A NEW PHASE IN AUSTRALIAN REGIONAL DEVELOPMENT?

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ABSTRACT In Australia regional policy has been rejuvenated at both the Federal and State government levels. This paper critically assesses these new policies in the light of the previous regional policy experiences of the Central Western Region of New South Wales. The Central West experiences reviewed are the Top-Down, heavily resourced, growth centre phase of the 1970s and the Bottom-Up, lightly resourced programs, such as the Country Centres Projects, of the late 1980s and early 1990s. The key lessons to emerge from these experiences are that a lack of resources for the implementation of regional policy, a lack of finance and a lack of principals to undertake investment have been serious impediments in the past. There is also a need for ongoing assessment, evaluation and monitoring of regional policy initiatives. It appears, at this point of time, that whereas some of the lessons of the past have been at least partly addressed, the new phase of regional policy is too lightly resourced and there is an absence of an appropriate mechanism for evaluating its effectiveness. Consequently the new phase is at serious risk of not meeting expectations, with the resulting loss of political interest and possible an early demise.

1. INTRODUCTION

Regional development policy was rejuvenated in May 1994 with the announcement of the Commonwealth Government's new policy strategy in the *Working Nation* paper and the NSW Government's *Statement on Regional Development*. In 1995 this rejuvenation must meet the new challenge of a change of government in NSW. In this paper these new policy strategies are critically assessed by measuring them against criteria based on lessons from the past. The historical perspective draws heavily from the experiences of the Central Western Region of NSW, a typical rural region that has been arguably the recipient of as much regional policy as any other Australian region. It was the site of one of the growth centre initiatives of the 1970s and has been the target of a wide range of regional economic strategy studies and programs in subsequent years.

2. HISTORICAL PHASES IN AUSTRALIAN REGIONAL DEVELOPMENT

For the purposes of review, the experiences of the Central Western Region can be divided into two distinct phases of regional policy:
Phase 1: The Top-Down, heavily resourced phase of Growth Centre policy under the auspices of the Commonwealth Department of Urban and Regional Development in the 1970s.
Phase 2: The Bottom-Up, lightly resourced programs of the late 1980s and early 1990s.

The *Working Nation* and NSW *Statement on Regional Development* signal in the mid 1990s the commencement of a new Phase 3 in regional development policy. Whether or not this new phase is to prove successful will depend on how well it addresses the lessons learned from the previous two policy phases.

2.1 The Growth Centre Phase

The 1970s represented a phase in Australian regional planning that was typified by strong central government involvement in a "top down" approach to regional development. It reached its peak in the 1973-75 period under the Whitlam Labor government's Department of Urban and Regional Development, (DURD). The most dramatic expression of this phase was the establishment of growth centres in selected regions around the country. Similar to the post war reconstruction program, the growth centres program was a well resourced attempt, driven by the Commonwealth Government but supported by the States, to achieve significant decentralisation goals. The inspiration for the program, according to its Minister, was the New Towns Commission in Britain which after World War II "attracted one million people to their new planned communities"[1] (Uren, 1994, p.258).

The Central West became an integral part of this phase with the establishment of the Bathurst-Orange Development Corporation, (BODC), a statutory body entrusted with planning and development responsibilities for a large scale economic and population expansion in the eastern half of the region. Ambitious plans included the creation of a new city located halfway between the existing cities of Bathurst and Orange[2] with a target population of 100,000.

The project typified the big budget, grand vision era of decentralisation policy in Australia. It had its genesis in the 1960s with concerns about the size and projected growth of the large capital cities such as Sydney and Melbourne. In Sydney's case such concerns generated a decentralisation policy goal to relieve population pressures by shifting up to five hundred thousand of Sydney's projected

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[1] The New Towns Commission had its origins in the Garden City movement, which according to Pigou, probably gained impetus from Alfred Marshall's "Where to House the London Poor (1884)" (Pigou, 1966, p.143).

[2] These two cities are 55 kilometres apart. They were also planned to expand significantly in population.

population growth to new centres in the State.[3] The rural sites chosen for these new centres in NSW were Albury-Wodonga on the border of NSW and Victoria and the two cities of Bathurst and Orange.[4]

The basis for these decentralisation goals has long been debated, particularly the notions that (i) large cities generate an excess of costs over benefits, and (ii) a large scale decentralisation policy involving new city developments in rural areas is the appropriate policy response to the problem.

Irrespective of the debate on optimal city size and its links to regional growth theory, the reality is that the growth centres phase in regional economic development was wound up and although discussion about their effectiveness continues, there exists a strong body of opinion that the growth centre policy was flawed. Although conceived as a solution to the problems of large cities, it has subsequently been assessed as a failed regional policy. Certainly the new city component of the BODC growth centre project would appear to provide growth centre critics with dramatic evidence of failure. They can still point to the single farmhouse on the side of the road which was to be the centre of the proposed new city site. These same critics can also draw support for their views from similar experiences in other countries. In their survey of regional policies around the world, Hansen *et al.* concluded that "... the growth centre approach to regional development was widely applied in the 1960s and 1970s, but in the end, there was a great deal of disappointment with the results." (Hansen *et al.*, 1990, p.13)

With respect to Australian policy, Murphy and Roman (1989) argue, there is a lack of serious evaluation of the effectiveness of the growth centre projects. In the case of the Central Western Region, the BODC has been wound up and the reality of population and economic development today is far short of the projections for this region presented back in 1973. There does, however, exist a detailed study of the processes leading to the decision to establish the Bathurst Orange growth centre in the first place and the reasons for its fall from political support. Sproats suggests the project was "...more a 'child of circumstance' than a product of rational decision making in the sense pursued by planners." (Sproats, 1983, p.82). He is critical of the political and bureaucratic minefields that the BODC was forced to traverse and concludes that "...the Bathurst - Orange project failed dismally to achieve its stated objectives because both the policy on which it was predicated and the planning process through which it was undertaken contained inherent problems which militated against success." (Sproats, 1983, p.247). As well, government commitment to the funding of the BODC was in the form of loan funds and the premature demise of the growth centre project left the BODC with a loan repayment problem that added fuel for the critics' arguments in the debate over the appropriateness of the growth centre project. Sproats estimated that repayment of these loans required a minimum growth achievement for BODC projects of 10 per cent per annum.

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[3] Similar concerns about Paris resulted in a series of major regional policy initiatives in France in the 1960s.

[4] The population objectives were outlined in NSW State Planning Authority, (1968), *Sydney Region Outline Plan.*

Regardless of the possible flawed origins of this particular project and questions about government commitment or the planning processes adopted at the time and the failure to proceed with the new city development, the two towns skirting the new city site of the growth centre project, Bathurst and Orange, are today economically vibrant rural cities. Both towns possess a diversified local economy with good local infrastructure and facilities. A major food manufacturing industry cluster has established in the Bathurst area (largely as a consequence of the BODC), and overall the Bathurst-Orange area represents the largest manufacturing centre in New South Wales outside the Sydney, Newcastle, Wollongong metropolitan areas. Throughout the 1980s and 1990s Bathurst and Orange have consistently recorded unemployment rates lower than the State average.[5] The performance of the rest of the Central Western Region which was not part of the growth centre phase has generally been less impressive, especially the western half which is experiencing considerable economic problems associated with a combination of declining world prices for agricultural commodities and non-diversified local economies.

The intriguing question therefore is to what extent did the activities of the BODC and the early growth centre contribute to the current good performance of the Bathurst- Orange economy? It certainly contributed to Bathurst's current diversified industry structure including the previously mentioned food industry cluster and relocated public enterprises such as the Land Information Centre (previously the Central Mapping Authority). Unfortunately this question is a part of the growth centre debate yet to be exposed to serious evaluation.

2.2 The Bottom-Up Phase

By the mid-1980s a number of communities in the Central West, as elsewhere in rural Australia, were suffering a major downturn through declining world commodity prices, growing protectionism in export markets, dumping, rising costs and drought. In response the Federal Government produced the Economic and Rural Policy Statement of 1986 which included the lightly funded and essentially remedial regional economic policy called the Country Centres Project. The Central West was the recipient of two of these projects, one at Lithgow on the eastern edge of the region and one in the Parkes-Forbes-Cabonne area in the central slopes area of the region. Both involved considerable community consultation and the production of a feasibility study for a small scale project. The Country Centres projects were the vanguard of a new phase of regional economic policy and, from the late 1980s to the early 1990s, the Central West had an abundance of regional economic strategies, discussion papers, follow up studies and feasibility studies. Some were funded by the Federal Government Departments of the Office of Local Government and the Office of Labour Market Adjustment. Some were funded through State Government Departments of Business and Consumer Affairs and the Department of Employment

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5 Bathurst and Orange averaged unemployment levels of 5.8 per cent and 7.6 per cent respectively for the years 1989 to 1993 compared with a national average for the same period of 9.0 per cent.

and Industrial Relations and its Enterprise Centre Network. Lithgow, for example, received simultaneously a Federal Country Centres project and a State Government Economic Strategy. Some were city/town specific, others for the Central West as a whole, while others, such as the Country Mayors Association Strategy funded by the Office of Labour Market Adjustment, were for the whole of Country New South Wales.[6]

At the time some saw this flurry of studies as marking a return of Federal and State government interest in regional development. However, close inspection of government policy statements about regional policy revealed some subtleties that cast doubt on the strength of government commitment to rural economic development. New policy initiatives were to be conducted "within a framework of minimal government expenditure, intervention and expenditure" (Department of Immigration, Local Government and Ethnic Affairs, 1987, p.2). Subsequent statements also attributed blame for the failure to achieve the development goals of the earlier phase in regional development on the country regions themselves. "Despite a considerable expenditure of money over many years, employment and economic growth in Country N.S.W. failed to keep pace with the growth experienced in major urban areas" (The Hon. G.B. Peacocke, MP, 1989, p.3). No recognition was given to the fact that the earlier phase involved loans as distinct from expenditure on regional policy.

The responsibility for this second phase in regional policy was clearly enunciated. There was to be a transfer in initiating responsibility as well as a lot of the funding responsibility to the regions themselves, "local councils can make a substantial contribution to fostering business development in Country areas" (The Hon. G.B. Peacocke, 1989, p.4), and ,"The government will only be of help to those regions that are prepared to help themselves" (Garlick, 1992, p.6).

Typically the government's role in this second phase of locally based development policy was to provide funding to commission a facilitator, or local consultant, to prepare a regional strategy. The government would supply a detailed brief for the facilitator/ consultant to follow which would include a requirement for broadly based community consultation, the collection of small area data, as well as national and international trends analysis relevant for local area industry development. Sometimes additional funding would be provided for a feasibility study to be undertaken for the most promising development prospect to emerge from the strategy.

The swing towards bottom-up, or local community based, regional development policies was not peculiar to Australia; this trend was also a feature of regional development policy in three diverse economies of the USA, the UK and Norway.[7]

The theoretical basis for the swing to bottom-up policy approaches is difficult to find in the conventional paradigms of regional economics. Instead it appears more

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6 Note the Country Mayors Association Study differs from the other studies of this period in that it calls for substantial government intervention to change regional outcomes.

7 For the USA see McGuire *et al.* (1994), Scharre (1992) and Waterhouse (1994). For the UK see Corney (1993) and for Norway see Morten (1993).

strongly based in sociological theories. Morten (1993) for instance suggests the community consultation of the bottom-up approach commonly uses the 'search conference' approach which originated from work done by Merrily and Fred Emery (Emery, 1982) and then spread to Europe as part of what Morten refers to as the "sociotechnical tradition".

Australian government policy documents and reports on regional development rarely if ever acknowledge any theoretical underpinning or antecedent either at home or overseas. The initial reaction to the new policy approach in NSW was however enthusiastic. Individuals in the regions felt flattered by the involvement required of them, and for government the policy had the twin advantages of seeming political largesse in the provision of strategy funding whilst in reality being a very cheap approach to regional policy.

With the passage of time and the growing abundance of seemingly uncoordinated strategic studies, the initial enthusiasm in the Central West and in Australia at large seemed to wane. Overlapping programs from the Federal and State governments and competition amongst the professional community of consultants for strategic study commissions may also have added to the growing disillusionment. When faced with the prospect of duplicating previous studies, a consultant would be tempted to claim fault with these studies in order to justify his or her new commission. This process not only wasted resources through duplication but was also destructive of community support so vital for the new approach in regional policy. Another source of growing disquiet with the new approach was the tendency for many larger scale local opportunities to stall just after the feasibility study stage of the process.[8]

Certainly the strategies in the Bottom-up Phase identified small business opportunities and many of these were realised. As well, local business people found the information base provided by such studies useful as demonstrated, for example, by the high sales of the Central Western Regional Economic Development Strategy. In general, however, the bottom-up approach did not prove to be a major force for regional development, and is consistent with Sorensen's observations about bottom-up approaches, namely that they:

> ". are unlikely to work everywhere
> . rely on the existence of local economic resources to be developed.
> . demand leadership and community enthusiasm
> . require financial backing
> . are rarely the path to spectacular growth
> . for the most part contribute to a marginal increase in growth over the long term"
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> (Sorenson, 1992, p.15)

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[8] W. Waterhouse (1994) reports a similar experience in Connecticut USA with 169 separate municipalities each with separate economic development strategies that seem to have had little impact on the state's economy which is locked into long term recession.

3. LESSONS TO BE LEARNED

The key lessons that emerge from the Central West experience are:

- the record of regional policy is one of poor implementation. Resources therefore need to be devoted to establishing effective implementing process, including organisations.
- two serious impediments to regional development that must be addressed by any regional policy are a lack of finance and a lack of principals, preferably corporate, who will undertake any investment activity.
- the need for assessment, evaluation and monitoring of any regional policy initiatives.

Each of the three lessons is considered in turn.

3.1 Implementing Organisation

The first lesson is that the past implementation record for regional policy is generally poor. In the bottom-up phase of regional policy the implementing role was typically taken by some form of regional development board or committee. The membership was likely to be voluntary and with limited, if any, professional support staff, depending on the extent of financial assistance from Federal, State or Local government. The role of these regional organisations was critical in the bottom-up approach to regional development. Lacking political constituency, financial resources and organisational structure, their task was made all the more difficult by the presence of multiple local area governments, which do possess financial and organisational resources but whose political responsibilities are restricted to much smaller areas within the larger region. Some regional bodies were able to overcome these handicaps. As O'Conner (1987, p.37) suggests, success for such bodies is likely to depend heavily on personality and local goodwill. Having garnered community support, the successful regional bodies do seem to have been able, through various funding means such as Federal and State government grants, local government funds or private contributions, to generate a regional focus, commission or otherwise stimulate research activities and build up information bases that are important foundations for the new community based regional economic development approach.

In many rural regions, however, such bodies, including many in the Central West, were less successful. Whether it was the lack of key personalities, regional goodwill amongst the local area governments or the tyranny of distance and small populations in the more expansive rural regions, these voluntary organisations have struggled to achieve the resources and impact that is required of implementing bodies in regional development. Consequently in many regions the commissioned strategies and associated studies serve as a useful reference but otherwise sit on shelves and gather dust failure of there being any organisation with sufficient resources or influence to follow up their recommendations.

While voluntary community groups in NSW have not proved an unqualified success as implementing bodies, neither did the bureaucratic, heavily resourced, Bathurst-Orange Development Corporation prove to be the definitive answer. There is clearly a need to research the nature of an appropriate implementing body for regional development policy. This would encompass the issues of resources and the balance of responsibilities allocated to voluntary community groups, regional based bureaucrats and capital city based bureaucrats.

Waterhouse (1994) and Morten (1993) both point to regional policy impediments in the USA and Norway respectively stemming from lack of cooperation between local area governments. In contrast Scharre (1992) points to more positive outcomes from West Tennessee projects but he stresses the important roles play by influential sponsors, such as the region's congressman, the strong endorsement and participation from local and regional leaders, strong state government support to counter fragmentation of planning and services and the supporting role of the University of Tennessee in developing a regional leadership role.

3.2 Finance and Principals

The second lesson is that there are two persistent deficiencies in rural Australian economies that limit the effectiveness of regional development policies. These are a lack of finance for investment and a lack of principals, preferably corporate, who will actually undertake any investment activity. Any regional policy that fails to address these deficiencies will be a "Clayton's" policy.

The financing/broker component of economic development activity is of particular significance for rural communities now that the days of central government largesse are gone. One innovative approach attempted in the Central Western Region involved the funding of research into the establishment of a Central West superannuation fund. Whilst the concept itself had little commercial prospect from the very beginning, and has not unexpectedly disappeared, the project was an attempt to address the problem of a lack of venture capital for rural based projects from an Australian capital market that is highly concentrated in both ownership and capital city location. It is suggested that the lack of venture capital in rural regions such as the Central West is a form of market failure that needs to be addressed.

Very few Australian corporations have head office locations in rural areas. This includes those companies that produce the mineral and agricultural commodities from which Australia derives much of its export earnings. Instead corporate head offices are concentrated in the major capital cities and this militates against their involvement in rural areas. This locational bias reinforces a reluctance by corporates to venture into rural areas which is reinforced by a typically limited understanding of the advantages of non-metropolitan location.

The failure of so many development strategies to proceed past the feasibility study stage is to a large extent attributable to this reluctance by corporate Australia to become involved in rural activities. An alternative for some local projects has been the development of locally based cooperatives. However these are a poor substitute for corporate experience and its associated financial, marketing and other skills and networks.

What can be done to involve suitably qualified principals in rural Australia? Interestingly, recent literature supporting the new phase of regional development does not explicitly address this issue. Rather it approaches the subject indirectly by considering policies to make an environment suitable for investment by infrastructure provisions, labour market requirements and regional assistance programs. This literature ignores the possibility that there may be a dearth of suitably qualified principals to entice.

3.3 Assessment, Evaluation and Monitoring

The final lesson from the Central West experience shows that regional policy initiatives have finite lives which are terminated as soon as they are perceived as not fulfilling expectations.

For the State and Federal governments, the outcome of the Bathurst-Orange Growth Centre experience was interpreted as providing clear evidence that the growth centre approach to regional development policy was flawed and hence should never be repeated. From the perspective of the Bathurst-Orange community however, the growth centre policy has left a valuable legacy of government enterprises, a strong food manufacturing industry cluster and urban developments that have contributed significantly to the economic growth and stability of the region over the last fifteen years.

The Phase 2 bottom-up regional policies of the late 1980s and early 1990s appear to be highly regarded by government and government departments. Yet, for the Central West community the impact of these policies is at best marginal.

These contradictory perceptions need to be reconciled in order to ensure that the ongoing commitment of both government and the regions themselves to any regional policy is not threatened. This can only be achieved by effective ongoing assessment and evaluation of regional development programs. This will require, among other things, the development of a theoretical basis for regional policies, something which has been conspicuously absent from recent government regional policy documents and reports.

Ironically the Federal government's Department of Local Government and Administrative Services Office did commission an extensive survey on local area development studies throughout Australia in 1987.[9] This exercise needs to be reactivated and applied to the proliferation of studies and programs that have occurred post 1987 and especially to programs in the new phase of regional policy currently being implemented.

4. PHASE 3: HAVE THE LESSONS OF THE PAST BEEN HEEDED?

The new regional policies of the Commonwealth and New South Wales governments, termed in this paper Phase 3 which include *Working Nation* and NSW *Statement on Regional Development*, were formulated from an extensive base of

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9 See Conroy (1987).

consultation and advice. The Commonwealth government drew its advice from four substantial reports commissioned for the purpose.[10] The NSW government funded the preparation of regional economic strategies for each of the State's eleven country regions and followed up with a "Regional Forum" in each region. Interestingly a systematic evaluation of past regional policy performance does not appear to have been an input into the formulation of Phase 3. This begs the question; "have the lessons of the past been heeded?"

It is clear that the philosophy behind the new policies is fundamentally the same as that outlined in Phase 2. That is " ..... the White Paper starts from the fundamental point that regions will be encouraged to help themselves" (*Working Nation*, p.163) and "..... restates the principles of the 1990 regional policy by reinforcing the significance of the self help approach ..." (*Statement on Regional Development*, p.iii). With a continuation of the Phase 2 emphasis on bottom-up development, the effectiveness of the local implementing organisations becomes crucial.

The new policies recognise and attempt to address this need. In the Commonwealth Regional Best Practice program, financial support is budgeted for these organisations to assist them in activities such as initial setup, conduct of regional "audits", the development of a regional vision and economic development strategy, the training of practitioners and improved access to government offices for advice and support and the dissemination of information on how the Best Practice Program is operating in other regions.[11] Mention is also made of the need to encourage local government involvement through regional groupings of councils. The NSW government has enhanced financial support to the Regional Development Boards which it sees as providing "a focus for economic development and planning at the regional level ..." and playing "an important role in providing grass roots advice to investors and governments about their regions business opportunities" (*Statement on Regional Development*, p.15).

In terms of boosting the resources of implementing organisations, the new policies conform to the lessons above. Whether their structure and resources prove capable of addressing the problems typically associated with regional organisations will only be determined by experience and a proper evaluation of their performance some time in the future. It should be noted however that the Phase 2 period of regional development was typified by overlapping local policies and lack of co-ordination between local authorities. With respect to the Central West the concern remains that this region will prove typical of many rural regions where a strong regional organisation does not eventuate due to a combination of geographical spread, lack of regional identity and local political disunity.

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10 These were the Reports of the *Taskforce on Regional Development* (the Kelty Report), the Industry Commission Report, *Impediments to Regional Adjustment*, the Bureau of Industry Economics Report, *Regional Development: Patterns and Policy Implications*, and the McKinsey Report, *Determinants of Business Development in Regional Areas*.

11 A total of $81 million is provided for this program for the 4 years from 1994-95 to 1997-98.

The second area of concern identified from the evaluation of past policies, is that of finance and the need for principals to undertake economic development projects. The new policies recognise the importance of finance for regional development and include measures to address this but again the effectiveness of these measures is subject to question. At a general level, there is a clear expectation that private funding is expected to drive much of a region's future development. Despite the media attention given to the large dollar commitments heralded at the launch of *Working Nation*, the overall funding for regional development is quite modest. Most of the *Working Nation* funds are directed to the Government's unemployment policies, although it must be admitted that some of these policies are regionally targeted. The New Work Opportunities program in particular has a large budget, some of which could be directed to rural and remote regions with high unemployment.[12] The funds specifically directed towards the Regional Strategy component of the White Paper are easily inflated if quoted on their four year budget time frame. A closer examination reveals relatively low levels of funding for local infrastructure, especially given the inclusion of funding for the international airport at Badgery's Creek.[13]

Two specific initiatives aimed at improving finance for regional development are the revamping of the Infrastructure Bonds and the Pooled Development Funds (PDFs) schemes. These are not new initiatives and the fact that the conditions attaching to these schemes have had to be revamped is indicative of the limited success they have thus far achieved. The infrastructure bonds scheme is designed to transfer funding responsibility for infrastructure projects to the newly invigorated regional organisations. These bodies will now have scope to "... rely on their own resources" or to "... package viable projects in a form that will attract private sector investment" (*Working Nation,* p.169). Of concern is the fact that most infrastructure projects in rural regions will not attract private investment interest as only projects linked to the mass population markets of the capital cities can give commercially viable results. A case in point was the Very Fast Train (VFT) proposal. The project attracted private sector investment interest because it was designed to access the Sydney to Melbourne transport market. Some rural regions stood to benefit but only by luck of their location in proximity to the proposed route. Even then, the project foundered primarily because the government was not prepared to sacrifice taxation revenue associated with concessions requested by the private participants.[14] In

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12 This budget totals almost $1.5 billion over the four year period to 1994-98.

13 The Regional Strategic Infrastructure budget is $52 million for the four year period to 1994-98.

14 Contrast this with the experience of the City of High Point, North Carolina. Lynch (1994) describes how the city and its Economic Development Corporation entered into a partnership with private developers to construct a major highway link road to enable a large scale real estate development. The City was paid for its contribution in the form of land credits in the development project which were then used by the Economic Development Corporation to create incentive packages to attract large corporates to locate operational centres in High Point.

principle, it would appear that for the regions, the infrastructure bond scheme is designed to overcome this sort of problem but at a lower cost to taxation revenue.[15]

The PDFs scheme has also been revamped to increase its attractiveness but again is this a recognition of its previous failings? The purpose of PDFs is to encourage equity funding for small and medium sized enterprises. This addresses a need that is nationally based but is acute within regional areas. However despite statements as to the regional attraction of PDFs there is nothing in the guidelines in *Working Nation* to suggest these funds would be directed towards regional firms. On the contrary, given the assumed higher risk associated with such investments in regional areas, why would profit seeking PDFs direct their investment funds towards regional based as opposed to capital city based firms? The suggestion that regions could encourage the development of local financed and directed PDFs may attract some funding but such funds may also prove risky if their investment strategy is restricted to regional enterprises with a narrow commercial focus. This is of particular concern for rural regions.

The need for principals to fulfil the entrepreneurial role is indirectly addressed in *Working Nation*. Regional organisations and local councils are expected to assume increased responsibility either as direct providers or as indirect providers by packaging project proposals to attract private sector principals. Again the experience of Phase 2 is a best guide to the likely success of this approach. For its part the NSW Government introduced a number of initiatives aimed at overcoming negative perceptions about regional NSW as a business location. However it is difficult to see these approaches having a major impact on the supply of suitable principals interested in locating in regional Australia.

The above concerns and qualifications about the new regional policies means that assessment, evaluation and monitoring are crucial for the medium to long term viability of Phase 3. There is already a tendency for both governments to encourage media-hype based on exaggerated expectations about policies which are essentially made up of modestly funded, unproven programs. It is inevitable that these expectations will not be fully met with resulting loss of political interest in regional policy and the associated risk of these policies being downgraded or phased out. This can be best prevented by documenting, assessing and evaluating Phase 3 in terms of reasonable expectations. As a systematic, continuous assessment methodology is not part of the new policy programs, it could be argued that its absence is a major deficiency.

4. CONCLUSIONS

Australia is entering a new phase in regional economic development policy. However the policy strategy outlined in the Commonwealth Government's *Working Nation* paper and the NSW Government's *Statement on Regional Development* does not present a significant change in the preceding Phase 2 bottom-up policy approach.

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[15] Estimates of the cost to taxation revenue increase steadily from $8.5 million in 1995-96 to $34.1 million in 1997-98.

Whether it proves more successful than the policy experience of Phase 2 is debatable. It has been suggested in a previous paper[16] that the Government's support for the bottom-up approach may be based more on the inherent budgetary and responsibility shedding characteristics of this approach than in its ability to deliver genuine regional development. The record of this approach is mixed with its effectiveness being very much dependent on the quality of local resources. Admittedly the Government has directed part of its policy effort at strengthening regional organisations and this may overcome some of the previous problems. However some scepticism remains about the future of rural regions under the new approach. They will need to be well integrated and politically well co-ordinated to fight for the small government benefits on offer. The alternative that is being encouraged is to attract private sector investment in regional development projects. Here again however the policy measures are unlikely to be sufficiently attractive to overcome the biases against rural based regional activity and areas such as the Central Western region of NSW will continue to struggle to achieve significant regional economic development.

Perhaps most importantly, the absence of an appropriate evaluation mechanism as an integral part of the new phase leaves it vulnerable to an early demise as was the fate of the earlier phases of regional policy in Australia.

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