

## **WHEN POLITICS MEETS ECONOMIC COMPLEXITY: DOING THINGS DIFFERENTLY IN THE GIPPSLAND REGION, AUSTRALIA**

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**ABSTRACT:** Regional change and development is contested. The established approaches to social and economic change rely on either state intervention or a celebration of competition and markets, although often a messy combination. An alternative approach addresses political relations (who decides what and how) with socio-economic developmental proposals. This latter approach distinguishes between the foundational dimensions of a regional economy and the competitive aspects and initiatives. It also draws a contrast between patterns of change, focusing on the immediate (transitional) and the more long-term (transformational). The challenge is to exercise inclusive regional governance in relation to the opportunities and barriers to social and economic change. These themes are addressed in relation to the shift from a carbon-based economy to a less carbon reliant regional community, in Gippsland, the State of Victoria, Australia.

**KEY WORDS:** Regions, governance, socio-economic relations, carbon.

### **1. INTRODUCTION**

Over the last three decades, many state functions have been refocused upwards towards international institutions and downwards to sub-national state levels, including regional levels of governance (Clarkson, 2001, p. 504). This restructuring towards the multi-level state draws attention to the ways regional policy decision-makers frame their proposals to deal with regional upheaval, for example mass redundancy. Such developments have stimulated a concern with the processes of inclusiveness and consultation in the development and implementation of regional policy (Eversole, 2016). The challenge is that much research shows that policy formulation and implementation is the province of governments, often in conjunction with local political elites (e.g. Pape *et al.*, 2016). Drawing on recent research about the composition of economies, especially in relation to employment (see Bentham *et al.*,

2013), the argument is developed here that policy formulation needs to take into account the key assets that define regional economies. The question is who should do this and how?

There are six sections to the analysis. Following this introduction a brief review of selected debates is presented in section 2. This is followed in the third section by an account of the method and approach. In section four, details of the region are presented. Section five comprises an account of the politics of social and economic change with reference to the Gippsland region in Victoria (Australia) and the Latrobe Valley sub-region, the focus of recent mass closure. Section six provides an assessment of the case and is followed by a brief conclusion.

## **2. DEBATES**

In Australia, the dominant regional policy agenda involves state intervention to support market-based ends (Thomas *et al.*, 2008). Nevertheless, compared with other countries, particularly those in the EU, the scale of state intervention by Australian governments (with the exception of the Whitlam period of 1972-1975) has been limited (Collits, 2015). Nonetheless, it is important to note that regional socio-economic activity is usually part of wider socio-economic frameworks in relation to supply, processing and consumption of goods and services. One recent suggestion is for policy formulators to recognise that choices must be made between identifying 'favoured' sectors and the foundational economy (see Bowman *et al.*, 2013 and Bentham *et al.*, 2013). The former involves sectors such as advanced manufacturing, digital media or green technology and the emphasis is likely to be on securing inward investment and commitment often from externally based capital. In contrast, the latter, comprises the embedded (or sunk) resources and assets that define the economic distinctiveness of a region, that which meets the everyday needs of the regional society (Bentham *et al.*, 2013). The task facing regional actors is to identify the elements of the foundational economy, and deliver them in a way that enables a managed recovery in previously neglected and faltering regions. This focus is a form of experimentation, which does not rest on competition and markets; it builds on the specific constellation of assets in the region.

The proposition that underpins the analysis presented here is that the focus on the foundational economy enables policy makers and regional social actors to develop a vision of possible regional futures that is more than aspirational, the refuge of multiple reports and proposals over the

years. It also implies that there is an understanding of what is meant by region both spatially and over time (see Allen and Cochrane, 2007). Three considerations inform the analysis. First, institutional arrangements and the policy discourse in relation to sub-national 'region' are important. In the Australian political discourse, the construction and deployment of 'region' as a concept is ambiguously constructed in relation to national, state and local government arrangements. Second, the spatial definition of a 'region' can be deployed by local social actors strategically or instrumentally to advance particular material interests, such as a claim for state support (MacKinnon, 2011). Third, there are territorial and relational dimensions to the idea of 'region' that must be considered (Goodwin, 2012). Territory refers to spatiality, while the relational dimension addresses their connectivity (Goodwin, 2012:, p. 1182).

Increasingly, there has been an emphasis on place-based leadership, in the form of 'purposive agency' in relation to the achievement of regional development (Sotarauta, 2014; Beer and Clower, 2014; Sotarauta and Beer, 2017). A recent contribution shows how specific regional conditions and circumstances include common and distinct challenges but also evidence of localised economic innovation and community organisation (Eversole, 2016). Of note, this line of enquiry draws attention to the place of networks in the process of leadership articulation (Eversole and McCall, 2014). The value of networks is that they may provide a means for stimulating and locating place-based leadership (implied in Sotarauta, 2014). Indeed, Eversole and McCall (2014) demonstrate how steps were taken in the Cradle Coast region of Tasmania (Australia) to create regional innovation platforms (networks) to bring selected regional actors together to achieve regional development outcomes. The obverse is that fragmented and stunted networks between regional actors and a lack of coordination and strategic leadership, often result in multiple plans and programs and limited achievements. This central point draws attention to regional political complexity, based on coalitions of interests exercising purposeful leadership. These themes are taken up in analysis, pointing in particular to the challenges facing policy makers, and regional place-based actors.

### **3. APPROACH AND METHOD**

The review and analysis presented here is based on a decade of research focussed on Gippsland. This includes three Australian Research Council (ARC) awards, three government funded studies (<https://www.rmit.edu.au/research/research-institutes-centres-and-groups/>

[research-centres/centre-for-people-organisation-and-work/projects](#)), and ongoing engagement in Gippsland focusing on social and economic change.

Over the last decade more than 120 policy and related reports have defined the social and economic profile of Gippsland, and the sectors that comprise the local economy (Tyler *et al.*, 2012). With this reference, the analysis is informed by a recent event titled ‘Transition and Transformation Working Conference’, held at Federation University (Gippsland campus) on 29th November 2016. The event was organised by the Centre of People, Organisation and Work (CPOW), RMIT University and the Gippsland Trades and Labour Council (GTLC), and financed by Regional Development Victoria. This provided the occasion for over fifty key leaders and commentators on the Gippsland trajectory to reflect and engage in debate and discussion about the prospects for the Gippsland region (CPOW, 2017). Many had contributed and on occasion drafted earlier reports.

#### **4. THE REGION**

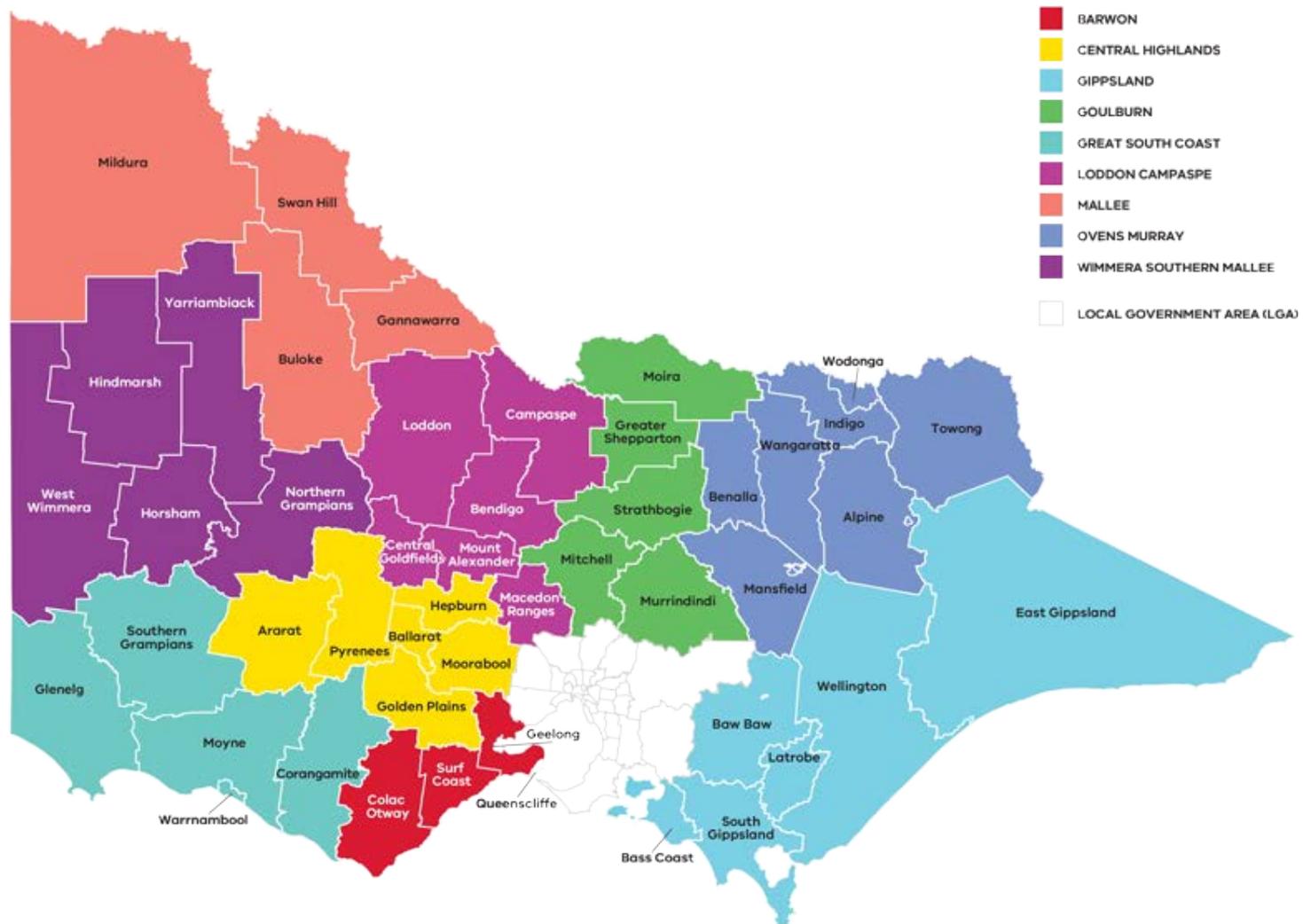
The Gippsland region is spatially defined by the sea to the south, the mountains to the north and the east, and the metropolitan area of Melbourne in the west, the major conduit in and out of Gippsland. Until 2001, it comprised seven local councils and subsequently six: Bass Coast, Baw Baw, East Gippsland, Latrobe City, South Gippsland and Wellington. The seventh was the then most western council, Cardinia, which elected to join the south-east Melbourne region. Thus, the Gippsland region is a shifting entity, defined by council boundaries, and so demarcated for economic development purposes (see Figure 1). The total population of the Gippsland region in 2016 was 266 020 (ABS, 2016) and the economy was based principally on four major resources: coal, oil and gas, forestry and agriculture (Fairbrother *et al.*, 2012b). Much public attention has been given to the place of coal in the regional economy (Fairbrother *et al.*, 2012b).

For much of the twentieth century, the Latrobe Valley sub-region economy was defined in relation to mining and energy, and with reference to the dominance of the State Electricity Commission of Victoria (SECV). This Authority was established in 1921 (although dating back to 1918) to exploit the lignite resources in the Latrobe Valley and ending the reliance of Victoria on imported fuel (<http://www.secv.vic.gov.au/history/>). The SECV was the single major

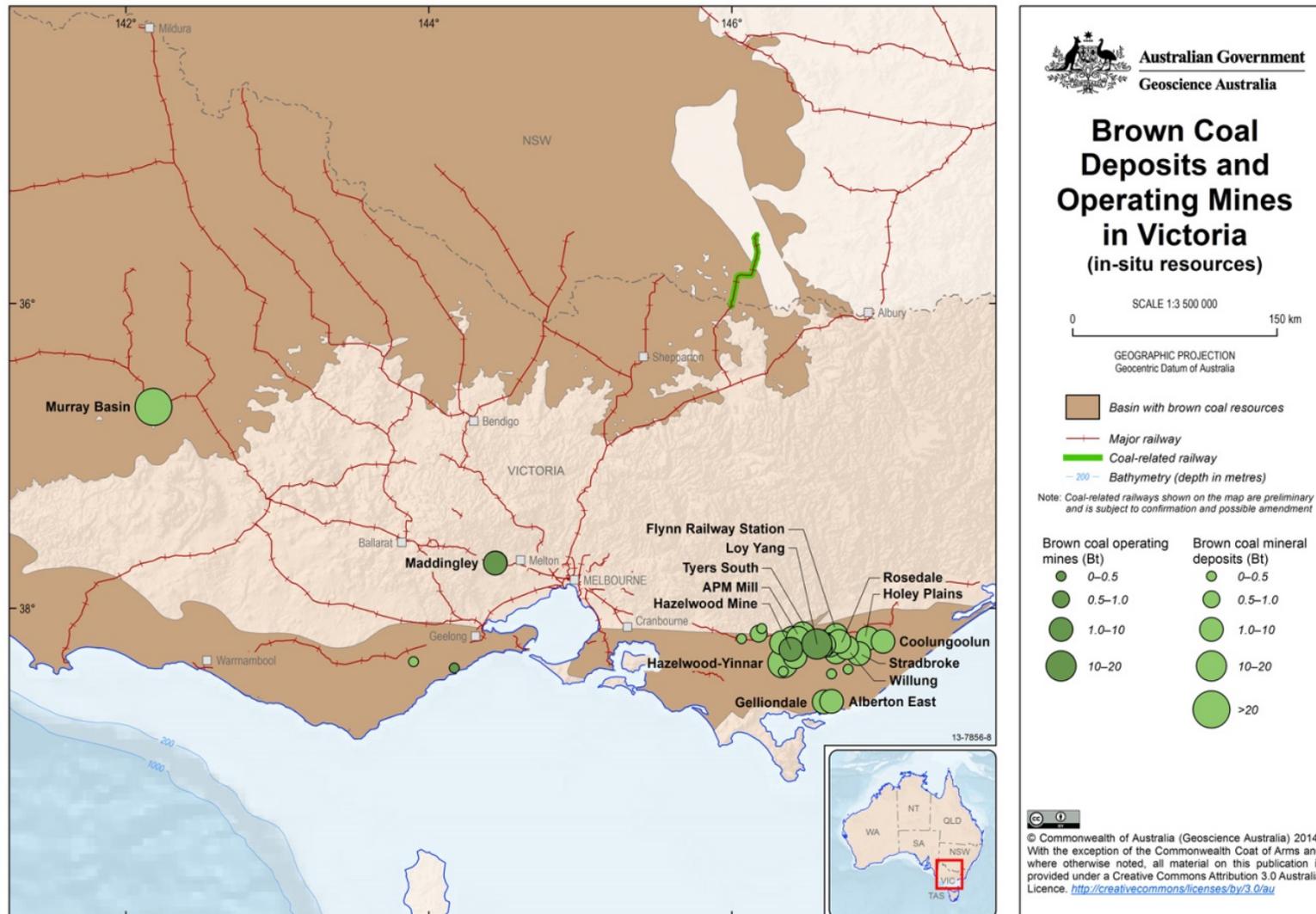
employer in the region and was the focus of union organisation and activity for much of its post-war history.

Following the restructuring of the industry in the early 1990s, and the subsequent privatisation of the generating companies, the form and pattern of industrial relations in the area was transformed. The former unitary managerial arrangements under the SECV were broken, with each generating plant and associated mine becoming a separate company, setting their own terms and conditions of employment, at least formally. The unions in the area faced not only the break-up of the industry but also falling membership and a demoralised and increasingly impoverished community (Fairbrother and Testi, 2002). In these circumstances the relative stability and routinisation of industrial relations practice collapsed. Nonetheless, the reputation of the area as a site of militant industrial unionism persisted. This image became part of a negative rhetoric about the sub-region, often used in instrumental and exaggerated ways (Weller, 2012).

Following the privatisation of the industry, working arrangements were increasingly distinguished by direct and indirect employment. A dual labour market characterised the industry, between a core of relatively well-paid employees and a much more insecure and lower paid periphery, providing support services, including maintenance and related work. Moreover, the coal-fired generators became an object of political concern in the context of divisive and troubled national politics about climate change. These matters came to a head in the late 2000s and 2010's with proposals to negotiate closure and the gradual realisation that the mining and energy business models were beginning to fail. These contested assets are located at the heart of the Gippsland region, and usually defined as the Latrobe Valley sub-region (see Figure 2). Against this background, there has been anxiety about the future of the region, about the transition process and possible outcomes, including potentially adverse social and economic effects.



**Figure 1.** Gippsland Local Government Areas, Victoria 2017. Source: State of Victoria (Regional Development Victoria), <http://www.rdv.vic.gov.au/regional-partnerships/gippsland>. Online Version accessed 15 September 2017.



**Figure 2.** Gippsland Region, 2000. Source: Commonwealth of Australia (Geoscience Australia), <https://goo.gl/UM54yG>. Online version accessed 15 September 2017

## **5. UNDERSTANDING REGIONAL POLITICS AND THE REGIONAL ECONOMY**

Regional governance is both an ambiguous and a debated concept. These debates can be distilled into questions relating to the multidimensionality of a region (Jessop *et al.*, 2008), often developed in relation to territoriality, scalarity and network-connectedness (MacLeod and Jones, 2007; see also Goodwin, 2012; Morgan, 2014). To clarify these relations attention must be given to the modern state, its form and impact. The proposition is that the modern liberal democratic state has transformed into a multi-level state, a state where governmental functions are deployed over a range of institutional levels (municipal, regional, provincial and national) in this case to underwrite and comprise regional governance (Clarkson, 2001). In the argument presented here, the focus is firstly on the ways in which territorial and topological perspectives can be deployed to analyse internal relations within a 'region' (*cf.* MacLeod and Jones, 2007, p. 1185) and secondly on the relational processes of scalar structuration (MacLeod and Jones, 2007, p. 1186). Thus to assess how regional governance matters for social and economic change, it is first of all necessary to consider regional governance.

### ***Regional Governance***

One state level is defined by the six Gippsland councils. Formally, the six councils cooperate via the Gippsland Local Government Network (GLGN). Established in 1998, the network undertakes planning (economic growth, well-being and sustainable practices) and advocacy. With its founding and the appointment of an Executive Officer in 2001, the GLGN has been a vehicle for promoting coordination between the six LGAs, particularly via the Chief Executive Officers of each LGA. While an important development, the network derives its responsibilities from the constituent LGAs and has limited responsibility and authority.

Within the Gippsland region, a sub-regional state level is in place. First, the Latrobe Valley sub-region (as defined by the Commonwealth and Victorian State governments in 2011) comprised of three local councils - Baw Baw, Latrobe City, and Wellington. Second, in 2017, a new designation emerged, namely Inner Gippsland, comprising the three councils that made up the Latrobe Valley region, with the addition of South Gippsland, an area more or less spatially part of the former sub-

region. In both cases, these designations were not accompanied by formal and public institutional cooperation.

Overlaying these regional bodies, another state level comprises the State of Victoria and the Commonwealth of Australia (including departments and related administrative and support services in each layer) provided both resources and direction. This took the form of department and statutory agency engagement in and with the region's municipalities, associations and related bodies, as well as with individual notables, such as prominent employers and professionals. In relation to mass closure and employment futures, the main State Departments were the Department of Economic Development, Jobs, Transport and Resources (DEDJTR), the Department of Education and Training and the Department of Health and Human Services. Within the DEDJTR, three areas were especially relevant: agriculture, industry and employment and regional development. At a Commonwealth level, the Department of Infrastructure and Regional Development and Department of Education and Training had active roles in the region.

Of note, the Department of Premier and Cabinet established the Latrobe Valley Authority on the 3<sup>rd</sup> of November 2016 at the time of the announcement of the closure of a major coal generator, Hazelwood, owned by the French multi-national Engie. Established by the Latrobe Valley Cabinet Taskforce, chaired by the Premier, the Authority administers a \$22 million support package and has established a Worker Transition Centre in partnership with the GTLC (proposals developed by the GTLC over the preceding 18 months, involving RMIT University – see CPOW, 2017), provided and enabled education, counselling and financial advice, as well as subsidised training for displaced workers, provided business support to expand job opportunities and to develop transition plans and expanded the established 'Back to Work' employer support scheme to employ retrenched workers.

While State and Commonwealth governments have acknowledged a degree of responsibility for regional development outcomes, the public emphasis has been on fostering empowered local-level institutions. No single entity, however, appears to have the support, legitimacy or authority to represent Gippsland, and to be the single voice for the economic and social development in the region.

Over the last decade, many reports have identified social and economic opportunities, for example the '*Gippsland Regional Plan*' (Local Government Network, Regional Development Australia, Committee for Gippsland, Regional Management Forum, GRP Leadership Group, 2015) and the '*The Latrobe Valley Industry and Employment Roadmap*'

(Regional Development Victoria, 2012). These proposals involve the state in multi-layered ways, often reflecting sets of interests, for example the State agencies, such as Regional Development Australia and Regional Development Victoria, working with one or more of the advocacy groups that have operated in the region. Examples of such advocacy groups include the *Committee for Gippsland (C4G)* (established in March 2011, it is a relatively well-funded lobby group for business interests and major public bodies and in 2017 comprised of 83 members covering industry, business and community organisations); *Agribusiness Gippsland* established in 1997 to build agribusiness networks, identify and promote key development matters and work with others to achieve these objectives at all points in the agribusiness chain; and the *East Gippsland Food Cluster*. Operating since April 2011, this cluster comprised over 40 members from the sub-region of East Gippsland, drawn from the food industry. Often via project work and report writing these groups sought to promote the interests and concerns of its members.

When considering the features of regional governance, it is also necessary to take into account a range of other advocacy groups, some place-based and focused and others with broader arrangements and concerns. An example of the former is *Voices of the Valley*, formed in 2014, in the wake of a 45-day mine fire in the Latrobe Valley sub-region to advocate for the local community. The *Gippsland Climate Change Network* is an example of the latter, incorporated in 2007, with approximately 50 membership organisations, including government departments and agencies, private businesses, community groups and other organisations, covering the six local government areas across the greater Gippsland region. It seeks to provide information, consultation and facilitation to enable action on climate change, whilst also providing a voice for Gippsland on climate change issues.

An emerging community focused voice over the last decade has been the Gippsland Trades and Labour Council (GTLC). This confederation had a long history, with an emergent role in the 2000s as a voice of workers and their households across the region. Prior to 1983, the GTLC was the Central Gippsland Trades and Labour Council, principally representing SECV workers. In the late 1970s and early 1980s it began to co-ordinate inter-union industrial action within the SECV and the wider community (see Benson, 1991, p. 98). With privatisation of the SECV in the 1990s, the GTLC went into a near fatal decline. Nonetheless, in the early 2000s, a small group of union activists re-established the confederation. This local union leadership came from the energy

generators, manufacturing (such as a large paper mill), transport, education and other sectors in the area.

In 2016, the confederation had 24 affiliated unions, with around 12 000 members. Over the 2000s, the leadership developed a community focus, with the confederation taking a lead role in promoting a sustainable development narrative for the region. The GTLC organized a series of awareness and policy events to publicise and draw attention to the continued problem of uncertainty for the region in a carbon-constrained world. For much of this period, the GTLC saw its role as promoting sustainable alternative jobs while arguing for the maintenance and expansion of jobs *per se* in the area. It argued for the diversification of the regional economy through new types of investment and sustainable regional development policy (Parker, 2009; see also Weller *et al.*, 2011, p. 31). Nonetheless, in late 2016, there was debate between unions and within the GTLC about the direction of the confederation. With a change of leadership, the focus shifted exclusively to the short-term, in relation to job protection within the energy and mining sector and job transfer to like jobs outside the industry. Despite this limited vision, and the tensions within the union movement, the GTLC remained an important regional actor.

Hence, a multi-layered state intersects with social actors in the Gippsland region. Many of these groups have formed themselves into active associations, based on the principles of collective organisation, in different arrangements and to varied degrees in relation to representation and accountability. Moreover, the coverage varies, within Gippsland and across the region, with a number confined to the Latrobe Valley sub-region. Such organisations connect with the state agencies that make up regional governance in a range of *ad hoc* and uneven ways, illustrated by the following two examples.

First, the establishment of a Worker Transition Centre was four years in gestation. Initially such a centre was mentioned as a possibility, with reference to successes internationally (Fairbrother *et al.*, 2012a). This proposal was presented first in a report about the impact of projected closure of at least one coal-fired generator in the Latrobe Valley coal field (Fairbrother *et al.*, 2012a: Recommendations 4 and 10 and for a broader context see Fairbrother *et al.*, 2012b). Over the next three years, as the GTLC anticipated the possibility of closure of at least one coal-fired generator. It reached out into the region to forge links with other major social actors (illustrated by membership of the Latrobe Valley Transition Committee and co-sponsorship of a range of political awareness workshops with Latrobe City Council). The GTLC became a

notable contributor to the narrative on social and economic transition. Nonetheless, with the announcement of closure of the Hazelwood power station in November 2016, the GTLC turned away from its own history.

Second, Agribusiness Gippsland has long advocated for and with the agricultural interests in the region. Over the last decade, the association has become a major promoter of the food and fibre sector, advocating policy initiatives, providing education and awareness programmes, sponsoring field days and organising conferences and other forms of engagement. Agribusiness leaders joined with other regional actors to develop views of the ways social and economic change could take place. Such an approach is illustrated in April 2012 by its sponsorship, along with the GTLC, Latrobe City, Regional Growth Fund, AusIndustry, State Government of Victoria, RMIT University and Monash University, of a two day conference titled 'Gippsland Industries in Transition: Future business, investment and employment opportunities'. The GTLC was also partner to the 'Transition and Transformation' Working Conference in November 2016 (CPOW, 2017, pp. 15-17). The association also has played leading roles in partnership with State agencies and the local university (Federation University), promoting the establishment of a Technical College and a Hi-Technology Precinct within the region. In furtherance of these objectives the association is also a partner in a major research innovation initiative titled Cooperative Research Centre: Food Agility (<http://www.foodagility.com/>).

More broadly, numerous government entities, interest groups, coalitions and sectors are active in the Latrobe Valley and Gippsland more broadly, each with their own agenda. Many of these organisations press their own sectoral interests, paradoxically often to their own detriment because their concerns are too specific and narrowly focused to warrant support. Nonetheless, while pockets of cooperation have existed for some time, there were also contentious areas of overlap and divergence, often reflecting the different interests at play (Pape *et al.*, 2016).

### ***Regional Economy***

As indicated, governance in Gippsland is multi-layered and multi-interest. These features mean that there are likely to be a range of perspectives on social and economic transition. Different sets of social actors are likely to express specific socio-spatial interests which if implemented will result in varied forms of regulation in relation to these spatial dimensions (Jessop, 1997). Such processes may involve a

recombination and rescaling of governance to engage and include different sets of actors.

In the context of climate change and transition to low carbon arrangements, the challenge is to develop a series of inter-linked steps in relation to both immediate transition and long-term transformation. In this instance transition refers to the immediate and developing situation of mass closure to a circumstance where all involved, workers, households, retailers, related businesses and others, have their futures addressed in achievable ways; transformation refers to robust and sustainable long-term change and development. Achieving viable outcomes for the locality requires engaged, inclusive and reflexive ways of proceeding. The difficulties of climate change are acute and immediate, because of the reliance on brown coal fired generators to supply the energy needs of the State.

The anticipated closure of all four brown coal generated power stations in the Latrobe Valley over the next fifty years has prompted discussions about strengthening other areas of economic growth in the region, such as agribusiness and the service sectors. The Committee for Gippsland (2016), estimated that the closure of coal-generated power plants in the region would cost over 3 000 jobs, with an extrapolated figure of over 7 000 people potentially relocating out of the Latrobe Valley and other parts of Victoria. Given that the coal-mining energy sector has been a key economic strength in the region for over a century, the closure of these plants was expected to adversely affect other key industries operating in Gippsland.

The push to transition from, carbon intensive to environmentally-sustainable forms of energy, increased the focus on other key industries in the region, such as agriculture, manufacturing and the service sector. Although coal was a main natural resource in the region (another was the often-unacknowledged food and fibre area), an additional neglected resource was the social base of household demand in the foundational economy; in other words, the demand for essential goods and services (Bowman *et al.*, 2013).

In these circumstances, the challenge is to define a future for workers and their households. Of consequence, workforce deployment and the contribution to the regional gross product, seven key industries have been identified (see Table 1). The data suggests caution and care about promoting economic growth and development in relation to value of a sector and employment prospects in the region. Even so, in practice and by default, the state and the key regional actors tend to promote a foundationally-based economic transition. As proposed, this aspect of an

economy was embedded (regional resources), critical to the place based community (education, health, housing) and thereby the means of everyday life (Bentham *et al.*, 2013 and Bowman *et al.*, 2013). It is in this context that the state at multiple levels has commissioned reports about the current state of the region, and in particular the Latrobe Valley sub-region, with evidence-based speculations about possible futures. In the main, these considerations involve an implicit distinction between local and external resources.

**Table 1.** Economic sectors, gross product and employees, 2016.

Sector	Contribution to Gross Product (2014 - \$m)	Number of employees by industry (2011)*
Health, Aged Care and Community Services	746.40 / 6%	12 158 / 13%
Retail	629.00 / 5%	11 220 / 12%
Agribusiness, Timber and Forestry	1 555.00 / 13%	7 992 / 9%
Building and Construction	715.10 / 6%	8 396 / 9%
Hospitality and Tourism	404.30 / 3%	6 926 / 7%
Advanced Manufacturing	276.80 / 2%	2 625 / 3%
Energy and Mining	3 338.00 / 28%	1 219 / 1%
Other Industries	4 254 / 36%	42 486 / 46%
Gippsland	11 864.00	93 022**

Notes: \* The industry totals are direct employees and do not include Tier 1 – 4 employees. \*\* 30 per cent of this total (27 149 employees) are in the following industries: Utilities, Transport, Professional Services, Public Administration, Education and 'Other'. Source: Adapted from KPMG (2016).

Industries that were anticipated to grow in the next three decades include health, aged care and community services, retail, hospitality and tourism and building and construction (KPMG, 2016). Growth in the healthcare sector has been significant and was expected to account for 30 per cent of the regional industry output by 2031 (One Gippsland, 2015; KPMG, 2016). The Committee for Gippsland (2016) for example recommended the development of a new hospital in Baw Baw shire, which would cater for the anticipated population growth in the Latrobe

Valley region. Education and training in areas such as agribusiness and healthcare thus are presented as key priorities in reports on economic growth in the region. Despite experiencing declines in both training and employment, the industries that currently contributed most to economic output were manufacturing, forestry and fishing, construction, mining, agribusiness, and electricity, gas and water.

The region also has some capacity to attract mobile resources. Established energy and mining industries have created a relatively large and skilled workforce, with the capacity to transfer jobs, depending on the inward investment (exemplified by the aspiration of Latrobe City to become the 'engineering capital of Australia' – Engineers Australia, 2016). There will be further possibilities with a university-based technological park (Victoria State Government, 2016). Without major incentives, the mobile investment in IT, bio-technology and finance, is unlikely to come to Gippsland in quantities that would generate volume employment.

## 6. ASSESSMENT

This account highlights the importance of an open, inclusive and participative form of governance. First, research has often highlighted the role of the state in combination with politically and economically dominant interest groups, generating an account of regional development that emphasizes the interaction between state and market forces (Pape *et al.*, 2016). Often it is unclear how a broader range of actors, with diverse interests could be included in these processes, how they could play a part in regional decision-making and policy formation. Nonetheless, as indicated, such steps have tentatively taken place involving a range of actors exercising purposeful leadership. The task facing decision-makers in relation to Gippsland is to promote such procedures with active and engaged actors, who have an interest in working in an engaged way to secure transition.

Second, often by a process of serendipity, those who address the prospects of transition end up emphasising the foundational aspects of an economy. This is a process of recovering and defining the spatial bases of an economy; those aspects that define the region in the long-term. In other words, by framing the economy in this way a set of relations and practices are made visible, which tend to be overlooked when the emphasis is on competition and the market.

Third, the diversity and disparity of interest could be brought together via inclusive governance capacity building. It would be necessary to set up community conversations to see how positions could be aligned and where they could begin to work. Of course, as illustrated, such steps were taken by the GTLC, Agribusiness Gippsland and Latrobe City for a number of years. Although faced with sudden mass closure the *de facto* partnerships collapsed. In this situation, policy intervention can become a blunt instrument, with a raft of seemingly disconnected and reactive initiatives rather than a comprehensive planned focus on specific strengths within the regional economy. It can also lead to the advocacy of narrowly focused interests (one group of workers in one industry) rather than broader considerations of a community at risk, and a community with diverse concerns.

This restructuring towards the multi-level state draws attention to the ways regional policy decision-makers frame their proposals to deal with regional upheaval, for example mass redundancy. Such developments place regional economic futures at the forefront, with extensive debate and proposals addressing the prospects of employment (for example, KPMG, 2016). Drawing on recent research focused on the economies that make up a national economy, where the *foundational* economy is identified (see Bentham *et al.*, 2013), the argument is developed here that policy formulation needs to take into account the key assets that define regional economies.

## **7. CONCLUSION**

The challenge facing the people of Gippsland is that many organisations and layers of government are in operation, each promoting their often sectional interests. Three points can be made. First, the prospects for regional governance are defined by power interests. Of note, there is a scalar dimension to these relations. Second, and related, different state levels act to shape the uneven involvement of regional actors in decision-making processes. Third, the form and emphasis of regional development policy is shaped by the ways in which the state, the market, citizens and civil society interact in a locality and exert their relative power and values.

A condition for successful transition is that some arrangement is made whereby inclusive regional decision-making takes place. This step would provide the basis for developing short and long-term strategies to address the complexity of the economy. It is imperative that policy formulation

and implementation takes into account the key sunk assets that define a regional economy, the foundational economy. Hence, those who make up the Latrobe Valley region must prepare for further displacement, closure and reflective economic reorganisation. The impacts are likely to be widespread involving direct and indirect workers, suppliers, services, retailers and many across the community. It is a Gippsland concern.

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