

# Regional Development Politics in an Australian Coal Community.

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## **Abstract**

The role of the state in regional development is contested. The overarching approach of governments to date has been to devolve responsibility for decision-making to locally embedded agencies, whilst simultaneously emphasising that market forces provide the underpinning for the development of regional economies. Such an approach conceals the ways in which the state continues to be the primary power broker within regional development processes. This article positions power as a crucial dimension within the negotiations that determine the trajectories of regional economies. Via an empirical study of Victoria's coal-rich Latrobe Valley, the argument is made that the depoliticised approach of governments facilitates both directly and indirectly the empowerment of existing power elites and the disenfranchisement of local political leaders and other actors. The question is how can other local political and economic actors become part of the regional development process? The article concludes that regional development in Australia is yet to become a genuinely inclusive and participatory project, undermining the efforts of the Latrobe Valley to prepare for the nation's transition to a low carbon economy.

## **Background: The Latrobe Valley**

The Latrobe Valley faces immense challenges as governments in Australia begin to wrestle with the transition to a low carbon economy. The centre of brown coal electricity generation in Victoria and a major resource based region – forestry, timber and paper, agriculture, oil and gas as well as energy – the Latrobe Valley has long been the focus of state concern and policies. For many decades the region was dominated by state policy in relation to energy production and employment regulation. This began in the 1920's with the establishment of the region's major employer in the State Electricity Corporation, and continued with the privatisation of

the power generation industry in the mid 1990's. Today, the transformation of the region remains a focus of both State and Federal governments.

The constitutional arrangements surrounding regional development have particular consequences for the governance of the Latrobe Valley economy. The structure of the Federalist system poses several limitations, particularly in relation to the distribution of capacity and power across the three levels of government. On the one hand, successive governments at the Commonwealth level have shied away from committing significant resources to regional development, despite being arguably the only level of government with the capacity to realise such agendas. On the other hand, the State governments of Australia are constitutionally assigned the responsibility of developing regional areas but have limited fiscal capacity to do so (Maude, 2004). Meanwhile, local governments act under the direction of their overarching State government and lack the resources and power to substantially influence the revitalisation of their regions (Daly, 2000).

Located within the broader geographical region of Gippsland, the Latrobe Valley comprises three local government areas: Baw Baw, Latrobe City and Wellington (Figure 1). Together they account for a population of about 163,000 people (ABS, 2010). It is a population that is growing, but the Latrobe Valley continues to rank as one of the most disadvantaged regions in the state. With low levels of educational attainment, and a strong dependence on manufacturing and retail trade for employment, the region has proven vulnerable to downturns in the global market (DEEWR, 2012). Furthermore, the Latrobe Valley is in many ways yet to recover from the significant social and economic upheaval that followed the tumultuous privatisation period. In the early 1990's, the Victorian government embarked on a wide scale adjustment program that included the privatisation of the state's public utilities. The reforms were dramatic and far-reaching, but few places in Victoria felt the impact of this shift in public policy like the Latrobe Valley. The memory of this period of extensive job loss and drastic change still lingers today, as does the social disadvantage that consequently came to be associated with the region.

< Figure 1 >

Government-led efforts to revitalise the economy of the Latrobe Valley region commenced in the late 1990's. Signalling the growing prevalence of depoliticisation as a governance strategy, the State government established the first of many development agencies in the region in the Latrobe Valley Ministerial Taskforce. Such agencies have become a hallmark of the engagement of governments with regional development in Australia. They are typically funded by and answerable to the State and Federal governments but work in partnership with local government and other interest groups (Tonts and Haslam-McKenzie, 2005). Their role first and foremost revolves around the development of strategies, plans and reports to inform the actions of government in a given regional locality. At a Federal level there has been Federal government involvement in the Latrobe Valley through such agencies as Regional Development Australia (RDA) who, in conjunction with their state subsidiary Regional Development Victoria (RDV), have led the development of a number of economic revitalisation strategies for the region (in particular, see Gippsland Regional Plan, 2010). The most recent agency charged with this responsibility is the Latrobe Valley Transition Committee (LVTC). Its membership is comprised primarily of government representatives at a local, state and federal level, but also includes contributors from business associations, labour unions, the brown coal mining industry, and the region's education and health services (RDV, 2012).

While regional development remains primarily the responsibility of State governments, the Federal government is today having a particular influence over the future of the Latrobe Valley. In July 2011 the Federal Government announced its plans to hasten Australia's transition toward a low-carbon economy through the introduction of a carbon tax. A major consequence of the Clean Energy Future legislation (CEF) is likely to be the closure of at least one and possibly two highly polluting power stations in the Latrobe Valley. Given the significant contribution that brown coal and the power generation sector continue to make to the region's economy, the Latrobe Valley is particularly exposed to the impacts associated with the transition to a low-carbon future (Weller *et al.*, 2011).

Drawing on interviews (58) and workshops (four workshops with 36 participants)

This article has been produced at a time of great uncertainty and anxiety for the communities of the Latrobe Valley region. It has developed from a broader study of the opportunities and challenges surrounding the region's structural adjustment, conducted in recognition of the potential impacts of the CEF legislation. The data informing this article is drawn from a number of sources but is focused primarily on the accounts of a range of local and state actors (drawn from the private sector, government, development agencies, trade unions, educational providers and others) who participated in interviews and workshops (a total of 94 participants). From such accounts, combined with extensive documentary analysis, this article constructs an analysis of the role performed by three groups of actors fundamental to the regional development process in the Latrobe Valley: the state, the private sector, and the region's citizens and 'local leaders'. In considering the contribution made by each group to the development of the Latrobe Valley, and the ways in which the parameters for that contribution are established, the article highlights the influence of the region's economic and political elite. But while the pivotal role of the state is clear, it is also the case that not every level of government enjoys the same degree of influence. These themes open up a discussion of the considerations for the state when constructing an agenda for regional economic development.

## **Relevant Areas of Literature**

### *Empowering the Region*

The evolution of regional development in policy debates in recent years reflects the growing political interest in the concept of 'new regionalism'. Within such literature the region is proposed as the necessary focus of political and economic activity, since this is the site at which communities can counter the breakdown of national political and economic structures wrought by forces of globalisation (Gleeson, 2003; Macleod, 2001; Pike *et al.*, 2011). Proponents of 'new regionalism' suggest that it is at this level that communities are best equipped to adapt to global changes and build long-term resilience, particularly through the reinvention of their local economy and the strengthening their sense of regional or community identity (Pike *et al.*, 2011; Woodhouse, 2006).

The form and emphasis of regional development and revitalisation is influenced by the ways in which the state, the market, labour movements and civil society interact in a particular locality and exert their relative power and values (Pike *et al.* 2007; Dean and Reynolds, 2009). The approach of the state to regional development is particularly critical, since:

'Success', 'failure' and 'development' in localities and regions are framed and shaped by processes and politics of government and governance.

(Pike *et al.*, 2007: p. 1265)

One element of this framing is the commitment of the state to developing local capacity. Such capacity building assumes the availability of empowered locally embedded institutions, which are well placed to recognise and develop the strengths and aspirations of their community (Pike *et al.*, 2011). It signals a departure from the neo-liberal approach to governance that characterised the early 1990's, particularly in advanced capitalist democracies such as the United Kingdom (UK) and Australia, where power was deliberately removed from local government and every effort was made to transfer service delivery to the private sector (Dereli, 2011). Regional development policies in the European Union (EU) and the United States (US) now recognise the important role played by local forms of government and the need for greater regional autonomy, which in some cases has translated into a genuine devolution of power and capital from central modes of government to local agencies (Gleeson, 2003).

Within the Australian context, government departments at the State and Commonwealth level in Australia have shown at least in principle support for the concept of regional empowerment, adopting rhetoric that embraces agency and participation as the drivers of regional economic innovation and community resilience (Brown, 2005). However, in practice local governments and other regional bodies remain under-resourced and disempowered relative to their counterparts in the EU and US (Worthington and Dollery, 2000). Moreover, Australian governments at the State and Federal level remain committed to a centralised neo-liberal

agenda and an associated governance strategy, with direct implications for their engagement with regional development.

### *The Neo-Liberal and Depoliticised State*

Beginning in the 1980's, State and Federal governments in Australia have positioned themselves in accordance with the neo-liberal principle of limited state intervention in labour markets and related infrastructure arrangements, preferring instead that market forces are considered the fundamental drivers of regional development (Brown 2005). The ideology of neo-liberalism calls for 'open, competitive, and unregulated markets, liberated from all forms of state interference [as] the optimal mechanism for economic development' (Brenner and Theodore, 2002: 2).

According to Jessop (2002) neo-liberalism reduces the state to a form of night watchman, with any government intervention considered acceptable only if it is temporary and serves the purpose of ensuring the continued expansion of the market. It is an agenda that contributes to a narrow conceptualisation of regional revitalisation, in which the state looks to improve the economic efficiency and output of regions in the place of focusing directly on social policies (Maude, 2004; Garlick, 1997).

The support for neo-liberal economic management strategies by governments in Australia coincided with a global reshaping of the role of the state in liberal democracies. Described as 'depoliticisation', this governance strategy is 'the process of placing at one remove the political character of decision-making' (Burnham, 2001: 128). Burnham's conceptualisation of depoliticisation revolves first and foremost around the role of the state within national economic management. It describes the shift away from Keynesian and 'discretion-based' management of the economy, in which governments were seen to be the primary decision-makers in regards to economic policy, to a 'rules-based' approach in which state management of the economy is dictated by an overarching set of market-based expectations (Burnham, 2006). This latter form of economic management, seen in Australia and the UK since the mid-1990's, appears to afford governments little room for manoeuvre in their design of economic policy: governments must obey the

market's rules of engagement. The role of the state within the management of the economy becomes depoliticised, since the perception is that primary decision-making power has been removed from the hands of the state.

Linked to their support for neo-liberalism, governments in Australia have increasingly engaged in a process of depoliticisation and have sought to distance themselves from the responsibility of decision-making (Burnham, 2006; Fairbrother et al., 2012). Governments increasingly establish external or 'independent' agencies to undertake the development of plans and proposals across a wide range of policy areas, which when presented give the appearance that decisions are not made by government but by others (Burnham, 2001; Beer et al., 2005). Alternatively, policy might be designed by central forms of government but delivered by decentralised agencies (Burnham, 2006). In both cases governments act as 'steering' bodies, retaining ultimate control over the actions of external agencies but distancing themselves from the responsibility of handling difficult issues (Cope and Goodship, 1999 cited in Burnham, 2006; Pollitt et al., 1998).

### *The Power Elite of Regional Development*

The governing strategy of depoliticisation has been applied by governments to regional development in Australia, where state engagement has shifted away from formal powers of enforcement and direct intervention to a peripheral role based on 'management' or 'steering' (Herbert-Cheshire, 2000: p. 205). The dominant approach of governments at the State and Federal level has been to empower regional localities through public consultation and the appointment of 'local leaders' to development agencies. Governments have embraced rhetoric that advances agency and participation as the key drivers of regional economic innovation and community resilience (Brown, 2005). However, the language of inclusiveness and participation common to a strategy of depoliticisation can serve to conceal the influence of the state over regional development outcomes (Burnham, 2006; Mowbray, 2005).

Furthermore, where institutional structures are not present to ensure the genuine empowerment of a wide range of local actors, public consultation becomes merely a token process with limited bearing on decision-making (Berger, 2003). Without clear frameworks of rules, responsibility and accountability, it becomes possible within a depoliticised approach to governance for regional powerbrokers to infiltrate and manipulate the development process (Berger, 2003; Croft and Beresford, 1996; Lane, 2003; Lovering, 1999; Murdoch, 2000). In the absence of an empowered alternative voice, governments can continue to justify decision-making as if it is not their direct responsibility but the product of listening to the 'right people' (Cope and Goodship, 1999: 7). Regional development in such circumstances serves to advance the agendas of the powerful, while other less powerful actors are overlooked and have no genuine means of recourse.

This analysis can be extended with reference to broader debates on the relationship between the state and citizens (see Dahl, 1970; Song, 2012; Wright Mills, 1956). Government rhetoric on regional development and local empowerment assume a degree of equality within a given demos, whereby all citizens that make up 'the people' are afforded equal opportunity to participate (Dahl, 1970: p.60). Democracy as a collective decision-making process is contingent upon the condition of equality (Song, 2012). But within the practice of democracy lie opportunities for dominant groups to influence that which is advanced as being the 'common interest' (Wright Mills, 1956: 248). Some of the key assumptions made about the practice of democracy fail to critically examine the exercise of power and the ways in which genuine democratic participation can be undermined by inequalities, such as in relation to an individual's access to knowledge and resources (Song, 2012). Democracy and its assumptions on equality can provide a cloak for privileged groups to present their interests as aligned with those of the community as a whole, while in fact enabling them to justify and maintain (and exercise) their position of dominance (Dahl, 1961; Flyvbjerg, 1998).

When considering the governance of regional development it becomes necessary to ask how 'the people' are being defined by the state and involved in the decision-making process. The question is who is best served by the existing institutional structures, and importantly, how is the state acting as a powerbroker by shaping the



participation of various actors (Mills, 1956)? The contention of this article is that the application of a depoliticised governing strategy to regional development in Australia has the consequence of concealing the power dynamics at work. Through their emphasis on participatory processes and local empowerment, governments are able to present regional development as having overcome the privileged position enjoyed by dominant actors in a given locality. However, as seen in the case of the Latrobe Valley, when regional development is practiced in this way it can have the effect of subverting, rather than promoting, genuine local participation and empowerment (Lane, 2003).