GIPPSLAND'S REGIONAL DEVELOPMENT AGENCIES: THE TRIUMPH OF TRIBALISM OVER REGIONALISM

Julie Grant

Institute for Regional Studies, Department of Management, Faculty of Business & Economics, Monash University, Churchill VIC 3842.

ABSTRACT: This paper examines the origins, structure and activities of two regional development organizations in the Gippsland region, Victoria, during the past decade. The contested paradigm of 'New Regionalism' provides lively debate within regional development theory and some useful entry points for researching the development path of specific regions categorised as "less favoured" or successful. The role of social capital, regional governance structures and political culture within economic development is discussed as the paper explores the impact of regional culture and identity upon the activities of economic development agencies in Gippsland. The study builds upon the body of work concerning regional development agencies in Australia (Beer and Maude 2002), England (Webb and Collis 2000, Bentley and Gibney 2000, Ward et al 2003), and Wales (Cooke and Morgan 1999, Lovering 1999, 2001,) and the application of cluster, network and innovation theory to peripheral or "less-favoured" regions. It places the Gippsland experience into the context of current theories about regional development, social and institutional capacity and the knowledge economy.

1. INTRODUCTION

This paper presents some of the interim findings of a doctoral research project examining the origins, structure and activities of two regional development organizations operating in the Gippsland region in Victoria between 1993 and 2003: Gippsland Development Limited (GDL) and the Victorian Eastern Development Association (VEDA). Recent regional economic development theory and policy has focused on the relationship between regions, industry clusters (Porter 1990) and the knowledge-based or learning economy (OECD 2001 b & c), and the implications of those relationships for private and public sector organizations, governments and policy-makers. This paper explores the impact of regional culture and identity upon the structure and activities of two regional economic development agencies, using the theoretical framework loosely described as the 'New Regionalism'.

Gippsland, a region undergoing structural dislocation, is included in the National Economics "State of the Regions 2001" report as one of nine case studies which focus on the current economic development path, regional economic strategies, knowledge-based initiatives and performance in relation to organisational and individual learning of the selected regions. This project proposes to expand this quantitative research base with a qualitative examination of the social and institutional context in which regional development agencies operate. The study builds upon the emerging body of work concerning the application of cluster and innovation theory to peripheral or "less-favoured"

regions, such as Wales in the UK (Cooke and Morgan 1999, Lovering 1999, 2001). It places the Gippsland experience into the context of current theories about regional development, social and institutional capacity and the learning/knowledge economy.

2. THEORETICAL FRAMEWORK

Recent regional economic development theory and policy has focussed on the relationship between regions, industry clusters (Porter 1990) and the knowledge-based or learning economy (OECD 2001 b & c), and the implications of those relationships for private and public sector organisations, governments and policy-makers.

While early empirical studies were based on "successful" regions, such as Silicon Valley, Baden-Wurttemberg and the Third Italy, (Scott 1988, Saxenian 1994, Sabel 1989), a body of work is now emerging concerning the application of cluster and innovation theory to peripheral or "less-favoured" regions, such as Wales in the UK (Cooke and Morgan 1999, Lovering 1999, 2001) and the Hunter Valley in Australia (Murphy, Pfister and Wu 1997).

Much of this later research has been loosely described as 'New Regionalism', a term which conveys a renewed interest in the importance of location to economic and industrial activity, and associated theories concerning learning and innovation in the regional setting. The essential tenets of the New Regionalism body of theory are that the region has become the new loci for economic activity, innovation and the transfer of learning and knowledge; that it is at the regional level that tacit knowledge is transferred, and that face-to-face interaction occurs. The literature on trust and cooperation suggest that these are more likely to occur where there is a strong possibility that the agents will meet again.

New Regionalism has evolved from the work of a wide range of geographers, economists and social scientists. Recent influential research by the OECD (networks, learning economies 1992-2002) and Michael Porter (competitive advantage, 1990, clusters/global economy, 1998, 2000) draws heavily upon the work of theorists and researchers studying technological networks and industrial conglomerations in Japan (Ikeda 1979, Nishiguchi 1987), Italy (Bagnasco 1977, Garofoli 1981, 1983, 1999, Piore and Sabel 1984), Baden-Wurttemberg in Germany (Ewers and Klein 1983), Silicon Valley (Saxenian 1985, 1990) and the film industry in Los Angeles (Christopherson and Storper 1986). Associated research has focused upon the social embeddedness of economic processes (Granovetter 1985, Harrison 1992, Amin and Thrift 1995) and knowledge creation and transfer (Malmberg et al 1996, Lundvall 1992, 1994). These in turn drew heavily upon early work by Alfred Marshall on industrial districts (1890), location theory (Weber 1909), endogenous growth (Schumpeter 1943) and growth poles (Perroux 1950). Other important themes and contributions include those of Ohmae, 1995 (globalization and the end of the nation state) and the 'associational economy' (Cooke and Morgan 1998).

The foundations of the theory lie in widespread acceptance of the proposition that economic activity has undergone a transition from domination by stable, mass market-based manufacturing (Fordism) to the adoption of systems of

flexible specialization as a means of dealing with fragmented, changeable consumer-driven markets (Piore and Sabel 1984). This restructuring of the economy signalled the re-emergence of 'the region' as, conceptually, the system of flexible specialization encouraged spatial clustering and integration at the regional level whilst, empirically, the most dynamic post-Fordist economies just so happened to be those regions or 'new industrial spaces' (Scott 1988) which had successfully responded to the crisis of Fordism by adopting the system of flexible specialization." Accompanying the shift in systems of production and the rise of the contemporary capitalism is the adoption of the learning economy paradigm, wherein "knowledge is the most strategic resource and learning the most important process" (Lundvall 1994). Some forms of learning, identified as tacit knowledge, are embedded in a human and social context, and are facilitated by the physical proximity engendered by the regional setting.

Another important strand in the New Regionalism agenda is that of shifts in political frameworks of governance. This argument contends that decentralization, devolution and the "hollowing-out" of the nation state have strengthened regional governance structures and endowed them with agency, as part of a shift from a central 'managerial' state to a more devolved entrepreneurial or network state (Keating 1999, Jessop 1994, Tomaney 1996). In response, governments are now looking beyond short-term job creation via traditional economic levers, such as tax concessions, to enhancement of the innovative business networks and the social and cultural aspects of regions. Governments now seek not only to attract and retain inward investment and international corporations, but also to promote creation and growth of endogenous business, thought to remain in the region longer and become a potential exporter of goods and services.

The almost universal interest in developing local economies has resulted in widespread adoption of New Regionalism theories in public policy. During the 1990's a consensus supporting a network-based New Regionalism emerged in Europe and the UK. Regional Technology Plans (RTPs) were developed by the Commission of the European Communities (CEC) in 1994 and piloted in regions such as Wales (UK) and Limburg (Netherlands). Wales invited to be one of the RTP pilot regions because, in the eyes of the European Commission, the regional authorities had demonstrated their resolve to upgrade the economic fabric through a collaborative effort between the public and private sectors. In the Commission's view the RTP approach would be most fruitful in areas where well-founded co-operation between the private and public sectors is – or can be – established, evidence of what Morgan describes as "efforts to build a networking culture" in a region where, unlike Baden-Wurttemberg, the business class had never played more than a minor role in civic and economic life, and where the economy was dominated by foreign-owned branch plants geared towards low-skill production activities. (Morgan 1997, 498).

The European Union has developed Regional Innovation Strategies designed to improve the competitiveness of EU regions through the promotion of innovation. Innovation is now understood to mean much more than the generation of new technologies, the commercialisation of new technology or

radical product innovations. Innovation in the broader sense now includes more effective interactive relationships between firms in supply chains, more dynamic synergies between public and private sectors, and the development of trust and reciprocity among institutional actors such as training bodies, trade unions, industry associations, workers, employers, suppliers and educational institutions. The new emphasis in regional development is on building social capital and developing a relational infrastructure for collective action based on trust, reciprocity and a willingness to collaborate to achieve common goals. The change in approach has been described this way:

If the old policy was about opening roads, the new approach is mainly about opening minds. (Landbaso 1994)

In Australia too, New Regionalism is emerging in government policies, such as the Growing Victoria Together (GVT) 2001 policy framework of the Victorian State government. The GVT approach is outlined in the "Victoria as a Learning Region" report, produced to accompany the OECD Victoria Learning Cities and Regions Conference held in Melbourne in October 2002, and draws heavily on OECD recommendations on the knowledge economy and learning regions.   The policies emphasise knowledge, skills and enterprise as a means toward innovation as the basis for sustained competitiveness, and as such strongly reflect the "normative concerns of New Regionalism" (Webb and Collis, 2000, 860).

While the regional level is now perceived by many to be the best level at which to design and implement policies to foster innovation, spatial proximity alone is not enough to create collaborative networks. Regional development agencies have emerged as one of the institutions which may be adapted to the implementation of such policies (see Syrett & Silva 2003 on RDAs in Portugal; Ward, Lowe & Bridges 2003 on RDAs in England; Halkier et al 1998; Harding et al 1999; Webb & Collis 2000; Benneworth 2001). Their role within current regional development theory therefore deserves closer examination. Throughout the 1990's, development agencies proliferated, as governments became aware that "markets and hierarchies do not exhaust the menu of organisational forms for mobilising resources for innovation and economic development" (Morgan 1997). As Giunta et al (2000) note:

Particularly in more peripheral regions, regional agents attempt to use innovation and learning approaches as a way to impose strategies of modernisation and internationalisation upon the local firm base.   The creation of a local institutional base – whether understood as associational governance (Amin and Thrift 1995), 'institutional thickness' (Amin and Thrift 1993), or social capital (Brusco 1995) – reflects a strategy to anchor firms in the region, and to align, as far as possible, their actions to the regional interests of employment and income generation. (Giunta et al 2000, 16)

Questions arise concerning the extent to which such agencies are the natural outcome of the processes of regional devolution (Scotland, Wales, Andalucia) or the increasing application of models of corporate governance (Britain, New Zealand, Australia, Canada). Sabel (2001) argues that national governments across the political spectrum are devolving authority to lower levels and

loosening the grip of public bureaucracies on the provision of services. Lynch (1999, 76) however observes that the English RDAs appear to be as a mechanism to facilitate central intervention in the regions, while Webb and Collis (2000, 859) assert that the RDAs were structured to secure European Structural Funds. Even the devolution process itself has been described as 'top-down', run by political affairs consultants and focused on media messages rather than popular engagement (Boland and Lovering, 2000, 102).

Keating's theoretical work (1997) defining 'virtuous' and 'vicious' development strategies has helped shape expectations regarding the role development agencies might play. In the vicious model, the region is unable to deal with the potentially disintegrating effect of the international market. Growth is sectorally defined and unevenly distributed, cultural identity is damaged and displaced, and environmental values are negated in favour of any and all forms of development. Typical outcomes of such strategies are the entrenchment of a "culture of command, hierarchy and dependency" (Rainnie, 2002) and the diminishment of social capital and public goods. Alternatively, the 'virtuous' model secures social integration, safeguards culture and identity and creates social capital and public goods, which in turn encourages economic growth.

Regional development agencies therefore seem to be expected to play a crucial role in both the implementation of centrally developed policies while simultaneously developing local social and institutional capital, or orchestrating 'conversations' between previously isolated groups. Yet social and political commitment to RDA's has waxed and waned in recent Australian history. As Beer et al (2003) note, "Australia has miserly governments when compared with other developed economies. In 1998 Australia was ranked 24 of 29 OECD nations with respect to tax revenues as a percentage of GDP. Australian tax revenues have fallen further behind the OECD average over the last 30 years. It is therefore appears unlikely that Australia will ever introduce local or regional development programs of the scale found in Europe." (Beer, Maude and Pritchard 2003, 8) While one objective of current research may be to ascertain the degree to which agencies are appropriately funded and structured to respond to social and economic change, wider questions concern the usefulness of the New Regionalism theoretical framework, and whether or not Australian RDAs can meet the four key 'New Regionalism' challenges for less-favoured regions identified by Morgan (1999):

- the development of a quality institutional framework within which to mediate information exchange and knowledge creation
- creation of the capacity for collective action
- creation of the capacity for interactive learning
- creation of effective 'voice' mechanisms.

3. SCOPE AND RATIONALE OF THE RESEARCH PROJECT

The overarching objectives of this research are broadly:

- To establish whether or not international debate about the re-emerging importance of the region is of local significance:

The dogma that 'regions are resurgent' as a result of global transformations implied by the growth of 'informational economies' has almost reached the point of an orthodoxy. But like the fashion for post-Fordism which preceded it, this represents the triumph of fashion and the influence of academic authority figures over social science. (Lovering 1999; 386)

- To review assertions in some of the New Regionalism literature about regional social and institutional capacity to develop innovative, entrepreneurial responses to global economic challenges:

The era of globalisation of the economy is also the era of localisation of polity. What local and regional governments lack in power and resources they make up in flexibility and networking. They are the only match, if any, to the dynamism of global networks of wealth and information. (Castells 1998, 7 – 358)

Less favoured regions (LFRs) seem to have little or no social capital on which they can draw, a point which turns the spotlight on factors such as the institutional capacity of the region, the calibre of the political establishment, the disposition to seek joint solutions to common problems. These factors – the invisible factors in economic development – are just as important as physical capital. (Morgan 1997, 496)

- To identify effective strategies for addressing regional disparities.

In order to expand understanding of the dynamics of regional economies in Australia, this project sets out to:

- examine the origins, structure, philosophy and operations of Gippsland Development Limited (GDL), making comparisons with other regional development agencies including the Victorian Eastern Development Association (VEDA); and
- review the experiences of GDL and VEDA to analyse the interaction between agency philosophies and the social, economic and institutional culture of Gippsland.

The research incorporates:

- a literature survey of contemporary Australian and international theories of regional economic development, and the activities of Australian and international comparators such as the Welsh Development Agency;
- 33 semi-structured interviews with current and former officers and members of GDL and VEDA and significant actors in the regional economy. Interviews focus on the roles, attitudes, intentions and expectations of the individuals and institutions in relation to recent economic development activity in the Gippsland and comparator regions, and
- Annual reports, newspaper and other media reports and other documents relating to the agencies included in the study.

The research is being conducted as part of a doctoral thesis over a three-year period between July 2001 and July 2004.

4. METHODOLOGY

This research forms an exploratory, qualitative study intended to complement existing quantitative studies of regional economic development agencies by Beer and Maude (1996, 2002), the statistical information available from the ABS, ABARE, the National Economics/Australian Local Government Association State of the Regions reports, and the Gippsland Regional Profile undertaken by DOTARS (2003).

During the early phase of the research, it became apparent that GDL was in danger of imminent collapse due to the progressive withdrawal of stakeholder support. The research question people wanted to answer quickly became "What went wrong (for GDL)?"

An institutional ethnography approach has been adopted here to address the concerns that are real for people, finding explanations for the 'failure' of the organization. Answers were sought through semi-structured interviews with local regional development practitioners and stakeholders. Adoption of a qualitative approach requires the researcher to depart from the more conventional social science approach, that of framing a hypothesis to be tested, collecting data relevant to the hypothesis, and evaluating the degree of correlation between them. The use of an exploratory qualitative approach was intended to incorporate exploration of the social phenomena driving the economic and political events leading to the demise of the organization.

In order to define and understand what 'successful' regional development means to practitioners and stakeholders in Gippsland, and interpret results in terms of current theories, the methodological approach adopted in this research project blends elements of critical realism and institutional ethnography. The bias, or blindness, being 'corrected for' in this critical realist approach is the gender bias that has informed much mainstream political and economic analysis and geography, including the geographic sub-disciplines of regional science and industrial geography, which are largely gender-neutral in their theoretical construction. (McKenna & Roberge 2001, 224) Gender constitutes a highly significant organizational principle in education, training and the labour market, and in social processes crucial to the concept of the intelligent region, such as inter-agency networking. (Rees 2000, 180). Institutional ethnography, or organizational ethnography, explores the social relations individuals bring into being in and through their actual practices and aims at the analytic description of a culture. The term 'institutional' is used here to identify a complex of relations organized around a distinctive function – in this case, regional economic development. The patterns of interest in this organizational study are the various forms in which people engaged in regional development in Gippsland do things together in observable and repeated ways.

In addressing the question of the role and experiences of economic development agencies in Gippsland, consideration was given primarily to finding an approach that would allow exploration of the relationship between learning and culture, including political culture, since regional governance structures create institutions that frame actors, power relations and ideas, which in turn

facilitate, through the articulation and mediation of interest, the process of collective strategy-making (Giunta et al, 2002, 17).

Regional culture incorporates difficult-to-identify habits, practices and outlooks, and ground-breaking research in this field includes the work of AnnaLee Saxenian on Silicon Valley (1994). Saxenian's methodology incorporated interviews with selected regional actors, and a similar approach is adopted here. Markusen's (2002, 31) comments on controversial aspects of Saxenian's work, notably questionable cultural interpretation, normative judgements and doubtful replicability, are noted. However, any attempt to find explanations for the results of empirical inquiry requires some degree of interpretation. The interpretative framework adopted here, institutional ethnography, interprets findings from a cultural perspective (Patton, 1990, 68).

Following the literature survey and analysis for the key themes for the research, interview schedules were prepared for face-to-face semi-structured tape-recorded interviews with a selection of staff and board members of the two agencies and a range of regional stakeholders. The interview schedules included open-ended questions about the aims of the organization, project identification and selection, operational methods, success and failure factors, type and frequency of networking, consultation and interaction with business, government and other economic development agencies. The questions were designed to enable the interviewee to raise subjects of interest, and to evolve as each interview informed and changed the focus of subsequent interviews.

The 33 interviewees included board members, CEOs and staff of both RDAs; Federal, State and local politicians and Economic Development Officers; and representatives from regional stakeholders including the Gippsland Trades and Labour Council, VECCI (Victorian Employers' Chamber of Commerce and Industry), local industry and small business, and educational and environmental management institutions. Gender and geographical balance were considered in the construction of the list. Thematic analysis of the interview transcripts is focused on themes of cultural identity and attitudes to learning, cooperation and collaboration, and attempts to trace networks of social capital, institutional linkages and trust-based information exchange. NVivo, a computer assisted qualitative analysis system (CAQDAS) is being used to assist in the analysis of the interview transcripts. Validity of the thematic analysis is being tested through inter-rater reliability – the degree to which different analysts agree on the assignation of coding themes to selected passages of transcript text.

5. ORIGINS, PURPOSE AND STRUCTURE OF TWO GIPPSLAND REGIONAL DEVELOPMENT AGENCIES

During the 1990's Australia underwent a "limited resurgence in Commonwealth policy attention to regions and social policy" (Jones et al 2001). Despite rhetoric about partnerships, a tightly controlled, top-down approach to government funded regional development programs was retained, and co-ordination between Federal, State and local government roles was notably absent. Of particular relevance to this research is the REDO program developed by the Federal Labor Government in response to the recommendations of the

Taskforce on Regional Development, December 1993. The Taskforce report recommended that the regions be consulted and the Commonwealth negotiate with State governments before establishing the program. Funding was to be tied to a range of criteria and a demonstrated capacity to carry out an active role in economic development role and to be a catalyst for implementing key projects identified in the region. (Taskforce on Regional Development, 1993, 68).

The REDOs were envisaged as a "bottom-up" approach to regional development, engaged with local government, business, educational and other institutions. Federal Taskforce recommendations intended these regional development agencies to empower the regions to build on their strengths, with the authority and instruments to generate economic development (Taskforce on Regional Development, 1993). The locally perceived reality, however, was that

> *the bureaucrats in Canberra had a view of how this program should be implemented. (GDL CEO)*

The principal proponent for funding for a Regional Development body for Gippsland was the Pro-Vice Chancellor of Monash University's Churchill campus in Gippsland, who established a working party to develop the proposal in response to the REDO Program. Significant actors in the working party were the 6 Chief Commissioners of the newly amalgamated local government entities. The Gippsland REDO proposal received funding in January 1995, was incorporated as a public company in August 1995, and renamed "Gippsland Development Limited' in June 1996. One of the first actions undertaken by GDL was to:

> *…engage a firm of consultants, Spiller Gibbons Swan, to undertake a regional strategy. It was a very wide consultation in the development of that strategy. That strategy has four principal actions. The first one is the development of seven key industry sectors, and the strategy identifies the key industry sectors across Gippsland. They include energy and energy education, engineering, tourism, horticulture, fishing and aquaculture, timber and dairying. The second area is to look at developing a presence in the global and international market, and by getting those links established with our China Desk program. The third area is to improve the infrastructure of our region so that we are regionally competitive. That includes hard infrastructure such as roads and bridges, the railway systems, and soft infrastructure such as telecommunications and IT. The fourth strategy is to promote and market the region. (CEO GDL)*

In addition to commissioning the Regional Strategy, GDL took on project management responsibility for the construction of the M$3.5 Green Inc centre in Churchill and the M$3 Forest Tech building at Lakes Entrance in East Gippsland. Green Inc, a business and technology centre, had as its flagship project the Gippsland Ecocity. (The ecocity concept, based on population growth estimates of five million over 25 years, combined industrial and urban infrastructure design to create socio-economically diverse cities as hubs for global trade.) Green Inc was also to be the base for Generad (Gippsland Energy Environment R & D Enterprise), intended to commercialise ecologically sustainable R & D projects. None of these projects ever got off the ground, and

Green Inc (referred to by one interviewee as Green Sink) has mainly operated as a business incubator and property manager.

Forest Tech was intended to provide education, training and innovation infrastructure for the timber industry, and is now a bustling campus of the East Gippsland TAFE, providing courses in natural resource management, timber industry skills development, furniture design, 4WD and aquaculture.

The Victorian Eastern Development Association (VEDA) was established in 1966 by a group of Bairnsdale-based business people, without the involvement of government of any level. At its establishment, VEDA was privately funded and managed.

It really came out of a desire by business people to take economic development in the region to another level. It was initially focussed on attracting people into the region based on tourism campaigns, and over a period of time it moved on to encompass a range of other industry sectors as well, such as fishing and timber and other competitive strengths of the region. (VEDA staff member).

A mix of funding arrangements evolved over time, but VEDA always considered itself to be a community-based, independent not-for-profit organisation "committed to promoting, encouraging and facilitating the prosperity of the region whilst safeguarding the quality of the East Gippsland environment"" (VEDA Mission Statement 2000/2001). GDL saw its role more broadly, as provider of the framework within which key regional stakeholders can work together to facilitate the future economic development of Gippsland.

GDL's arrival coincided with the Victorian Kennett government restructuring of local government and the associated dismantling of Regional Commissions in 1994. The State Government had embarked on sweeping structural reform of local government during 1994 – 1995, reducing the number of Shires and Council in the state from 203 to 78. Restructuring produced larger municipalities that were considered "well-placed to achieve much of the regional co-ordination" previously provided by regional authorities. (Planning a Better Future for Victorians: Achievement through Partnerships. Government of Victoria. Department of Planning and Development, 1995).

Regional authorities, including the Loddon-Campaspe Regional Planning Authority, the Westernport Regional Planning and Co-ordination Committee, and the Geelong and Latrobe Regional Commissions, were wound up in 1995 as part of the reform program. The new larger local governments were required to set up Economic Development units to take over the regional development work previously performed by the Commissions. Ironically, the Regional Commissions would have been ideally placed to provide contracted economic development services for the newly created local governments, which were also required from 1995 to market test 20% of operating expenses (rising to 50% by 1997) by exposing council-provided services to compulsory competitive tendering.

GDL survived longer than most other Victorian REDOs, though with a role and budget very different from what was originally envisaged. REDO establishment funding was honoured for the period 1996 – 1999, and project grants during 1996/97 were substantial (more than $6 million). From late 1997,

GDL sought to become more self-sufficient by generating revenue streams through project management and fee-for-service work for the private sector, with little success. By 1999, GDL was reliant on recurrent funding from local government. This was later supplemented when, under political pressure from the One Nation party and Independents, the Federal government granted GDL project funding of $250,000 to undertake industry cluster research across Gippsland.

Table 1. RDA Structure and Activities in Gippsland

(2000/2001)	GDL	VEDA
Board	20	12
Staff	6	3
Income	$680,000	$210,000
Funding source:		
Local Government	$ 235,000	$ 40,000
State/Fed project grants	$ 400,000	$100,000
Membership/subscription	$ 7,400	$ 70,000
Activity:		
Developing industry sectors		
Network development		
Promotion & marketing		×
Business support services	×	
Lobbying assistance		
Project delivery	×	
Project oversight		

During 2000 the Victorian State Labor Government announced a grant of $220,000 per year for three years to implement the aims of GDL. The State grant was to be tied to matching local government contributions, which were not successfully renegotiated by expiry of the offer at June 30, 2002. Only 2 of the 6 relevant councils agreed to continue funding GDL beyond 30/6/2002, which was not considered by the GDL board to provide a viable financial base from which to continue operating, and which resulted in the resignation of the entire board. One local government, Latrobe City, has taken on financial responsibility for the ongoing project and employment commitments of GDL in the hope that other councils may reconsider their position.

VEDA, similarly, has had fluctuating support from the relevant local government entities which were amalgamated into the East Gippsland Shire.

Historically, before shire amalgamations we had a number of shires that used to contribute on a regular basis, but maybe some would be in one year and out the other. After amalgamations, we were forced to look at things

fairly differently, and although we went through some agonising stuff, in terms of negotiations with the Commissioners, we ended up with a service agreement ... for $150,000. What we tried to do then was to try to grow that contribution from local government by combining it with set projects that could attract money in from other government sectors as well. So we now undertake a number of projects on behalf of State and Federal government that are generally supported by membership and shire funding. (VEDA CEO)

The East Gippsland Shire later further reduced VEDA's funding to $40,000. VEDA, though with some continuing financial support from its membership base, and several State and Federal government-funded projects underway, was also not seen by its board to have a viable future, and was dissolved early in 2003.

6. ISSUES AFFECTING ECONOMIC DEVELOPMENT IN GIPPSLAND: INTERVIEW DATA

Several issues affecting the ability of regional development agencies in Gippsland to generate 'virtuous' economic development emerge from the interview data. These may be broadly grouped as issues of **governance**, which includes intra-government relations coordination, accountability and responsibility for agenda-setting; and **social capital**, networks of social relations characterised by norms of trust and reciprocity. These themes are well secured within the New Regionalist discourse, so a location-specific examination of one region's experience is of interest in what it reveals about applying New Regionalism theory 'on-the-ground' and associated challenges for policy-makers and practitioners.

6.1 Governance

Both agencies in this study encountered difficulties with governance at all levels. The absence of a regional level of government in Australia is a significant factor. What is described by Cooke and Morgan (1998) as sub-central governance capacity, in the cases of Wales and Scotland, is not evident in Gippsland, due to the reliance by local government upon State government for legislative authority and funding. As in the US, "fundamental political difficulties work against the creation and success of new regional governments, including strong opposition from local, state and provincial governments unwilling to give up power…and the reluctance of central-city constituencies to see their progressive voting blocs diluted." (Wheeler 2002, 275)

The dissolution of regional commissions and authorities in Victoria in 1995 illustrates how state government can dispose of regional bodies that demonstrate the potential to develop the very "authority and instruments" seen by the Regional Taskforce as integral to the regional development agency role.

Recent research on regional development agencies in England, established in 1999, identifies similar problems in relation to resources and power. "Better-resourced sub-regional organisations and powerful local agents such as local government…have undermined the ability of RDAs to fully address their strategic aims and successfully influence the activities of other organisations. In

response to these concerns and pressures from the RDAs and other organisations, the government is developing a 'single pot' of funding to be allocated to RDAs from April 2002. This should allow for greater flexibility for RDAs which will mean that they can decide their own budget priorities, although still within a framework of delivering targets that are to be set by government". (Fuller, et al., 2002, 427).

Victoria and the Gippsland region currently reflect a situation closer to that Sabel describes in the United States, where all levels of government are devolving responsibility for formulating or implementing policy to a lower one, or to NGOs, in recognition of the impossibility of asserting effective control on its own. Periodically this devolution is interrupted by hapless efforts at bureaucratic re-centralisation (imposition of strict rules on NGOs; re-categorisation into distinct accounts of funds initially dedicated to separate programs and then pooled into block grants) to limit the exercise of discretion made possible by decentralisation. (Sabel, 2001, 126)

In Australia, no one level of government really has (or apparently wants) effective control of regional development. Two recent developments suggest governments at both State and Federal levels may in fact be attempting to "re-centralise" regional development. The first is the Federal Sustainable Regions regional funding program, which side-steps existing regional agencies like GDL in order to impose rigorous funding accountability measures, implemented by a small, temporary, program-specific bureaucratic infrastructure.

> *With Sustainable Regions and ACCs we have two objectives. The first is to make them small, lean and hungry, but with back-up and great relationships with Federal bureaucracy. We want to make our organisations on the ground very local. They take responsibility, but are helped with administration, so they remain lean and still locally orientated. (Politician)*

The second is the establishment of Regional Development Victoria (RDV) by the Victorian State government. The stated purpose of RDV is to "facilitate economic and community development in rural and regional Victoria". RDV is intended to assume responsibility for oversight and administration of funding distributed from the Regional Infrastructure Development Fund (RIDF). While espousing the now familiar intention to "work in partnership with communities, businesses and all levels of government", collocating sections of the various state departments with responsibilities for elements of regional development will, in all probability, re-centralise policy and financial control of regional development projects.

Some analysts point to a coordinating role for *state managers...in helping to provide relative unity to the manifold activities of the state (MacLeod 2001, 818).* In the Australian setting, however, the reality is that the regional offices of state and federal governments are small in scale and widely dispersed. As a consequence they are unlikely to provide meaningful balance to the weight of policy opinion emanating from large scale centralised departmental offices in Melbourne or Canberra. The likely prospects for a region such as Gippsland, lacking a single dominant regional centre, capital city critical mass of

infrastructure, social and intellectual capital, institutional networks and votes, to be included upon the State's "paths to prosperity" cannot be assumed to be high.

The desire for greater regional responsibility was expressed in many ways during the interviews. GDL enjoyed early support at the Councillor level, where the desire for a regional identity and regional cooperation was expressed. Members and executive staff of VEDA, however, expressed regret and frustration that State and Federal program funding was accessible only through local government, which was described variously as "uncooperative", "inflexible" and even "intransigent". Local government, for its part, apparently resented the independent status of VEDA and a board structure where members, rather than Councillors, determined the organisation's objectives and dominated the decision-making processes. VEDA, like GDL, eventually found itself actively engaged in direct competition with local government economic development units for funding, management and credit for various regional development projects.

The most critical aspect of governance affecting the Gippsland agencies was, however, the imbalance of power and resources between the three tiers of government and agency boards. Short term commitment at the Federal level affected the confidence of local government, and meant 10-year strategy plans could not be taken seriously, sabotaging any prospect of the sort of longevity many believe is essential for regional development bodies to be effective.

While GDL was clearly the result of a local response to Federal government policy, VEDA was a local unprompted response to a widely-held local view that "economic development doesn't happen by accident" (VEDA Board member) and that development in the scenic Gippsland Lakes and mountains regions was intrinsically linked to tourism development. However, once State government determined that tourism promotion was its own domain, VEDA was forced to change focus and take on the then unmet responsibility for economic development in the East Gippsland sub-region.

Several interviewees talked of the domination of economic development by the political cycle:

There's no doubt that the funding processes are dictated by the political cycles. Three-year Federal terms make it bloody difficult to hook into anything substantial. The year after they're elected is Christmas time, the year in the middle is boring and the year after that they're in election mode. The window of opportunity is about eight months if you're lucky. (VEDA Board member)

The interviews revealed widespread belief that government resources are manipulated for political gain instead of community or economic benefit. There were concerns that the Gippsland REDO was simply being created to oversee projects already developed by the Federal government and intended to be politically beneficial for the Federal Labor Party in the marginal[1] Federal seat of

---

[1] In the electoral cycle of the 1990's, McMillan, one of two Federal seats covering the Gippsland region, 'changed hands' between Labor in 1993, Liberal in 1996 and Labor in 1998.

McMillan. The spike in GDL funding in the 1996 Federal election year, related to large construction projects in Churchill (marginal Labor seat of McMillan) and Lakes Entrance (National Party-held seat of Gippsland) goes some way to explaining the widespread local cynicism about the "real" purpose of GDL. Similar charges have also emerged about the structuring of the English RDAs to develop regional bodies capable of securing European Structural Funds following the adoption of the principle of subsidiarity, or decision-making as 'closely as possible to the citizen', in the Treaty on European Union, Maastricht 1991.

Ultimately, the failure of the three levels of government to cooperate has resulted in a situation where GDL, with funding and contractual obligations to the Federal government, is currently unable to access State funding and its local government funding component has been virtually withdrawn. More generally, existing governance structures and political cultures appear to be engendering a climate of mistrust and competition among regional development agencies and officers at all levels of government. This culture of competition is thus hindering the formation of a framework in which companies, institutions and public agencies can explore joint solutions to common problems, establish a constructive and inclusive dialogue and develop the conditions which enable information exchange and interactive learning (Morgan and Nauwelaers, 1999, 11).

6.2 Social Capital

Social capital is a concept which has moved from the field of sociology into that of economy because of the greater understanding we now have of the role it plays in associational economic dynamics. Social capital is loosely defined as the processes of networking, using norms of social trust to achieve coordination between social entities and the cooperation for mutual benefit. Some researchers specialising in this field differentiate between private social capital, accessed through personal networks, and institutional social capital, gained by virtue of belonging to a particular organisation (Brinton and Lee, 1996, Brinton and Kariya, 1998). Because private social capital is best seen as a property of individuals, and therefore difficult to extend to larger units such as communities and states, policymakers tend to focus on how particular institutions in a society develop social capital, and how that social capital can be utilized as a policy resource. There is some evidence to suggest that, while social and cultural norms play an important role in developing social capital, government policy and regulation can also be very influential (Brinton 2000).

Australian Institute of Family Studies research on social capital to date suggests little evidence in the Australian setting for the predication that "the closer networks are, the more likely these are to be trusting and reciprocal". In Stones' *Families, Social Capital & Citizenship* project (2001), the correlation between "geographic proximity of social networks and reported levels of norms of trust and reciprocity found…residents' informal networks in the neighbourhood/local area (to be) positively related to trust and reciprocity in the

local area. However, it bears little relationship to generalised trust/reciprocity or trust in institutions". (Stone 2001).

Several interviewees expressed the view that more widespread community and business involvement in economic development activity was an essential ingredient for success:

> *The communities that are the most successful in economic development are the ones that work together – business, the council and the community, the whole kit and caboodle. The communities that work together, bringing all the members of the community with them, be they single mums, business people or indigenous members, are the ones that get ahead. (VEDA board member)*

There was considerable local dissatisfaction with the REDO model, which specified the involvement of trade unions, the education sector and "more representation by women to overcome their existing under-representation, given that women are now increasingly active in all spheres of public life and business". (Taskforce report, 1993, p.68).

> *Now, I've got to say that some of the expectations of the federal government, such as union involvement on the board, were not particularly palatable to the local government people. The reason for that was we just couldn't see what they were bringing to the organisation. (GDL Board member)*

In GDL's case, taskforce recommendations regarding the participation of women were largely ignored, and women never numbered more than 1 or 2 of a board of 15 – 20 directors. Jockeying for places on the Board of GDL was highly competitive, and resulted in domination of the organisation by local government and political interests, with a sprinkling of representation from some of the larger businesses in the region. As one participant put it, GDL quickly became dominated by the 'Eminent Gippslanders' Organisation' (EGO).

Many of Gippsland's institutions and organisations were perceived by interviewees as lacking inclusiveness, a characteristic believed to play a key role in enhancing regional innovation levels. As has been noted in the literature:

> *"Inclusive cultures which operate with a sense of breadth of community will be more innovative than cultures preoccupied with rank, membership, and boundaries. Inclusive cultures are likely to be more tolerant of and attractive to immigrants, and if there are welcoming and helpful structures of incorporation, immigrants can strengthen the innovative potential of the region." (Markusen 2002, 32)*

In VEDA's case, an exclusive approach was also adopted at inception. Membership of the organisation was initially restricted to business owners, presenting barriers to the development of trust and communication with the wider community and elected local government representatives. The organisation became known as the "main street mafia". Though VEDA's board attempted to change this perception over time, poor levels of trust were entrenched and ultimately led to the withdrawal of local government funding.

Liepitz's "conception of a regional armature; a 'proactive space-for-itself', where a hegemonic social bloc seeks to mobilize particular political apparatuses" (MacLeod 2001, 818) is apparent in Gippsland, where institutional infrastructure

is dominated by members of what is known locally as "the usual suspects". Geddes on this theme notes that 'partnership' approaches to addressing social exclusion often exclude the very groups they are targeted at, are dominated by the public sector, and often manage distrust rather than encourage trust. (Geddes 2000).

Gippsland has a highly dispersed population, and the absence of an uncontested regional centre, such as Geelong, Ballarat, Bendigo or Warrnambool, has contributed to an institutional structure described as anorexic, in terms of Amin and Thrift's ideal of institutional thickness. There was little reference by interviewees to active networking within industry or cultural associations, trade unions, religious, political or educational institutions. Several interviewees talked about "inappropriate" institutional structures, no longer relevant to the needs of the region, but propped up as bases of power and prestige.

Traditional sources of the stock of social capital, the "fraternal organisations, choral societies, PTAs and civic do-gooding organisations" of Putnam's America, are also fading in Australia. Those that endure, the CWAs, Lions Clubs, Rotary Clubs and the like, are shrinking and ageing in membership. Sporting clubs, the allegorical bowling leagues of Putnam's research, are localised and reinforce tribal affiliations that undermine broader regional cohesion, demonstrating how social capital at one level does not necessarily translate into the sort of institutional capital needed to create a consensual "region". In Australia, football is the obvious sporting analogy. Players still form teams in order to take to the field, but volunteer coaches and committee members are becoming harder to find, and Gippsland is dotted with a plethora of football leagues and organizations that actively oppose periodic attempts to realign traditional associations and improve regional cooperation.

Gippsland is home to a regional campus of Monash University, potentially a significant player in the regional institutional framework, but efforts to improve linkages between the university and the private sector have yet to show significant and lasting results. Australia, like France, has a centrally funded and administered tertiary education sector. Recent OECD research on the Vienne region in west central France found:

> *"The fact that the university is funded and administered by the central state gives little incentive to the academic world to establish links with other local organisations. Conversely, the private sector does not traditionally seek co-operation with the universities. Social capital in terms of traded and untraded networks between firms and universities is thus low." (OECD 2001b, 69)*

Other factors that may be playing a part in weak linkages between the university and its region are the university's traditional academic emphasis on publishing and teaching, and devaluation of "hands-on" work-based learning and experience. Individual university staff members periodically engage with community groups to attempt to change the status quo, as demonstrated in the formation of the REDO steering committee and Energy Education Australia, but on the whole, university staff are perceived to be transient, and inclined to leave

the region to pursue career objectives. A recent decision by the central university council to close the Engineering school on the Gippsland campus has seen trust-based relationships between the university and the community plummet to new lows. (Engineering has been a staple field of education in the industrialised Latrobe Valley, and was the genesis of the Institute of Advanced Education, the foundation of the Gippsland campus.)

Some of the research on less favoured regions suggests that low levels of social capital may be addressed through the development of "voice-based mechanisms through which firms and public agencies can begin to interact locally so as to explore joint solutions to common problems" (Morgan and Nauwelaers 1999). The experiences of the two agencies in this area are enlightening concerning the complexity of such a task in Gippsland. GDL saw a role for itself in bringing together business representatives and the economic development officers of the 6 Gippsland shires and councils on a regular basis to facilitate the sharing of information and development of a regional perspective, a task described by one GDL officer as "no more difficult than filing horses' teeth". The meetings regarded by some as reducing the "parochial competition where we would fight over investment from the private sector and, to and extent, government" (Shire Economic Development Officer). Another commented: "It's not like it was in the old days, when they undermined each other and competed against each other", but did not credit GDL with having helped bring about change. Moreover, increased communication at the officer level did not translate into trust and reciprocity at the CEO and elected Councillor levels, where decisions regarding ongoing financial support for the regional development agency were made. Business representatives expressed concerns about networking activities and meetings as 'time wasters', and few retained active links with GDL for any length of time.

VEDA, with a board dominated by local business people, had more success in creating and maintaining private sector networks. VEDA was described as having a pivotal role in the revival of VegCo, a food processing company that had earlier been taken over by Edgell, then closed. Terra Timbers was also described as a success story for VEDA, which facilitated the formation of a network of several small sawmills, an accounting firm and representatives from the State government's Department of Natural Resources and Environment, the Timber Promotion Council and the Victorian Association of Forest Industries in 1998. The network developed into a trading entity, Terra Timbers, in 2000, and with Federal and later State funding assistance established a joint hardwood processing facility in Bairnsdale to process and value-add timber for domestic and international markets.

Interestingly, representatives from both agencies talked of the difficulty of engaging in economic development while simultaneously promoting the agency itself:

> *Once you start flogging the PR routine, banging the kerosene tin as it were, you get accused of being all style and no substance. (VEDA Board member)*

While the business of self-promotion was regarded by VEDA as a necessary evil, and difficult to achieve professionally on a limited budget, public

disapproval of the "big noters" at GDL probably reflects the Australian cultural dislike for 'tall poppies' and self-promotion. GDL was frequently accused of claiming the credit for the work of others, adding to resentment and competition from other organisations and development units which was counterproductive to trust, networking and information exchange among development practitioners, government agencies and business.

7. CONCLUSION

Regional development in Gippsland is proving to be at least partially dependant upon building institutional capital and developing a relational infrastructure for collective action based on trust, reciprocity and a willingness to collaborate to achieve common goals. The success of Gippsland's two regional development agencies in advancing these aims has been mixed, with evidenced levels of distrust expressed about both agencies suggestive of a cultural predisposition to pessimism and suspicion of outsiders and new ideas (Markusen 2000, 32). Development of social capital is perhaps more complex and culturally dependent than current theory suggests, and further empirical research measuring the nature and distribution of social capital in the Gippsland region would be worthwhile.

Storper's warnings that soft infrastructures like untraded interdependencies and conventions are often locally-specific relational assets and…difficult to transfer across geo-economic space are worth bearing in mind in relation to the contested 'region' of Gippsland. Like Wales, Gippsland bears a fragmented regional identity and clear cultural and economic subregions based around traditional timber, agricultural and mining activities; its communities recognise the barriers of distance and geography, such as the Strezlecki ranges, and retain localised allegiances to competing small towns and communities.

Morgan's challenges, regarding the development of a quality institutional framework within which to mediate information exchange and the creation of the capacity for collective action, have proven largely beyond the capacities of the region and the agencies included in this study. This research to date suggests a variety of complex and interlinking reasons centred around:

- a mismatch between public and political expectations, the size, structure, funding levels and skills base of the agencies and the activities undertaken;
- the absence of an appropriate regional governance authority with the political legitimacy to undertake regional development activities; and
- inappropriate cultural norms, sub-regional tribal affiliations and institutional lock-in which exclude important groups (women, small business, trade unions, and the educational sector) and reinforce cultural identities linked to geographical location and discrete industry sectors, resulting in high levels of distrust and competition among and between communities, businesses and government agencies.

Rainnie et al (2002) suggest that where regions are themselves "contradictory and conflictual social constructs there is difficulty in establishing a consensual notion of region and therefore an agreed regional development agenda (Rainnie and Paulet, 2002). Gippsland's existing "culture of command, hierarchy and dependency" is likely to be further entrenched by current trends toward re-centralisation of regional development programs and funding at the Federal and State government levels.

Underlying these investigations is the remaining question of whether or not New Regionalism is an "accurate representation of concrete reality" (Danson 2000) or a "justificatory myth, a powerful discourse which misrepresents reality and yet attains belief" (Bourdieu 1998). If, as Lovering asserts, New Regionalism is 'a poor framework through which to grasp the real connections between the regionalization of business and governance and the changing role of the state' (Lovering 1999, 391), the challenge for Australian academics and researchers may be to develop our own theoretical framework to address regional disparities and uncover the drivers of regional economies in the Australian context.

In answer to O'Neill's challenge for research "to make better sense of the ways institutions and institutionalism construct regional landscapes, and to be honest about the particular ways they are constructed, wary of uncritically adopting others' experiences as our own" (O'Neill, 2002), it is hoped that this exploration of Gippsland's experiences will contribute to expanded understanding regarding the challenges of regional development in Australia, and enable public and political commitment to the resources and opportunities needed to advance regions like Gippsland along the 'paths to prosperity' of sustainable community and economic development.

REFERENCES

Beer, A. and Maude, A. (2002) *Local and Regional Economic Development Agencies in Australia.* Local Government Association of South Australia.

Benneworth, P. (2001) *Regional Development Agencies: The Early Years.* Regional Studies Association: Seaford.

Bentley, G. and Gibney, J. (2000) *Regional Development Agencies and Business Change.* Aldershot: Ashgate.

Boland, P. and Lovering, J. (2000) Regional Development Agencies: the experience of Wales. In K. Morgan and C. Nauwelaers (eds.), *Regional Innovation Strategies: the Challenge for Less Favoured Regions.* The Stationery Office: Norwich.

Bourdieu, P. (1998) *Acts of Resistance.* Polity Press: Cambridge.

Brinton, M. (2000) Social capital in the Japanese youth labour market: labour market policy, schools and norms. *Policy Sciences*, 33 (3 & 4)

Brinton, M. and Lee, S. (1996) Elite education and social capital: the case of the Korean elite. *Sociology of Education*, 69 (3), pp. 177-192.

Brinton, M. and Kariya, T. (1998) Institutional embeddedness in Japanese labour markets. In M. Brinton and V. Nee (eds.), *The New Institutionalism in Sociology.* Russell Sage Foundation: New York.

Castells, M. (1998) *The Information Age Vol. 3: End of Millenium.* Blackwell: Cambridge MA.

Cooke, P. and Morgan, K. (1994) The creative milieu: a regional perspective on innovation. In M. Dodgson and R. Rothwell (eds), *The Handbook of Industrial Innovation,* Edward Elgar: Cheltenham UK.

Cooke, P and Morgan, K. (1998) *The Associational Economy: Firms, Regions and Innovation*. Oxford University Press: Oxford.

Cooke, P. (2001) Knowledge Economies, Globalisation and Generative Growth: Implications for Policy. Appendix 1, *State of the Regions 2001.* National Economics/Australian Local Government Association: Canberra.

Department of Premier and Cabinet, Government of Victoria (2002) *Development Boost for Rural and Regional Victoria*. Media Release, http://www.dpc.vic.gov.au/domino/web_notes/newmedia.nsf/4d9fa39283ff51 0d4a256

Department of Transport and Regional Services (DOTARS) (2003) *A Regional Profile, Gippsland Region, Victoria.* Commonwealth of Australia: Canberra.

Fuller, C., Bennett, R.J., and Ramsden, M. (2002) The Economic Development Role of English RDAs: The Need for Greater Discretionary Power. *Regional Studies,* 36 (4), pp. 421-443.

Garlick, S. (2000) *Engaging Universities and Regions.* DETYA: Canberra.

Geddes, M. (2000) Tackling Social Exclusion in the European Union. *International Journal of Urban and Regional Research*, 24.

Giunta, A., Lagendijk, A. and Pike, A. (2002) *Restructuring Industry and Territory: The Experience of Europe's Regions*. The Stationery Office: London.

Gomm, R. (2004) *Social Research Methodology: A Critical Introduction*. Palgrave Macmillan: Hampshire.

Halkier, H., Danson M. and Damborg, C. (eds) (1998) *Regional Development Agencies in Europe.* Jessica Kingsley/Regional Studies Association: London.

Hammersley, M. (1992) *What's Wrong With Ethnography?* Routledge: London.

Jones, A., Reddel, T. and Smyth, P. (2001). Local governance and social inclusion: towards an effective place policy framework. In T. Reddel (ed.) *Local Governance and Social Inclusion: Places and Policies*, Occasional Paper No. 3, University of Queensland.

Keating, M. (1997) *The Political Economy of Regionalism*. Cuss: London.

Landabaso, M. (1993) The European Community's Regional Development and Innovation: promoting 'Innovative Milieux', in Practice. *European Planning Studies*, 1 (3)

Lincoln, Y. and Denzin, N. (2000) *Handbook of Qualitative Research* (2nd Edition) Sage: Thousand Oaks.

Lovering, J. (1999) Theory led by policy: the inadequacies of the 'New Regionalism' (Illustrated from the case of Wales). *International Journal of Urban and Regional Research*, 23 (2), p.379.

Luaiufi, M. (1994) *How the Other Half Dies: The Deskilling Process; A Pacific Perspective*. Paper presented at the IFRESI Conference: Cities, Enterprises and Society at the Eve of the XXIst Century, Lille, France, March.

Lundvall, B.A. (1994) *The Learning Economy: Challenges to Economic Theory and Policy*, paper to the European Association of Evolutionary Political Economy Conference, Copenhagen, October.

Lynch, P. (1999) New Labour and the English Regional Development Agencies; Devolution as Evolution. *Regional Studies*, 33, pp. 73 – 78.

McKenna, M. and Roberge, R. (2001) Restructuring, Gender and Employment in Flux: a Geography of Regional Change in Cornwall, Ontario. *The Canadian Geographer*, 45 (2), pp. 223-236

McKinsey & Co. (1994) *Lead Local, Compete Global – Unlocking the Growth Potential of Australia's Regions*. McKinsey & Co: Sydney.

MacLeod, G. (2001) New Regionalism Reconsidered: Globalization and the Remaking of Political Economic Space. *International Journal of Urban and Regional Research*, 25 (4), pp. 804-829.

Markusen, A. (2002) Transforming Regional Economies: The Roles of Economic Structure, Developmental Activism and Regional Cultures. In Giunta et al, (eds.), *Restructuring Industry and Territory: The Experience of Europe's Regions*. The Stationery Office: London.

Monks, H. (1998) *The Management of Regional Economic Development Organisations with a Particular Emphasis on Funder Relationships*. Thesis submitted for the degree of Doctor of Philosophy at the University of New England, Armidale NSW.

Morgan, B., Brooksbank, D., and Connolly, M. (2000) The role of networking in the new political economy of regional development. *European Planning Studies,* 8 (3), pp. 319- 335.

Morgan, K. (1997) The learning region: institutions, innovation and regional renewal. *Regional Studies,* 31 (5), pp. 491-503.

Morgan, K. and Nauwelaers, C. (1999) *Regional Innovation Strategies: the Challenge for Less Favoured Regions*. The Stationery Office: Norwich.

Murphy, P.A., Pfister, N., and Wu, C.T. (1997) *Industry Cluster Strategies for Regional Economic Development.* Centre for Australian Regional and Enterprise Development (CARED), Southern Cross University: Lismore NSW.

National Economics/Australian Local Government Association (2001) *State of the Regions 2001*. Section 10.1. Regional knowledge-based economies: Australian case studies: Gippsland, pp. 78 – 86.

Organisation for Economic Co-operation and Development (OECD) (a) (2001) *Governance in the 21st Century*. OECD: Paris.

Organisation for Economic Co-operation and Development (OECD) (b) (2001) *Cities and Regions in the New Learning Economy.* OECD, Paris.

Organisation for Economic Co-operation and Development (OECD) (c) (2001) *Innovative Clusters: Drivers of national Innovation Systems.* OECD, Paris.

O'Neill, P. (2002) *Institutions, institutional behaviours and the regional economic landscape.* Paper delivered at the Monash University Institute for Regional Studies Conference, 25 – 26 November 2002, Churchill Victoria.

Patton, M. (1990) *Qualitative Evaluation and Research Methods*. Sage Publications: Newbury Park CA.

Porter, M.E. (1990) The competitive advantage of nations. *Harvard Business Review* (2), pp.73-85.

Rainnie, A. (2002) *Learning Regions, Agglomeration and Regional Development: Implications for Gippsland*. Paper presented at 'Innovation and Regional Development: Competing for the Future' Conference, University of Ballarat, August.

Rainnie, A and Paulet, R. (2002) *Place Matters*. Working paper, IRVic, DIIRD: Melbourne.

Reddel, T. (2001) (ed.) *Local Governance and Social Inclusion: Places and Policies*. School of Social Work and Social Policy: University of Queensland.

Rees, T. (2000) The learning region? Integrating gender equality into regional economic development. *Policy & Politics* 28 (2), pp. 179-191.

Sabel, C. (1989) Flexible specialisation and the re-emergence of regional economies. In A. Amin (ed.), *Post-Fordism: a Reader,* Blackwell: Oxford.

Sabel, C. (2001) A Quiet Revolution of Democratic Governance: Towards Democratic Experimentalism. In *Governance in the 21st Century,* OECD: Paris.

Sander, T. and Putnam, R. (1999) Rebuilding the stock of social capital. *School Adminstrator,* 56 (8), pp. 28-36.

Saxenian, A. (1994) *Regional Advantage*. Harvard University Press: Cambridge, M.A.

Scott, A. J. (1988) *New Industrial Spaces*. Pion: London.

Schutt, J. (1999) New Regional Development agencies in England: Wicked Issues. In K. Morgan and C. Nauwelaers (eds), *Regional Innovation Strategies: the Challenge for Less Favoured Regions*. The Stationery Office: Norwich.

Smith, D.E. (2002) Institutional ethnography. In T. May (ed) *Qualitative Research in Action*, Sage: London

Stone, W. and Hughes, J. (2001) *Sustaining Communities: An Empirical Investigation of Social Capital in Regional Australia*. Paper presented at SEGRA 2001 Fifth National Conference, Townsville, September.

Storper, M. (1999) The resurgence of regional economics: ten years later. In T.J Barnes and M.S. Getler (eds.), *The New Industrial Geography: Regions, Regulations and Institutions*. Routledge: London.

Storper, M. (1992) The limits to globalization: technology, districts and international trade. *Economic Geography*, 68, pp. 60-93.

Syrett, S. and Silva, C.N. (2000) Regional Development Agencies in Portugal: Recent Developments and Future Challenges. *Regional Studies*, 34 (1), pp. 174-180.

Taskforce on Regional Development (1993) *Developing Australia: A Regional Perspective. Report to the Federal Government*. Canberra.

Van Maanen, J. (2002) The fact of fiction in organizational ethnography. In A. Michael Huberman and Matthew B. Miles (eds.), *The Qualitative Researcher's Companion*. Sage: Thousand Oaks.

Victorian Eastern Development Association Inc. (2001) *Brief Profile/Membership Form*

Ward, N., Lowe, P. and Bridges, T. (2003) Rural and Regional Development: The Role of the Regional Development Agencies in England. *Regional Studies*, 37 (2), pp. 201-214.

Webb, D and Collis, C. (2000) Regional development agencies and the 'New Regionalism' in England. *Regional Studies*, 34 (9), pp. 857-864.

Wheeler, S. (2002) The New Regionalism: Key Characteristics of an Emerging Movement. *Journal of the American Planning Association*, 68 (3), pp.267-278.

APPENDIX. GIPPSLAND SOCIAL AND ECONOMIC INDICATORS

Gippsland is a region of approximately 40,000 square kilometres, stretching from the New South Wales border in the east of Victoria through to the fringe of the south eastern suburbs of Melbourne. Geographic and tourism features include extensive forests, mountainous areas (ski fields), inland lakes in the Lakes Entrance area and scenic coastal areas including Wilsons Promontory and Phillip Island (surfing). The LGAs that make up the region are East Gippsland, Wellington, Latrobe (City), South Gippsland, Baw Baw, and Bass Coast Shires.

Population

2001 estimate 212,021, about 16% of Victoria's non-metropolitan population and 4.4% of Victoria's total population. Based on current birth, death and migration trends it is projected that the region's population will steadily decline, falling below the 200,000 mark by 2016.

Major Regional Centres (2001)

Traralgon 19,614; Moe/Yallourn 15,387; Morwell 13,527; Sale 13,885; Bairnsdale 10,772; Warragul/Drouin 16,212.

Major Industry Sectors

Electricity generation, forestry, pulp and paper, oil and gas production, engineering, dairy and general agriculture, fishing, tourism, education. The region features brown coal (Latrobe Valley), oil and gas reserves (Bass Strait), and supplies around 90% of Victoria's electricity and 97% of Victoria's natural gas. Gippsland hosts Victoria's largest fishing fleet and is one of Victoria's most productive dairy districts.

Economic Activity

There were over 14,000 business locations in the Gippsland region at September 1998, of which 5,520 were in the agriculture sector, 1,785 in retail trade and 1,070 in property and business services. 81 business locations employed 100 or more persons – 23 were retail, 13 were manufacturing and 12 in the health/community services sector. The retail trade sector is the largest employer (15.5% in 2001), followed by agriculture/forestry/fishing 11.9% and health/community services 10.3%. Industries showing the greatest rate of increase in employment are cultural/recreational services (up 31.2% between 1996 and 2001), health/community services and transport and storage (up 20.3%).

Manufacturing is an important sector. Manufacturing turnover was estimated at $1.55b in 1996-97. The main activities include food processing, particularly dairy processing and sawmilling.

Agricultural production was valued at $792m in 2001-02. Gippsland's agricultural activity is primarily livestock-based. It is one of Australia's top three dairying regions, producing around 15% of the nation's milk, and also has an important beef cattle industry.

Tourism is a significant source of activity. During 2001-02 there were around 2.4 million domestic visitors to the region who spent an estimated $860m.

Skills Base

Qualification levels in Gippsland have risen substantially in the past 15 years but the region's population is still poorly qualified relative to Victorian State averages. Gippsland has almost 11 percent fewer people with a bachelor degree and 13 percent more people with skilled vocational qualifications. Gippsland has relatively few workers involved in knowledge based industries and high proportions of low skilled and routine workers. The National Economics *Your Place* database estimates only 13.4 percent of workers in Gippsland are employed as 'symbolic analyst' or knowledge workers, in comparison with other resource-based regions like North West Queensland (15.4 percent) and inner metropolitan Melbourne (35 percent).

Gippsland was the only region in Australia to record negative growth during the 1990's. The Productivity Commission inquiry into the impact of competition policy on rural and regional Australia recorded a drop of 2.8 percent in gross regional product across Gippsland between 1991 and 1998. (The Hunter region in New South Wales, in comparison, had annual growth of 4.0 percent in gross regional product during the same period.) They also estimated that reform-related net loss of employment in Gippsland was 8.5 percent, almost three times greater than employment losses in the second most affected region. Employment in power generation has declined from over 6,000 in 1991 to around 2,000 in 2001. Other sources estimate the effective unemployment rate in the region at around 16.2 percent in 2000 (National Economics, 2000). This is in comparison to male unemployment rates in the early 1980's of 2.5 percent, and provision of a special allocation of $7 million in 1980 by the Victorian government to meet housing needs generated by the Loy Yang power project. See Table 2.

Table 2. Unemployment Rates, Youth and Total. Annual Averages, Gippsland Statistical Region (a) and Victoria. 1993-4 to 2001-2 (b).

	1993/4	1994/5	1995/6	1996/7	1997/8	1998/9	1999/0	2001/2	2002/3
Gippsland									
Persons aged 15-24	22.5	19.7	17.9	19.1	17.4	18.5	19.3	14.6	14.4
Persons aged 15 and over	15.3	10.1	9.0	11.3	11.6	11.0	10.4	8.7	7.7
Victoria									
Persons aged 15-24	19.7	16.7	15.3	15.5	16.2	13.9	12.8	12.2	12.4
Persons aged 15 and over	11.4	9.3	8.4	8.8	8.2	7.4	6.6	6.0	6.3

(a) Gippsland Statistical Region also includes the SLAs of Baw-Baw (S)-Part B West, Yarra Ranges (S)-Part B, French Island and Bass Strait Islands in addition to other SLAs in the Gippsland Region.

(b) Source. Dotars (2003) A Regional Profile, Gippsland Region, Victoria. From ABS Labour Survey data available on request.

The major contributing factor to change has been the privatisation of the electricity generation industry. Other factors have been the amalgamation of local government, rationalisation of government services including health, education and transport, declining investment in the timber industry and the relocation of Esso's Australian head office from Sale to Melbourne. The net result has been: unemployment in the Latrobe Valley of 15 to 18 percent for seven years, population decline (the only Victorian region to experience this during 1991 – 1996), moving from being the second-highest household income region at the start of the 1990's to that of third lowest by 1996, and Victoria's second lowest school retention rates. (Taking Gippsland to the World: Stage 1 of the Gippsland Clusters Project, 2001).