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Centre of Excellence in Smart Specialisation and Regional Policy

## Rethinking regional policy after the bushfire crisis

### Reflections on the Third Regional Roundtable

April 2020

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## 1. Centre of Excellence in Smart Specialisation and Regional Policy – Research Roundtable

The Centre of Excellence in Smart Specialisation and Regional Policy (the Centre) aims to:

- facilitate international cooperation between researchers and policy-makers working on initiatives to support innovative economic and social development in regions
- broaden understanding of the role of EU regional policy, and
- support the implementation of smart specialisation initiatives and the development of regional innovation systems in countries beyond the EU.<sup>1</sup>

The Centre hosted the second part of its research roundtable online on 9 April 2020 with 21 participants.<sup>2</sup> Following the first session where Dr Anthony Hogan and Dr Kim Houghton discussed issues facing policy responses to disaster, Professor Peter Fairbrother from RMIT University presented on 'Systems of Production and Disaster Recovery'.

An agenda for research roundtables had been developed by participants in an earlier roundtable in 2019. However, this has been reconsidered following the catastrophic bushfires which affected so much of Australia during the summer. The fires, together with the impact of floods and drought, drew enormous political and media attention to non-metropolitan Australia, with new commitments for spending on recovery, new institutions established to address bushfire recovery, and the prospect of a royal commission. The Centre has shifted its focus to examine the implications of the bushfires and other natural disasters, and how disaster interventions might be considered to be part of the broader framework of regional policy in Australia

This is a continuing challenge in Australia. Too much of Australian thinking about a policy initiatives that affect non-metropolitan Australia is framed in terms of particular silos (be they health, education, agriculture, communications or business and innovation). It is fragmented in design, centrally-driven in decision-making, and erratic in implementation.

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<sup>1</sup> For more information see the Centre flyer at Appendix A or <https://www.rmit.edu.au/about/our-education/global-outlook/european-union-eu-centre/research-programs#regional>

This situation continues despite the depth of work on regions and regional development policy undertaken by the OECD some 10-15 years ago. Reports such as *Regions Matter* provide a quite cogent overview of the research and policy learning as it had been assembled in the first phase of that work. As the OECD says in the Foreword to *Regions Matter*:

OECD work suggests that the simple concentration of resources in a place is not a sufficient condition for sustained growth. The key appears to be how assets are used, how different actors interact and how synergies are exploited. Evidence of this is provided by analysis of the factors that generate growth: for example, infrastructure investment is effective when combined with other forms of investment, notably in education and skills. For innovation, it is not only the number of researchers or the level of R&D investment that count, but how the innovation system as a whole functions. This leads to very different kinds of public policy considerations ... public policy needs to embrace reform and continue a transition away from market-distorting subsidies to policies that unlock the potential of regions and that support long-term economic, social and environmental objectives.

As an OECD member, Australia contributed to the above work yet there is minimal evidence that the outcomes of that project had any significant influence at a national or state level. The debate around regional development has not progressed a great deal since the OECD's work, noted above, was produced. However, the period of recent crises in Australia (e.g. drought, bush fires, Covid) and the subsequent focus on recovery, has generated debate about the coherence of the nation's policies for regions. The purpose of this roundtable is to stimulate debate in this direction.

## 2. Systems of Production and Disaster Recovery

Professor Peter Fairbrother opened the roundtable with a presentation that, firstly, raised the fundamental challenge of defining regions, and defining disasters. There is no settled definition of a 'region'. While for political, administrative and data collection purposes regions are often defined by local and state borders, this has little relevance to regional economies. Meanwhile, we should be alert to the variety of types of disasters that occur in regions, their impacts and their social effects.

Relations of production and supply chains do not recognise council boundaries. Rather, the regional economy should be understood as 'a set of relationships and cross-border interdependencies', that extend beyond the boundaries of lines on maps. Value-add and value capture increasingly takes place outside the geographic area of the region. For example, in instances of direct foreign investment profits are domiciled outside the region and, increasingly, where productivity enabled through technology is disconnected from regional locations, there is a growing discrepancy in value capture between regional and metropolitan areas. The traditional method of analysing these relationships through value chains cannot account for the complexity of regional economies. Rather, considering 'production networks' can account for this complexity, and enable greater spatial embeddedness – that is, consideration of the individual sector or firm's place in the regional economy as a whole.

What Professor Fairbrother referred to as 'data chaos' poses a significant challenge to this more complex work. While the coordination of LGA data gestures to this, without regional governance there is no centralised data collection. Meanwhile, centralised, industry-based data produced by the Australian Bureau of Statistics (ABS) is disembodied from regions. This limits its use in enquiries into the regional economies described above. Data collection is resource intensive and, rightly, always raises sensitive questions around privacy. There is also the question of analytical focus, and the questions asked of regional data, and how this research can be used to make generalisations about production networks and/or regional economies.

As the present situation demonstrates, disasters 'in plural' can both increase the type and scale of challenges to regions and introduce new ones. For example, after the 2019-2020 bushfires in Gippsland, metropolitan visitors were encouraged to visit the region to help its recovery. With the

advent of Covid-19, visitors are discouraged from regions for fear of their overwhelming capacity in its health system.

The broader view Professor Fairbrother offered, of regional economies as sets of relationships, draws attention to the wider impacts of disasters. For example, disruptions to transport mechanisms means interruptions to regional production and value chains outside the immediate area affected by the disaster itself. In phases of recovery, there are examples of business that may be unscathed – e.g. in tourism – but natural attractions that drive visitation may be closed, leading to a secondary impact on that area of the economy.

To understand this, Professor Fairbrother called for a “sociology of disruption” in regions. This would consider the geographic distribution of infrastructure, event patterns, and governance. It requires close observance of supply chains within and beyond the region itself, and the pressure points that will be triggered by specific events. It also requires multiple units of analysis and layers of analysis, beyond ‘the community’ and ‘the individual’ - for example households and their gendered character must be factored into understanding of disaster planning and recovery.

Professor Fairbrother’s slides are available in a separate attachment.

### 3. Discussion

In the discussion that followed Professor Fairbrother’s presentation, participants talked about the implications of his comments and relating them back to Dr Hogan and Dr Houghton’s presentations in the first session in March. Five themes, in particular, were identified in the discussion:

1. *The sociology of disruption*: how communities respond to disasters, when they face loss what was taken for granted. The experience of ‘anomie’ was raised as a line enquiry, and the challenge of finding a new sense of normal in changed circumstances that will not revert back to
2. *Geographies of regionality*: Different regions have different senses of themselves – for example, Western Australian regions, with huge distances from the metropole and resource-based economies, differ greatly from coastal regions of NSW and Victoria. How is this ‘regionality’ conceptualised and will it be deployed as a management tool in future?
3. *Regional continuity plans*: developing capacity for sustainability across social, economic, climatic indicators and others, in a context of multiplying disasters with greater frequency.
4. *The search for trusted persons*: who do we listen to, when there are competing discourses and overlapping authorities in regions?
5. *People as central elements within communities, or constituting communities in themselves*: communities are parts of supply chains, but do local supply chains include or by-pass the communities within which they are situated?

A starting point for addressing these issues is considering and conceptualising the ‘social contract’ between regional and metropolitan Australia. Several participants saw this as having been renegotiated in the past 40 years of deregulation, liberalised economies and globalisation, to be heavily weighted towards cities to regions’ disadvantage. Others pointed to how policy itself can determine a region, undermining the notion of a ‘contract’. Rather, to return to Professor Fairbrother’s definition, they see that ‘regions are made out of relationships’.

None of this work can be done without, in Professor Fairbrother’s words, ‘starting from the region itself’. For example, while the ‘future of work’ has been a major concern for industry and government in the past decade, their focus has been metropolitan, with the results of the work that emerges from this being, typically, inapplicable or irrelevant to regions. It assumes transformations in labour markets are happening in metropolitan areas, when some of the most profound changes

are happening in regions – for example, agriculture’s lag in taking up e-technologies, despite evident need and substantial innovations in this area. Regions should be conceptualised as a starting point for thinking about work futures and policies – not merely the subject of interventions.

## 4. Conclusion and Next Steps

In his remarks to the first roundtable session, included in Part One of this report, Professor Bruce Wilson reminded participants of the OECD’s work on regional policy a decade ago. This remains pertinent to the current policy debate. The OECD’s call for systemic analysis of regions and regional strategy has largely gone missing in policy development in the decade since the *Regions Matter* report was published. These roundtable discussions should be considered as the start of a revival of this debate in Australia.

As was made clear in the course of the roundtable discussions, there are divergent views – even among participants who have a common interest in regional development – as to what constitutes a region. The arbitrariness of geographical markers is not helpful; nor are the economic or social arrangements within regions that vary hugely across Australia, let alone the world. And, as Professor Fairbrother made clear, political boundaries can confuse, rather than clarify, the systems of production in a region.

The starting point for understanding a region is to consider its economic, geographic, and political relationships. As Professor Fairbrother and previous work by Dr Hogan, Professor Wilson et al has made clear, the relationship between metropolitan and non-metropolitan areas is skewed in favour of the former, and these inequalities only increasing over the past three decades. This raises a conceptual and political question: what are the terms of the ‘social contract’ between metropolitan areas and regions, and how can these be renegotiated? What does this renegotiated contract look like?

This leads to the questions of governance and institutions raised across the presentations and discussions in the two Roundtable sessions. In particular, what do these look like in times of increased risk, and what is institutions’ role in managing risk, disaster preparation, and recovery in the future.

This is the basis for the Centre’s Roundtable and research agenda for 2020. Bruce Wilson proposed reconvening the Roundtable in June 2020. Prior to this, the Centre will produce a series of discussion papers focusing on concrete examples of existing policy and institutions, for circulation and comment to participants in mid-May. These will look at:

1. The social contract between regional and metropolitan Australia
2. Regional governance in Australia
3. Institutional capability and ‘new kinds of institutions’

The Centre will ask that participants consider this in light of the governance issues that have arisen in their research and their professional experience. This will form the basis for the next Roundtable in June.

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**JEAN MONNET CENTRE OF EXCELLENCE ON  
SMART SPECIALISATION AND REGIONAL POLICY**

The Centre of Excellence on Smart Specialisation and Regional Policy aims to promote international cooperation between researchers and policy makers working to support innovative economic and social development in regions.

The Centre seeks to broaden understandings of the role of regional policy in the integration of the European Union, recognising the EU's current emphasis on smart specialisation strategies. A key theme is the effectiveness of regional policy in assisting with integration. This has global relevance, as it offers an approach to addressing problems such as regional disparities, climate change and cultural cohesion that are found in all parts of the world, not least in Australia.

The Centre aims to strengthen RMIT's capability to improve the quality of teaching and research in the regional development and policy fields. It will strengthen the linkages with EU regional policy researchers and policy makers, and enhance understanding in Australia and in Asia about the contribution which regional policy makes to EU integration processes.

**The project is co-funded by the European Union under the Erasmus+ Programme Jean Monnet Activities**

**The Centre's objectives are to:**

- share best practice and promote dialogue about regional policy and smart specialisation processes
- undertake comparative research on the implementation of smart specialisation and implications for regional development and policy
- promote policy dialogue about the economic, social and environmental contribution that smart specialisation processes can make
- enhance the depth and quality of teaching subjects that address the EU experience, and
- attract students to postgraduate studies on smart specialisation and regional policy, and support early career researchers.

**Partners**

- Prof Bruce Wilson
- A/Prof Lauren Rickards
- Prof Peter Fairbrother
- Dr Meagan Tyler
- Mr Todd Williams

**Key actions include:**

- Undertake new research to support policy recommendations
- Annual roundtables and policy dialogues bringing together researchers and policy makers to share insights and debate issues
- Web-based communication, sharing details of research and activities of interest to regional policy-makers and researchers in Australasia
- Review of learning resources for students, ensuring that the content reflects current debates and research outcomes;
- Support for early career academics at roundtables and conferences



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