

Comparing Australian and Canadian Regional Development Policy: Lessons for Canada

Benjamin Higgins and Donald J. Savoie
Canadian Institute for Research on Regional Development
Université de Moncton
Moncton, NB E1A 3E9

Canada and Australia are countries that cry aloud for comparison. Their similarities are so apparent that their differences are all the more striking. Both are large, resource-rich, thinly settled, industrialized and affluent. Both are ex-British colonies, Westminster style parliamentary democracies, with federal constitutions. Both were, for generations, tied economically and politically to the United Kingdom, even after independence. Both are more closely tied today to the United States: although Australia is much more closely tied to Japan than is Canada. Two generations ago, Australia's population was almost entirely of British origin, Canada's was largely British but with a substantial French minority. Today both are multi-ethnic and multi-cultural.

Turning to factors more closely related to regional development and regional policy, both countries have a highly unbalanced spatial distribution of population, with vast empty spaces. "Drought and distance" imposed limits on settlement of the interior of Australia; "tundra and distance" imposed limitations on settlement of Canada's north. The ideological framework of economic policy is much the same in the two countries: conservative, monetarist, market-oriented, bent on fighting inflation even if unemployment rises to high levels, and on deregulation, privatization, and reducing government expenditures and government's economic role in general. It is significant that when Brian Mulroney was first elected, it was Australia's Prime Minister, Robert Hawke, whom he invited to give the keynote address at his inaugural Economic Summit Meeting (despite the fact that Hawke was leader of the Australian Labour Party).

One might think that such similarities would result in a similar approach to regional policy. They do not. On the contrary, the field of regional develop-

ment and regional policy is one of the areas where the contrasts are most sharply drawn. In Canada, regional development, including in recent decades attempts to reduce regional disparities, has been a top priority objective of both federal and provincial governments, no matter what political party is in power. In Australia, at least until 1993, it is fair to say that there has never been a federal policy of regional development, and still less a policy of reducing regional disparities. There is a mechanism for a modest degree of revenue sharing through the Commonwealth Grants Commission, with the objective of making it possible for all six states to achieve comparable levels of public service; but as Mathews (1987) makes clear that is all the commission is supposed to do. When the commission was established in 1933, and ever since, it has not been charged with reducing gaps in household incomes among states, nor with promoting general economic development. Equity in Australia has been sought in terms of social groups -- workers, farmers, people with an interest in a particular sector or industry -- and not in terms of states, regions or other spaces.

Equity in Canada has been sought much more in terms of regions and provinces (for example, Atlantic Canada). The roots of Canadian regional development policy can be found in one of the recommendations of the Royal Commission on Dominion-Provincial Relations (the Rowell-Sirois Commission). Reporting in 1940, the commission urged a major reform of the public finance system including a series of adjustment grants to support "... the average Canadian standard of service that a province must be put in a position to finance" (Royal Commission on Dominion-Provincial Relations 1940). In this respect, Canada and Australia are much the same. But beyond equity in standards of public services, Canada has sought equity among provinces, Australia has sought equity among social groups.

The paper begins by contrasting the objectives of regional development policy in Australia and Canada. It proceeds to an account of the measures taken by the Hawke government from 1983 to 1993, adding up to "a low profile." It then describes the dramatic shift in regional development policy after Paul Keating became prime minister in 1993, which made regional development the very core of national economic policy. We turn next to the Canadian story, from 1960 to the present day, with its emphasis on provinces and its series of administrative devices for shovelling out federal funds to them. Finally, we draw some conclusions for Canadian policy from the results achieved by the two very different approaches to regional development.

Objectives of Regional Development Policy

We see that there are fundamental differences between Canada and Australia in the objectives of regional policy; and these differences are bound to result in differences in the content and institutional expression of regional policy. For

over two decades the most important objective of regional development policy in Canada has been the reduction of regional disparities, with "regions" defined as provinces, or occasionally as groups of provinces; or more rarely, smaller regions in one province. Resource frontier development has played some role, but not a very important one. By and large, Canadians have been content to leave development of the North, or other resource frontiers if they are proven to exist, mainly to private enterprise and "the market."

When it comes to decentralization of population and economic activity, Canadians have always been a bit ambivalent. Occasionally there have been protests that Montreal or Toronto were getting "too big," stifling development in smaller centres, gobbling up good agricultural land, creating congestion and pollution and, accompanying the protests, demands that measures be taken to inhibit growth of these major metropolitan centres, and to attract people and jobs to smaller cities and towns. However, most people have been leery of killing any geese that were laying any golden eggs, and neither the protests nor the demands have had a great deal of influence on policy (Higgins et al. 1970).

In Canada, the real political pressure for intervention from the federal government to accelerate growth of relatively disadvantaged regions, has always been cast in terms of reductions of gaps in levels of per capita incomes and unemployment among provinces; sometimes with disparities in levels of health, education, housing, transport and public services thrown in (Savoie 1992). This attitude towards regional development lies deep in Canadian history: the settlement from east to west, and the resulting moving frontier; the rivalry between French and British; the feeling in the Maritimes that its people were cheated by Confederation and the federal policy of east-west, as opposed to north-south, development that came after it; the suspicion and mistrust of the dominant financial and industrial powers in the east among the farmers in the west. The whole story of Canadian development generates strong regional interests and rivalries; and the Constitution was cast in terms that assured that these interests and rivalries would be expressed through competition, and even conflict, among the provinces, and between the provinces and the federal government. Regional development policy, in this context, has been and remains an attempt to keep the federation from falling apart (Savoie 1992; Breton 1992).

In Australia the objectives of regional development policy have been very different. Much of the effort has been directed towards the working class suburbs of the large cities. Gough Whitlam, who was Prime Minister of a Labour Government between 1972 and 1975, and who mounted the biggest program of regional development in all Australian history, stated bluntly that "social inequality is fixed upon families by the place in which they are forced to live," and insisted that priority in regional development should be accorded to the working class suburbs of the two largest metropolitan centres, Sydney and Melbourne (Higgins and Zagorsky 1987).

A second objective, sporadically, has been decentralization. Sydney and Melbourne, especially, have every so often been regarded as "too big," and efforts have been made to pull population and economic activity to smaller centres -- anywhere, no matter what state. Finally, since World War II there has been a minerals boom, most of it in the thinly settled North. Consequently, Australia has had, at last, a "moving frontier;" not, however, a westward movement into the interior, as in the United States and Canada, but a movement from the more densely populated South towards the northern rim. This movement required provision of infrastructure of all kinds, and "resource frontier development" became a major objective of regional development policy.

Why has reduction of regional disparities played no role in Australian regional development policy? Because when "regions" are defined as states, which are the only really significant political units apart from the federal government, there never have been serious regional gaps. Regional disparities arise when different regions of a country develop at different times and at different rates, on the basis of different resource endowments, and so with different product-mixes and occupational structures, as in Canada. In Australia the six states developed almost simultaneously, with similar resource endowments, and much the same occupational structures and product mixes. In 1820, Hobart in Tasmania and Sydney in New South Wales were still small settlements of convicts and accompanying soldiers and police. Brisbane (Queensland) was established in 1824, the Swan River Settlement (Perth, Western Australia) in 1829, Melbourne in 1835 (Victoria) and Adelaide (South Australia) in 1836). Thus the settlements, which became the state capitals, were nearly all established within two generations, and settled by essentially the same kind of people. Moreover, from the beginning most of the population of each state lived in the capital cities. The rest worked on farms and in mines, where they earned incomes about the same as those earned by the urban populations.

All states had mineral resources, all states produced sheep and cattle, and most states produced wheat. These products were major exports, sold in the same world market. For the "rich-squatters" producing them, holding vast tracts of land and hiring very few people, their activity was highly profitable most of the time. Agricultural development of this kind, rather than pulling population into the interior, created industrial and service jobs in the capital cities, all of which were on the seashore, and major ports. The one third of the country, at its centre, which was desert, remained empty. The further one third of the country which was semi-desert remained nearly so. Moreover, most of the early mineral discoveries, when they came, were virtually in the back yards of the existing cities; so they didn't move the population either. Indeed, nothing did. Population growth took place mainly in the existing capital cities, on the seashore in the southern part of the country, so that about two thirds of the population lived in them. Each state consisted of a primate city and a hinterland devoted to extensive agriculture and mining, largely of the same sort.

No state has a city of 100,000 people away from the coast. With such similarity of economic structure, and similarity of timing of development, large regional gaps never appeared (Higgins and Zagorsky 1987). This happy state of affairs is not the result of a long period of convergence from an initial condition of extremely large regional disparities, as in the United States, nor the result of effective regional policy in the past. In Australia there never were any large gaps.

Another factor making for disinterest in regional disparities was the ideology, or social philosophy, of the nation. Given the problems associated with the early settlements, petty criminals, mostly working class, plus their guards, and later Chartists who were transported because of their efforts to bring revolution to the United Kingdom, it is not surprising that most of the settlers were not enamoured of capitalism and "the market," and that the creation of a "Worker's Paradise" became the primary goal.

Canada's Emphasis on Regional Disparities

The term *regional disparities* is very much a Canadian term. Not only is it frequently found in the literature on Canadian regional development, it has defined Canadian regional development policy. Indeed, many Canadians view striking an appropriate regional balance in the country's economic development as an important tenet of national unity. Former Prime Minister Trudeau stressed that the problem of regional disparities is as threatening to national unity as the language issue (Phidd and Doern 1978). A keen observer of Canadian politics has observed that "the political culture of Canada may be defined as a profound sense of regional grievance married to a discourse of entitlement... Sixty-four percent of Canadians feel their province gets back less in federal spending than the taxes sent to Ottawa. Nearly three quarters of Canadians feel that the federal government favours one region of Canada over the others and very few feel that their region is the one favoured" (French 1990).

It is hardly possible to overstate the importance of provincial governments and federal-provincial relations in shaping national efforts in promoting regional development. Indeed, one can make the case that a study of Canadian regional development policy is essentially a study of federal-provincial relations with the notion of "equity" between the province dominating everything.

The federal government has had a hand in transferring funds to provincial governments for one purpose or another going back to the very beginning of Canada as a nation. In the 1920s, Ottawa established a royal commission to look into the financial difficulties of the Maritime provinces. The commission recommended special grants to assist the Maritime provincial governments with their budget deficits and based its proposal on the need for greater equality among the provinces (Royal Commission on Maritime Claims 1926).

Though we now have federal-provincial agreements covering an array of policy fields from health care, education, cultural development, transportation, regional development and so on, taking up about 22 percent of total federal program spending, all provincial governments have over the past twenty-five years denounced federal policies for their negative influence on the course and pace of the economic development of their provinces (Savoie 1990). Provincial governments in western and Atlantic Canada are convinced not only that federal policies favour central Canada, but that they even retard their own development.

The Ontario government meanwhile has also been critical of federal regional development efforts. Successive premiers from the wealthier provinces have warned that Canada's economic structure is being distorted through industrial development "designed to reduce regional disparities" (Bennett 1978). In sum, all ten provincial governments blame federal policies for at least some of their economic difficulties and, in the case of Atlantic Canada, its underdevelopment.

Certainly some provincial governments believe that the federal government can and should "alleviate regional disparities." This belief has led to wildly exaggerated calls for federal action. One senior finance official reports that a provincial minister of finance called on the federal government at a federal-provincial meeting in the 1970s "not to rest until all the regions, and all the provinces have economic performances above the national average" (Savoie 1990). The notion that Confederation and national policies favour certain regions has given rise to what observers call "the Canadian disease" -- the politics of regional envy.

Regional Development Measures in Australia

Until 1993, the series of Labour party governments under Robert Hawke and Paul Keating maintained a low profile with respect to regional policy. An Office of Local Government was established, first in the Department of Local Government and Administrative Services, and then in the Department of Immigration, Local Government and Ethnic Affairs (DILGEA), which replaced it in 1987, as part of a general administrative shake-up designed to reduce the total number of departments in the government. The office first divided the entire country into 75 regions for purposes of analysis and planning. Fundamentally, these regions were the hinterlands of 75 urban centres; the analysis and planning is urban-based in large degree. Later the six state capitals, all of

them metropolitan centres, were split into 24 regions, making a total of 94 regions in all.¹

The next step was to assemble a data bank with respect to economic and social conditions in each of these regions, designed to measure disparities at the local level. This task has been carried out with exemplary patience and thoroughness; until today there are some 500 statistical series for each of the 94 regions. Indeed, Australia may well have the richest data bank for regional analysis in the world with a host of indicators covering earned income, per capita income, participation rate, unemployment rate and so on.

One of the first applications of the office's analysis to policy was the Country Centres Project (CCP). A survey was conducted in 1986 "in eleven rural centres suffering the cumulative pressures of the downturn in rural industry and changes in a range of mining, manufacturing and service industries" (DILGEA 1987a). DILGEA's justification for this undertaking is highly perspicacious, indicating how governments committed to privatization, deregulation, and the creation of a free market economy can nonetheless find means for effective intervention at the local level.

The main concern expressed in policy statements in support of the CCP is the deteriorating state of the rural economy, in both agriculture and mining, and its negative impact on services and industry in the non metropolitan centres. A major aspect of the deterioration is declining terms of trade for the rural sector, with rising costs and falling prices of commodities produced. In other words, the analytical framework of the CCP treated the urban centres as "central places" rather than as "growth poles;" the idea was to save the cities by improving conditions in their peripheries rather than to save the countryside by measures that would generate growth in the urban centres. At the same time, it was recognized that a large proportion of crippled industries, such as food and beverages; textiles, clothing and footwear; and wood and wood products, is concentrated in small towns. Given this situation, plus the fact that the long run prospects for these industries are not bright in Australia, a major objective of CCP was "enabling local communities in rural areas to adjust positively to the cumulative impacts of economic and social change" (DILGEA 1987a). The emphasis was on finding things that members of the troubled com-

1. To avoid possible misunderstanding by Canadian readers, it should be stated that in Australia there is no system of federal government grants to lower levels of government for regional development. The Commonwealth Grants Commission makes grants to claimant states, but not for regional development. The state governments make grants to regional development bodies established under their legislation, such as the Victoria regional commissions. The 94 regions designated for study are not political or administrative entities to which grants could be given, and such is not the intent of the new department of Industry, Technology and Regional Development, discussed below. The department's studies of its regions may result in allocation of funds for industrial adjustment or infrastructure under its regular programs, within a particular region, but not in grants to a particular region.

munities could undertake themselves to improve their situation rather than on pushing or pulling economic activities from one region to another.

Regional Commissions

The absence of comprehensive regional development programs at both the federal and state government levels during the last decade, has opened the door for the exercise of initiative at the local level, with encouraging results. By way of illustration, we shall present very brief analyses of the operations of two of these initiatives, the Geelong Regional Commission and the Latrobe Regional Commission.

The Geelong Regional Commission (GRC) was established in August 1977, with authority extending over the city of Geelong and eight other municipalities. Geelong itself is on the southern coast, just 72 kilometres southwest of Melbourne. The commission was a creature of the Victorian government, and consisted of five commissioners appointed by the Governor in Council, and one for each municipality, appointed by the municipal governments, fourteen in all. The region thus defined has a population of about 200,000 and an area of 2,500 square kilometres. In the mid-nineteenth century, Geelong was primarily a wool centre, and wool is still a major factor in the city's economy. Today, however, about 20 percent of Geelong's labour force is in manufacturing, the rest in various services. It is an important port, sixth in Australia, and second in grain handling. The region is on the whole a prosperous one, but it is one of the small regions badly in need of structural change and adjustment: many of its manufactures are traditional ones threatened by foreign competition, such as automobiles, textiles, food and beverages, base metal products, and chemicals (DILGEA 1987b).

Considering the relatively small scale of the region's population, the commission's full time secretariat was sizeable, consisting of the chairman (appointed for five years, renewable) and 34 other professionals. The secretariat had four divisions: Economic Development, Planning and Design, Administration, and Development and Construction, in order of size. In 1990, the commission had revenues of \$8.3 million, the major sources being the government grant and interest on investments.

While the secretariat did some planning, both long-term and short-term, it was not a "planning commission" in the usual sense of the term. It worked continuously with the private sector, and its function was more entrepreneurial than planning. For example, one of its major functions was to buy a plant from enterprises that was in trouble and to find a way of using it so as to provide continuous employment. The biggest such venture was the purchase of the International Harvester plant. This company had been one of Geelong's biggest employers, but its work force had been cut from 2,300 to 600 and the com-

pany was talking of closing down altogether. The GRC bought the plant and then leased it to small manufacturers producing a variety of products.

In 1993, as part of the Victoria's strategy for simplifying and rationalizing local government in the State, the various municipalities in the Geelong Region were amalgamated into one city, Greater Geelong. The functions and responsibilities of the former Geelong Regional Commission were transferred to the town planning board of the new city.

The Latrobe Regional Commission was established by the Victorian government (Ministry of Industry, Commerce and Technology) in December 1983, by the Latrobe Regional Commission Act. The region contains 9,382 square kilometres and has a population of about 120,000 people.

The economic and social problems confronting the Latrobe region seem to be more serious, or at any rate more visible, than in the Geelong region. Employment is heavily concentrated in three resource-based activities: electricity generation (SECV); forestry, pulp and paper products (APM); and oil and gas production (ESSO-BHP). These three enterprises employ almost two-thirds of the labour force and produce more than half the gross regional product. SECV alone generates more than one third of the region's total employment. Thus the region is uncomfortably dependent on these three enterprises, which are not expanding. With its major employers shrinking, the region becomes heavily dependent on unstable fields of activity, like construction. Consequently, the regional economy is subject to severe fluctuations. As the commission put it in its strategy document, *Steps Ahead*: "The development of the Latrobe Region has been characterized by peaks and troughs of activity associated with the development of brown coal and other natural resources. The cyclic pattern of accelerated development followed by periods of slow growth or decline has paralleled the development of power stations and is a characteristic of resource-based communities" (DILGEA 1989-90).

According to the commission's *Annual Report* for 1989/90, the region produces 85 percent of the state's electricity, has 87 percent of Australia's crude oil reserves, 53 percent of its natural gas liquids, and 36 percent of its natural gas reserves. Aren't these substantial blessings? Perhaps, but if the region is to grow and prosper it must generate employment in high-tech, high-productivity, and high-income enterprises. When it comes to attracting such industries, and the kind of people they need to be successful, the commission worries about the "image" created by the region's "blessings." "The old images of power stations, holes in the ground, pollution and so on still linger on" (DILGEA 1989-90). The commission has therefore launched an "Image Project," which includes promotion of arts and cultural projects within the region, and publicity of various kinds to present "a more diversified and vital image which reflects (the region's) various strengths and lifestyle advantages" (DILGEA 1989-90).

The kind of activities which the commission undertook in its efforts to diversify and strengthen its economic base can be illustrated by a few examples

from one of its recent *Annual Report*. A major triumph in 1990 was attracting to Morwell the Data Processing Centre of the Australian Securities Commission. "This Centre will employ over 300 people and is one of the most advanced data processing and retrieval centres in the world" (DILGEA 1989-90). This success should certainly contribute a good deal to improving the region's "image." The commission considered it "a landmark in diversifying the region's economy, and hopefully, created a precedent for future action" (DILGEA 1989-90). The commission also launched a major marketing promotion for its plastics industry; opened a new horticulture venture with hydroponics techniques and warm water from the Hazelwood Power Station cooling tower; launched the Regional Strategy Plan, the Regional Land Use Policy, and the Regional Environment Policy as outlined in its document *Steps Ahead*; continued its arts and crafts promotion through its Arts Marketing Association; provided funding to help in opening a fast ferry service from Gippsland to Tasmania; assisted over 500 businesses; assisted the regional tourism industry; organized a campaign to have the proposed very fast train from Sydney to Melbourne, routed through Gippsland; completed arrangements for two new TV stations in the region.

Australian Regional Development Policy 1993

During the campaign leading up to the elections of March 1993, the Labour party announced its new economic strategy, entitled "One Nation," as a response to the Liberal-National Coalition's strategy statement "Fightback." The prime minister followed this statement with two other economic policy speeches, in February 1993, on "Investing in the Nation" and "Building on Strength." All three statements included measures which would make Australia more competitive in the global economy. These included government investment in infrastructure, education and training, microeconomic reform of government business undertakings, industrial relations and workplace reform, improvements in management and productivity, substantial reductions in tariffs, reduced company taxation, incentives for research and development, and incentives to investment more generally.

As part of the package, the government outlined a new commitment to regional development. It announced that it would set up a Task Force for Regional Development, a new Department of Industry, Technology, and Regional Development, and an Office of Regional Development. In his first major speech after his victory at the polls, in June 1993, the prime minister elaborated his new regional development policy. In effect, he recognized that a strategy of national economic development, involving a good deal of restructuring and adjustment, and a commitment to full employment, would require analysis, planning, and implementation at the regional level, and the cooperation of private enterprise, labour, and federal, state and local government.

"Regional" in this context, means essentially all of Australia outside the major metropolitan centres. The objective is not to redistribute income and employment from rich to poor regions, but to raise productivity, employment, and incomes in all of the ninety-six regions distinguished by the Office of Regional Development, by studying them, in collaboration with the private sector, in relation to their problems and potential, so that each region can move towards the activities for which they are best suited. Thus, regional development is seen as an integral and major aspect of national economic policy. Regional disparities may be reduced as a by-product of measures taken to realize to the full the potential of all regions, but reduction of regional disparities is not the major objective.

In this speech, the commitment to full employment was quite explicit. The prime minister said: "It seems to me that to say that we are not committed to full employment would be to say that we are not committed to Australia. Of course, we are committed to full employment, but we have to do more than say so" (Office of the Prime Minister 1993).

He also made it clear that the program of regional development was essential to the achievement of full employment, as well as other objectives outlined in "Investing in the Nation" and "Building on Strength." He argued that: "Regional development is a matter of high priority. The process of structural adjustment has had geographic dimensions which we cannot ignore.... There is a lot to be gained by success in (regional development): the stimulation of industry and employment in regional Australia; the maximum use of our natural and human resources; ...very often regional industries have specialized character that sells abroad; ...Regional development means national development on a regional basis. ...The role of the Commonwealth will not be to deliver money by the drayload, but to assist the regions to take advantage of their potential."

In a paper delivered to the Joint Meeting of the Canadian Regional Science Association and the Pacific Regional Science Conference Organization in Whistler, B.C., in July 1993, Steve Garlick, General Manager of the Office of Regional Development, characterized Australia's new regional development policy as follows: "For the Australian Government, regional development is about generating the best economic and social return to outlay for the nation as a whole, across the private, public and household sectors. Only by better matching the diverse economic, physical and human resource potential of our regions to existing and emerging market opportunities will the full economic flow-on benefits from broad macroeconomic and microeconomic measures and concurrent growth international and domestic demand occur" (Garlick 1993).

The promised Regional Development Task Force was inaugurated in July 1993. Support of organized labour is virtually assured by the nomination of Bill Kelty, Secretary of the Australian Council of Trade Unions, as chairman. The secretary of the Department of Industry, Technology, and Regional Department is a member, more or less *ex officio*. The other nine members are

prominent representatives of private enterprise and local government. Its terms of reference are to: 1. identify key economic and industry development issues from a regional perspective; 2. examine factors affecting private sector investment in regional development; 3. examine whether any adjustments should be made to Commonwealth policies and programs to enhance the adjustment process and regional development in Australia.

The general manager of the Office of Regional Development also serves as senior manager of the Regional Task Force Secretariat. On behalf of the task force, he published a call for submissions in the Australian press. The task force held hearings throughout the country.

In a manner reminiscent of the early days of Department of Regional Economic Expansion (DREE) in Canada, the Commonwealth government is trying to harmonize the approach of the various departments in the federal government to regional development, and also to harmonize the approaches of the Commonwealth and the State and Territory governments. A ministerial Council of Industry, Technology and Regional Development has been established as a forum for discussion of regional policy issues. One of the council's first tasks will be to examine the reports of the task force and the industries commission, to assure greater harmonization of regional policies and programs. Within the Commonwealth government, officials will review programs that have an impact on regional development so as to improve their coordination. A government caucus committee has been established to provide political advice on regional development issues. This committee will consider the draft reports of the task force and industries commission, examine Commonwealth programs in terms of their effectiveness for regional development, and visit a number of regions to identify their problems and potential. All proposals coming before Cabinet from Commonwealth departments and agencies will be required to include an assessment of their regional impact. A contract has been let to a competent private consulting firm to prepare a major study of the factors influencing decisions of private enterprise concerning location of industry, especially in the "regions" (outside major metropolitan centres). On the basis of all of these initiatives, a policy statement will be issued early in 1994, and policy recommendations for regional development will be included in the Commonwealth budget for 1994-95.

To sum up, regional development measures in Australia have not been concerned with alleviating regional disparities with the six states defined as regions. Rather they have been directed towards economic development at the regional level, securing a thorough knowledge of local economic circumstances, including their strengths and weaknesses, and then relying on community leaders to define the way ahead instead of federal or state level bureaucrats.

The Task Force Report

The report of the Task Force on Regional Development was published just before Christmas 1993. Its title indicates its approach: *Developing Australia: A Regional Perspective*. Its main concerns are to reduce unemployment at the national level, by concentrating the attack on unemployment in the regions where it is highest and to make the national economy more internationally competitive. It covers a wide range of policies, including many that are not usually considered part of "regional" policy. The report is in two volumes. The first presents a statement of objectives, and makes 129 recommendations, on financing regional development, transport, the labour market, education, industrial policy, communications, agriculture, water, the environment, aboriginal and Torres Strait Islanders, culture and heritage, tourism, energy, business support, and empowering the regions. The second volume presents profiles of 66 regions, defined by the task force on the basis of public meetings organized by them in the regions. In the course of their three months of investigations, the team "visited nearly every region in Australia" and received over 300 submissions from regional authorities, private enterprises, educational institutions, mayors, town councils, government departments and private individuals. In his Foreword to Volume Two, Bill Kelty writes: "I am delighted to present this landmark document. It is a report from the Regional Development Task-force, but more importantly it represents the views of men and women working in the regions which make up Australia. It is a vision, region by region, of what Australia could, and should be an expression of the plans and hopes of Australians for Australia" (Task Force Report 1993).

The most original sections of Volume One are those concerned with Financing Regional Development and Empowering the Regions. With regard to the first of these, after a brief summary of the concerns of people from "the regions," the report states: "The report outlines a regional development plan on a national scale and is, in effect, a plan for national development. The Task-force believes that wherever possible the private sector should be encouraged to play a major role in financing development through the regions. However, there is an argument for greater public investment in infrastructure and increases in taxes and charges to pay for it. The argument is based on the link between efficient infrastructure and economic development -- the link between good roads, ports and railways for example and the ability of companies which use them to compete in global markets" (Task Force Report 1993).

It should be noted first of all that the recommendations of the task force do not involve net increases in federal government expenditures, deficits, or transfer payments to lower levels of government. The projects to be financed by the federal government are all within existing programs. The "regional" aspect of these programs consists in deciding, on the basis of careful analysis of the problems and potential of all regions, where to put what projects and when. It is hoped that, even in infrastructure, much of the investment will be

private. The "One Nation" program allowed private enterprises to issue "infrastructure bonds" to finance public road or rail transport, port facilities, and electricity generation, on public land, and allowed more generous depreciation for tax purposes. The task force urges government to encourage the development of an infrastructure bond market.

Under the heading of Empowering the Regions, the main recommendation is the establishment of regional economic development organizations: "The Taskforce believes that the Federal Government should establish a program to provide financial assistance to Regional Economic Development Organisations (REDOs)" (Task Force Report 1993). Cooperation among REDOs could be attained through the Regional Organizations of Councils. The form of financing the REDOs should be determined in consultation with the states, but the funding should come from within existing programs.

The Committee on Employment Opportunities

The Committee on Employment Opportunities was commissioned on 28 May 1993, and its report was also published towards the end of December 1993, entitled *Restoring Full Employment: A Discussion Paper*. The two reports are complementary to each other, as *Restoring Full Employment* makes clear: "Ultimately, the success of the CES (Commonwealth Employment Service) in placing people in jobs will depend upon whether the labour market programs and services it manages are relevant to local and regional employment conditions. Programs need to equip jobseekers with the skills required by local employers. Recent employment growth has been concentrated in the small and medium business sector (Chapter One). Much of this business has a regional or local focus. It is, therefore, increasingly important that assistance be targeted at this levelthe capacity and potential of regional communities to respond to the problem of unemployment is relatively untapped" (Committee on Employment Opportunities 1993: 155).

Thus, we see that today in Australia, restoring full employment and regional development policy are closely linked.

The Canadian Approach to Regional Policy

Canada's approach could not be more different. Although Canada's measures began with a distinct local focus and a relatively narrow program base through ARDA (Agricultural and Rural Development Act) and FRED (Fund for Rural Economic Development), regional development programs soon began to spread in scope and geographically. Ottawa has essentially had, over the years, two programs to promote regional development: an incentive package, including cash grants and guaranteed loans to private firms, to locate, expand or modern-

ize their economic activities, and a series of very broadly defined federal-provincial agreements with the ten provinces (Savoie 1992).

The incentives package began with a clear regional focus. When DREE introduced the Regional Development Incentives Program (RDIP) in 1969, it limited its application to Atlantic Canada, eastern Quebec, and to northern regions in Ontario and four Western provinces. It also limited the program to new, expanded or modernized manufacturing and processing plants.

By the early 1970s, however, Quebec politicians began to press Ottawa to designate Montreal under RDIP. Early regional development efforts in Canada, it will be recalled, were influenced by Perroux's growth pole concept. The argument then was that Montreal was Quebec's growth pole and if Ottawa's regional development objective was to promote Quebec's development then Montreal had to be designated. Ottawa agreed and designated, as an eligible area, Montreal, although the level of assistance was made less generous than what was available for Atlantic Canada and eastern Quebec. It was not long before other provincial governments began to pressure Ottawa for a wider designation for their provinces with the argument that "if Montreal can be designated then surely cities like Cornwall and Winnipeg should also be". The result was that by 1981, RDIP covered 93 percent of Canada's land mass and more than 50 percent of its population. The program was scrapped in 1982 and a new program, Industrial and Regional Development Program (IRDP), was established. The minister boasted in Parliament that "this is not a program to be available only in certain designated regions. Whatever riding any Member of the House represents his or her constituents will be eligible for assistance" (DRIE 1983). The program neatly got around the designation problem by making all of Canada eligible through a tier system. All regions were arranged in four tiers of need (DRIE 1984-85).

This program was in turn scrapped in the late 1980s when the federal government established the Department of Industry, Science and Technology (DIST) and a series of regional development agencies notably the Atlantic Canada Opportunities Agency (ACOA), Western Diversification (WD) for western Canada and FEDNOR for northern Ontario. DIST and the agencies all have their own incentive programs. Many of the programs are no longer restricted to manufacturing and processing facilities. Indeed, they are able to support virtually any kind of activity, including repair and maintenance facilities, and makes assistance available toward eligible costs for new product expansion, marketing, development of business plans, feasibility studies and the hiring of qualified personnel to implement a marketing place.

The wider application of incentive programs to the private sector also served to spread out government assistance to businesses across the country. By the late 1980s, the rest of Canada has moved ahead of Atlantic Canada in the level of business assistance provided by the federal government. Outside the Atlantic region, business assistance per capita more than doubled to \$250 between 1980 and 1987 while it fell to \$133 in Atlantic Canada. The situation

is now such that one of ACOA's main concerns is that its incentive programs has become "uncompetitive" with federal assistance offered to the private sector in other regions (Savoie 1991).

Ottawa's other major program -- a series of federal-provincial regional development agreements -- has received, over the years, the bulk of funding for regional development (about 70 percent). The approach was first introduced in 1973 through ten years General Development Agreements (GDAs) signed with nine provincial governments. The exception was Prince Edward Island which was covered by a fifteen year federal-provincial comprehensive development plan.

The GDAs did not provide for specific activities -- they were enabling documents outlining, in the broadest of terms, priority areas for each province. Specific activities were sponsored through subsidiary agreements. These subsidiary agreements could be province wide in scope, as they often were; they could concentrate on an economic sector, as they often did, or concentrate on a specific sub-provincial area or even a single industry. They were, and their successors remain, highly flexible instruments and provincial governments have grown particularly fond of the GDA approach. They have strong reasons to do so. They could submit provincial-wide sectoral development measures to DREE for funding and in many instances, funding was secured -- when it was not, the provincial government simply came back with another proposal. No program limits exist to restrict activities (Savoie 1981).

Criticism, however, has often been heard in Ottawa. From an Ottawa perspective, not one of the GDAs or the successors agreements point to an overall development strategy. Federal politicians regarded the GDAs as instruments substantially financed with federal funds but clearly favouring the political profile of provincial governments. The last DREE minister, Pierre De Bané, for example, suggested publicly that he "would be surprised if 10 percent of Canadians were aware that DREE grants to business account for only 20 percent of the department's budget, the rest going to the provinces" (De Bané 1981).

The GDAs were replaced by Economic and Regional Development Agreements (ERDAs). The ERDAs are similar to the GDAs in that they are enabling documents only, provide for subsidiary agreements and have a ten year life span. No program limits exist to restrict activities and committees of federal-provincial officials still plan and implement the various initiatives. The difference is that the ERDAs allow for the federal government to deliver directly some initiatives rather than always using the provincial government as the delivery agent. This, it is believed, provides greater visibility to the federal government for its regional development spending.

It is hardly possible to overstate the case that the federal-provincial agreements are extremely flexible, provincial and sectoral in scope with limited interest in tackling sub-provincial areas largely because the provinces prefer it that way. What the agreements have produced over the past twenty years is a

series of subsidiary agreements covering virtually every economic sector particularly in the case of slower growth provinces. In addition, the richest provinces have also secured federal funds through the ERDAs to develop some of their sectors -- Ontario, Alberta and British Columbia have, for example, at one time or another signed a tourism subsidiary agreement.

The one exception is Quebec -- but it hardly qualifies as a true exception (DIST 1988). The federal government signed a five-year \$820 million agreement with the Quebec government in 1988 to develop the province's regions. The funding was increased by an additional \$283 million in 1989. The agreement, however, simply divides Quebec into two: the central regions and the peripheral or resource regions. The central regions were awarded a larger share of the funds (\$486 million). The resource regions consist of eastern Quebec (for example, Bas St-Laurent, Gaspésie) the North Shore, the North-Centre (for example, Lac St-Jean), the western region (for example, Rouen-Noranda) and the northern region (for example, Abitibi). The central regions cover the rest of Quebec so that all of the province is covered. The programs are all encompassing. Indeed, it is difficult to imagine many types of economic activities that would not qualify. Assistance is provided for business development; productivity improvement; an agri-food strategy, studies of various types, including feasibility studies; tourism development; research and technologies development; agriculture development; more efficient resource management operations; infrastructure development; services for industrial and tourism development; and known resource development.

The federal government has also reformed its organization for regional development on several occasions. DREE was established to give regional development a clear focus and home in the late 1960s. It was abolished in the early 1980s because the focus was too narrow and DREE could not properly get other federal departments to contribute to regional development. A central agency of sorts -- the Ministry of State for Economic and Regional Development (MSERD) was created to do what DREE could not. In addition, a new department -- the Department of Regional Industrial Expansion (DRIE) -- was set up as a line department to deliver programs. Both departments were abolished in the late 1980s. They were accused of being too bureaucratic and unable to articulate and promote a regional perspective inside Ottawa. As already noted, a new department, DIST, and new agencies ACOA, WD and FEDNOR were created.

The substance of the federal government regional development measures have remained remarkably stable notwithstanding new departments and agencies and new acronyms for federal-provincial agreements. To be sure, the federal government has been at times more visible in program delivery and we have seen a new focus on entrepreneurship since the mid-1980s particularly in Atlantic Canada. But Ottawa still only has two programs - one an incentive package for the private sector and the other a series of very broadly defined federal-provincial agreements.

Lessons Learned for Canadian Regional Development Policy

Canada and Australia have different histories and different geography. Together these differences have conspired to produce two very different approaches to regional development, linked to two very different approaches to social welfare. Canada's history is such that in defining social welfare, and the responsibility of government for promoting it, differences in per capita income among provinces, and differences in such social indicators as unemployment, health, education, transport and communications, and housing, inevitably played a major role. Accordingly, regional development policy has necessarily been concerned with reducing disparities, measured in terms such as these, among provinces. The result has been that none of the many reorganizations of federal and provincial programs for regional development has been able to rescue such programs from the morass of federal-provincial relations for any length of time. Sooner or later, after each reorganization, the programs have slipped back into that morass. Consequently, any studies made, any plans prepared, any decisions taken, tend to be increasingly in the hands of Cabinet ministers and senior bureaucrats at the federal and provincial levels. Most of these think in sectoral terms, not in spatial terms, and their concern is to divert as much as possible of the funds made available for regional development by the federal government to their favourite projects in their regular, sectoral, programs. Rather than working together as a team, each member applying his own specialized professional skills to a common objectives, the various people involved act as rivals, competing with each other for funds, in hierarchical organizations concerned with sectors, not spaces. Good regional development policies, plans, and programs cannot possibly emerge from such an operation. Moreover, it tends to lead to neglect of the target populations for which programs are designed and of the private enterprise which must necessarily implement the bulk of such programs.

Because of its very different background, Australia has been able to do what Canada has not: concentrate its regional development programs on the particular problems and potential of small regions. Since economic and social disparities among states were not a pressing problem anyhow, federal governments have not considered their responsibilities for social welfare in terms of redistributing income from richer to poorer states through the federal fiscal process. The social welfare target was rather to so structure society and the economy as to make sure that all individuals and social groups in the "workers' paradise" should have the opportunity to lead lives as close to equally paradisiacal as humanly possible, and that people should not be obliged to move to attain paradise. People with given skills and talents should not be better or worse off just because they lived in a certain place. The most visible results of this approach to social welfare is, of course, the compulsory arbitra-

tion system, with its principle that workers with certain definable skills should get the same wage no matter where they are. But this principle has implications for regional development; it means that each community, and the small region it inhabits, must be engaged in some activities in which their productivity meets national standards, where they have some competitive advantage. Such an approach leads to the organization of planning and implementation of regional development strategies at the local level, as in the cases of the former Geelong and the Latrobe regional commissions.

Thus the same forces which led to an absence of federal legislation and budgets to encourage development of disadvantaged states, also led to provisions for development of small regions, no matter what state they are in. The objective is not to redistribute income from richer to poorer small regions. The gap between the richest and poorest small region in the country is not insignificant; but the aim of the development programs for small regions is to raise productivity, create jobs, raise incomes and improve levels of social services. The instruments made available for achieving this end through the regional commissions are: the injection of the requisite professional skills and entrepreneurship in the decision-making process; thorough knowledge of the region, its people, its problems, and its potential; and working continuously with the target population, the entrepreneurs who will implement the program, and governments at all three levels; and, of course, judicious allocation of modest amounts of money, to launch new enterprises and to expand and improve existing ones. None of these instruments involves replacing private enterprise and private decision-making with public enterprise and decision-making by politicians and bureaucrats. Instead, the commissioners and their staffs operate as true Schumpeterian entrepreneurs: seeing and seizing opportunities to do something new, and in different ways -- producing new products, using better techniques, improving organization and management, exploiting hitherto neglected resources, finding and bringing together the required management and other factors of production, including capital; getting the new enterprise going and then pulling out to do something else.

This approach has all the advantages of regional development projects in developing countries: it brings together a sizeable team of experts in various relevant fields; it provides for collaboration with the private sector and with governments; the team lives and works in the region for which it has responsibilities; and the region itself is small enough to be seen whole. But the Australian regional commissions have another advantage that most programs carried out under the auspices of foreign aid programs lack. Usually teams provided by foreign aid agencies spend one or two years in the region, until the plan is completed, and then go elsewhere. It is rare indeed that the team stays on during the implementation phase. But the regional commissions are designed to go on forever; their work is never completed. Thus studies and analysis, design of strategies, preparation of plans and programs, design of projects and

implementation, go on continuously and simultaneously -as they do in the operation of any large and successful private enterprise.

A point worth reiterating is that with this style of operation, although some of the funds are provided by state governments, the basic planning, management, and decision making is performed by the people at the local level, and not by federal or state politicians and bureaucrats. Thus the programs do not get mixed up with the regular programs of line departments in the state governments, with the danger that funds will be diverted from development of designated small regions to programs or particular sectors within the state economy.

Australians of all political parties have been willing to "repeal the law of supply and demand" to create the "workers' paradise." Canadians have always had more faith in the market and more reluctance to intervene in it. The anomaly is this: despite the absence of lip-service to, and almost total neglect of, anything called "regional policy" in Australia, and all the talk about it in Canada, actual regional policy has probably been more effective in Australia than in Canada.

Canadians have always been somewhat reluctant to commit themselves to assisting particular social groups, but Canada's history results in strong political support for assistance to disadvantaged regions, usually defined as provinces. The trouble with this Canadian approach, obviously, is that no matter how it starts out with each new reorganization of the institutional and administrative setup for regional development, the basic framework for regional policy decrees that sooner or later, and usually sooner, a major portion of the decision-making power falls into the hands of the politicians and bureaucrats of the provincial governments. In addition, Ottawa's inability to limit the geographic scope of its regional development policies has served to fuel rather than attenuate the "Canadian disease" -- the politics of regional envy. In Australia, starting the other way around, and endeavouring to help disadvantaged social groups rather than disadvantaged states, much if not most of the decision making falls into the hands of authorities concerned with small regions or communities, like the Geelong and Latrobe regional commissions. When regional policy is directed to units like these, it results in competent planning for development of such units. It is possible to argue that the various regional development programs of Canada's federal government have had virtually no impact on regional disparities, as some people do, but the impact of the smaller regional development authorities in Australia is highly visible. The lessons for Canadian policy makers are obvious.

There is not, and there has not been, a "Quebec" problem of regional development; there has been a Gaspé problem, a Lac St. Jean and an Outaouais problem. There is not today a "New Brunswick" regional development problem; there is a northeast New Brunswick problem and a Saint John problem. There was a Moncton problem that now seems to be well on its way to solution. There is not today a "Nova Scotia" regional development problem;

there is a Cape Breton problem. So why don't we have a Gaspé Regional Commission, a Northeast New Brunswick Regional Commission, and a Cape Breton Regional Commission?

References

- Bennett, W.R. 1978. "The British Columbia Position", a statement made at the Conference of the First Ministers on the Economy, February.
- Breton, A. 1992. "The Status of Efficiency of Regional Development Policies", in D.J. Savoie and I. Brecher (eds.), *Equity and Efficiency in Economic Development: Essays in Honour of Benjamin Higgins*. Montreal: McGill-Queen's University Press.
- Canada. 1926. *Report of the Royal Commission on Maritime Claims*.
- Committee on Employment Opportunities. 1993. *Restoring Full Employment: A Discussion Paper*. Canberra.
- De Bané, P. 1981. "Provinces Must Fit Programs to Ottawa's", *Globe and Mail*. August 13.
- Department of Industry, Science and Technology. 1988. *Canada-Quebec Subsidiary Agreement on the Economic Development of the Regions of Quebec*, Schedules B, C and D.
- Department of Regional Industrial Expansion (DRIE). 1983. "Speaking Notes - the Honourable Ed Lumley to the House of Commons on the Industrial and Regional Development Program", June.
- _____. 1984-85. *Annual Report*.
- DILGEA. 1987a. *Australian Regional Development: 8-1 Country Centres Project 1986*. Canberra.
- _____. 1987b. *Australian Regional Development: 7, Geelong Experience*. Canberra.
- _____. 1989-90. *Australian Regional Development: Latrobe Annual Report for 1989-90*. Canberra.
- French, R.D. 1990. "The Future of Federal-Provincial Relations... if any", paper presented to the Institute of Public Administration of Canada, National Capital Region.
- Garlick, S. 1993. "Competitive Regional Development: New Policy Initiatives by the Australian Government", paper delivered to the Joint Meeting of the Canadian Regional Science Association and the Pacific Regional Science Conference Organization. Whistler, British Columbia.
- Higgins, B., F. Martin and A. Raynauld. 1970. "Guidelines for Regional Economic Development in the Province of Quebec", report submitted to the Department of Regional Economic Expansion.
- Higgins, B. and K. Zagorsky. 1987. *Australian Regional Development*. Canberra: Government Printing Office.

- Mathews, R. 1987. "Fiscal Federalism and Regional Development", in B. Higgins and K. Zagorsky (eds.), *Australian Regional Development*. Canberra: Government Printing Office.
- Office of the Prime Minister. 1993. Speech by the Prime Minister, the Honourable Paul J. Keating, to the New South Wales Labour Party State Conference. Sydney.
- Phidd, R.W. and G. Bruce Doern. 1978. *The Politics of Management of Canadian Economic Policy*. Toronto: Macmillan.
- Royal Commission on Dominion-Provincial Relations. 1940. *Report of the Commission, Book II*. Ottawa: Queen's Printer.
- Savoie, D.J. 1981. *Federal-Provincial Collaboration: The Canada/New Brunswick General Development Agreement*. Montreal: McGill-Queen's University Press.
- _____. 1990. *The Politics of Public Spending in Canada*. Toronto: University of Toronto Press.
- _____. 1991. *ACOA: Transition to Maturity*. Moncton: Atlantic Canada Opportunities Agency.
- _____. 1992. *Regional Economic Development: Canada's Search for Solutions*. Toronto: University of Toronto Press.
- Task Force on Regional Development. 1993. *Developing Australia: A Regional Perspective*. Canberra: Ministry of Industry, Technology and Regional Development.