub for most of Australia's economic investment. This factor provides significant flow on benefits to regional areas. Similarly, the north coast of NSW where I live, enjoys steady growth and provides the mainstay for investment and economic development. Accordingly, I am of the view that the global economy has imposed more changes and broken down many barriers to competition rather than a conscious change in philosophy by state or federal government.

## **Local Government Restructuring**

In regional NSW, local government restructuring took place in the early 1980's. The units which were created under this program remain quite large in any regional comparison to more recent restructuring programs in the other states of Australia. NSW has also been subjected to 'rate pegging' for the last 20 years. This program restricts all councils to a set rate increase each year unless special approval to exceed the amount is obtained from the Minister for Local Government.

There is no doubt in my mind that NSW restructuring has been a success in terms of obtaining a regional perspective for affected councils and improved resources to deliver higher standards and variety of services to their respective communities. On the other hand, rate pegging has also placed pressure on all councils to look for efficiencies over a long period of time and has been an effective mechanism in keeping the cost of rates down. The overall impact has seen better resourcing of regional councils without the burden of rapid rate rise for the community.

For those NSW councils which were amalgamated, there has been a general acceptance that local government should take an active role in economic development initiatives. In most cases economic development units have been established for some time and specific programs devised to facilitate local economic growth and related endeavours. In my own local government area it was extremely successful in the 1980's in attracting a number of significant large scale industries to relocate to Taree. The success of these endeavours are attributed to Council's economic development efforts and State Government decentralisation incentives which were available at the time.

In more recent years the opportunity for relocating industry has virtually ceased. More effort has in fact gone into retaining industry, growing local industry and improving base infrastructure to support the needs of industry. The cost of capital investment in infrastructure has been shared between Federal, State and Local Governments. My Council's ability to participate in such economic development related strategies would have been assisted as a consequence of its improved resource base from earlier restructure.

## **The Ascent of Information Technology**

New information technologies are transforming conventional modes of organisation and work. These technologies are also creating new wealth and new jobs (as well as displacing them), and opening up new entrepreneurial opportunities. As long as inter- and intra-regional parity in communications infrastructure is maintained, information technology should be something of an *equalising force* in economic development, particularly through reducing the disparity in information costs between metropolitan and non-metropolitan areas.

My observations of local enterprise and the activities of my own Council would support the above statement. No longer is there a perceptible delay in the receipt or access to the latest information in regional areas. The Internet, e-mail and availability of computer technology to all businesses is now the standard for any organisation wanting to compete in today's market place.

The impact of information technology on my community has been both positive and negative. The positive aspects relate to the ability for local operators to compete on equal footing no matter where their competitors may be located in the world. The small operator can operate from home, in the car or at any time of night or day. This instant access and freedom of information transfer has enabled local business to expand into new markets. However, there is the reverse impact where there are more competitors in the market. Those operators can steal local business and deliver a service even though they may operate from afar.

Other benefits that have flowed onto the community can be seen in the improved standards of service and speed from which past problems can be overcome through open and immediate communication links. Technology continues to advance and when combined with increasing competition the community benefits with access to the latest service or product at a price that is affordable. The only other problem is keeping up to date with technology and making it work for you rather than waste valuable time and effort with useless detail.

### **Actions in Place**

As you can appreciate the changes and impact of these various "environmental" influences have caused a major re-think of how best to respond to such challenges in the modern world.

In this regard, a conscientious strategy has been developed by my Council to take advantage of the inherent attractions of the local

region as well as improve the operation and presentation of key infrastructure that relates to economic development. Accordingly, major works have commenced to improve facilities in the areas of education, health, recreation and transport. The thinking behind this strategy advocates the advantages of key infrastructure to keep business viable, maintain and improve lifestyle standards and generally portray a positive and progressive community from which workers, management and families are happy to be associated with. This a long term strategy concerned with image, maintaining and building business confidence and quality lifestyle which can be marketed to relevant audiences.

In recent months Council has also taken positive steps to establish an autonomous economic development corporation made up of respected business people from the local area as well as new arrivals who have been successful entrepreneurs elsewhere. Council is willing to finance this new organisation for an initial three year period to enable key staff to be appointed, economic strategies to be devised and initiatives undertaken. The corporation will have free reign to pursue industry expansion and provide a resource base for economic inquiry and support.

On top of Council's infrastructure strategy and the establishment of a new development corporation, there is conscious effort being made by Council staff to be responsive to any investment or development inquiry. Council does not subscribe to the notion that all development is good. However, retaining industry and attracting new investment is critical in efforts to improve employment prospects for the local community.

An additional initiative is also being undertaken by Council in its strategic planning role which will facilitate the establishment of a new town. The new town will be known as *Brimbin* and is to be located approximately 8 kms to the north of Taree. The area of land is some 750 hectares and will consist of large industrial, service business, some residential and extensive parklands. Planning studies are underway which will establish all environmental requirements, zoning details and infrastructure. The major benefit will be for developers to have an extremely flexible and large area of land to choose from which can accommodate any type and scale of development. Planning will also give developers a running start with approvals being put in place for various sites.

## **Conclusion**

The world is becoming a much smaller place and the influences of globalisation, microeconomic reform, the business of government, municipal restructure and the information technology explosion are forces that cannot be avoided. However, all hope is not to be abandoned as there is action that can be taken at the local level that can take advantage of this new order.

Local communities need to develop clear strategies to maximise the natural advantages of their region. Local government has a critical role to play in assisting economic development through strategic land use planning, direct financial support to economic development initiatives and infrastructure investment.

Governments at all levels are endeavouring to be equally competitive and efficient. Their attitude reflects a need for government and business in Australia to be viable, well managed and strategically focussed to be an effective partnership and successful in a world economy. Local communities also have a role to play in this equation and with planning, commitment and active participation, we can overcome a great deal of the "environmental" influences that threaten the well being of our local economy and community.

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