

Our Ref: 09/07/0005
AS:SP

9 November 1998

Professor J Sloan
C/- Productivity Commission
PO Box 80
BELCONNEN ACT 2616



Dear Professor Sloan

**PRODUCTIVITY COMMISSION INQUIRY INTO THE IMPACT OF COMPETITION
POLICY REFORMS ON RURAL AND REGIONAL AUSTRALIA**

I am writing with regard to the round table meeting to be held in the Latrobe Valley on Wednesday 11 November 1998 in connection with your inquiry into the Impact of Competition Policy Reforms on Rural and Regional Australia.

We trust that you will find Wednesday meeting to be a useful and informative part of your inquiry process. The La Trobe Valley is the effective regional capital of Gippsland with an urban population of almost 60,000 and a municipal population of over 70,000 making the La Trobe Shire the 3rd largest provincial centre in Victoria outside Melbourne/Geelong.

There is little doubt that the La Trobe Shire has been more dramatically effected by National Competition Policy than any municipality in Australia, after 1945 the La Trobe Valley went through 40 years of spectacular growth. Not long after this growth had commenced to wane as major projects were completed, the decision was taken to rationalise and privatise the electricity industry. As a result we have lost between 6,000-8,000 direct jobs, equivalent to 10% of our total Shire population!

This job loss is on top of the rationalisation of many other public and private institutions, which has been mirrored throughout most of regional Australia.

Despite the impact of restructuring of our traditional industries and the services sector the Latrobe Valley is extremely confident that given appropriate state and Commonwealth policies targeting energetic national growth Latrobe Valley and Gippsland can prosper on the base of both the traditional industries and new business sectors.

I have attached a copy of La Trobe Shire's submission to the Senate on the Inquiry into Regional Employment and Unemployment, which explores in far greater detail the points I have made in this letter. I look forward to meeting you on Wednesday 11 November 1998.

Yours sincerely

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Number of pages multiple	Date	If there are any problems with transmission, please telephone	0351731 481
	09/11/98		

Mr Henderson

Attached is a copy of the Senate Inquiry as discussed and covering letter.

A map of the general area will be forward o you tomorrow, I hope that this is not too late.

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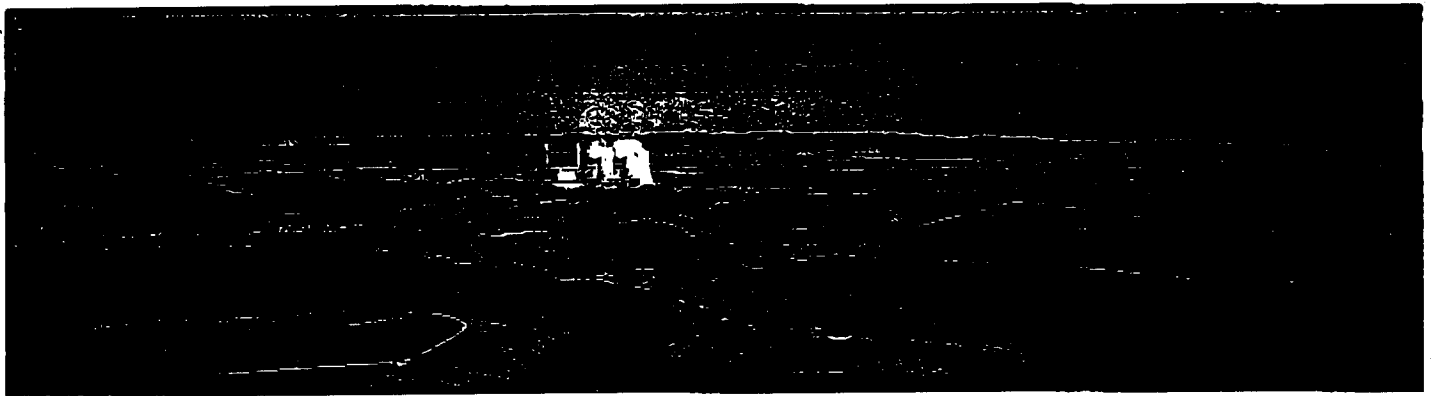
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Submitted to the Productivity
Commission inquiry into the Impact
of Competition Policy Reforms on
Rural and Regional Australia,



La Trobe Shire Council Submission



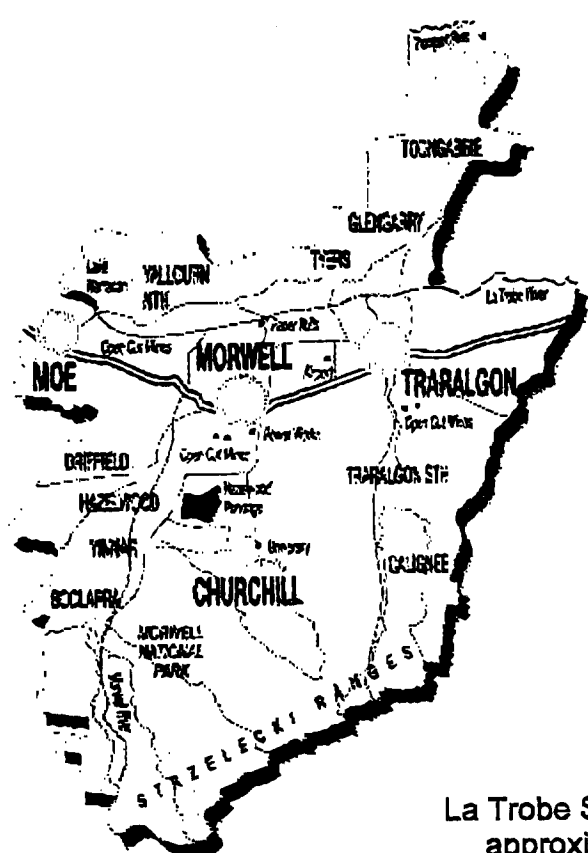
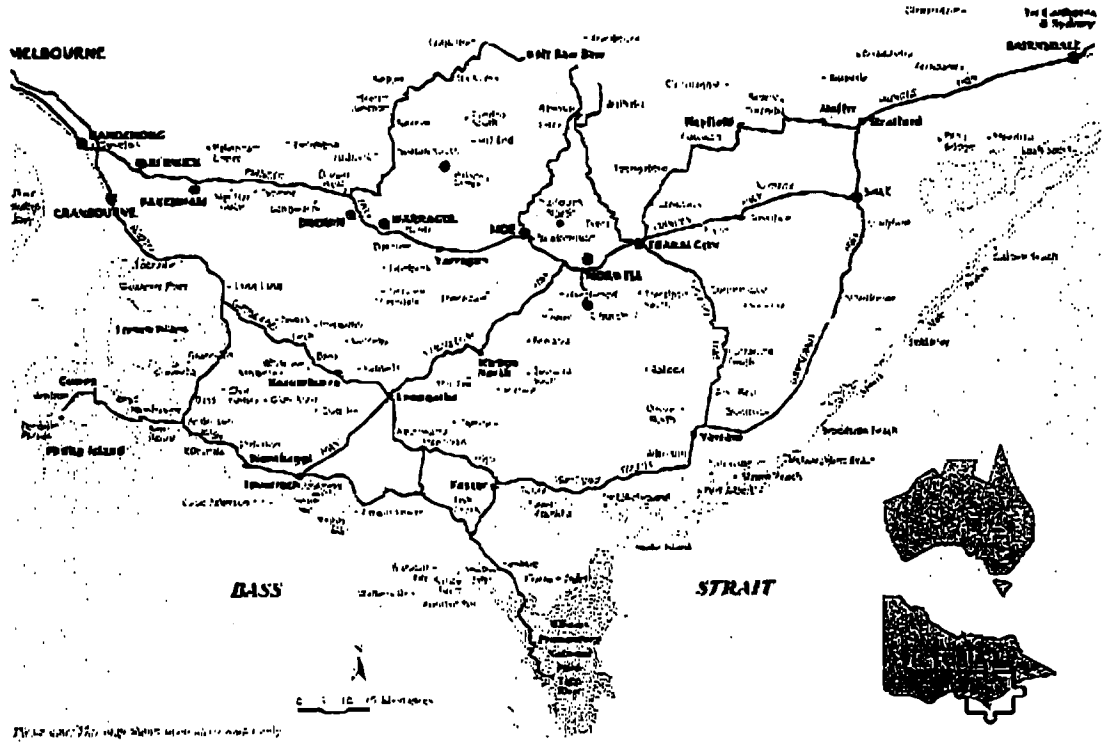
to the

Australian Senate

Employment, Education and Training

Reference - Legislation Committee

Inquiry into Regional Employment and Unemployment



La Trobe Shire is located in Central Gippsland, approximately 2 hours east of Melbourne

SENATE INQUIRY INTO REGIONAL EMPLOYMENT AND UNEMPLOYMENT

Submission by La Trobe Shire Council

Gippsland, Victoria

La Trobe Shire, La Trobe Valley and the Gippsland Region

The La Trobe Shire is located approximately two hours east of Melbourne in the centre of the most heavily populated part of the Gippsland region. The Shire is the third largest municipality in Victoria outside Melbourne and Geelong, with over 70,000 residents.

The Shire includes the La Trobe Valley towns of Moe, Morwell, Churchill and Traralgon, which collectively are home to an urbanised population of around 55,000 residents. This urban conurbation forms one of Victoria's significant provincial centres, alongside Ballarat and Bendigo.

The La Trobe Valley – a 20th Century Story of Growth and Hardship

The most significant difference between the La Trobe Valley and Ballarat and Bendigo is in the history of their growth to provincial centre status. Ballarat and Bendigo both achieved significant populations as a result of the gold rushes of last century, with further growth occurring as a result of public and private investment in the first half of this century.

By contrast, the La Trobe Valley's history of urban development is recent and dramatic. In 1945, the townships of Moe Morwell and Traralgon were little more than unconnected rural service centres. Churchill did not exist at all.

The next forty years saw a period of growth which transformed the La Trobe Valley towns beyond recognition, sustained by continued population growth flowing from an extraordinary period of public and private investment in infrastructure and associated industrial, commercial and residential development.

The principal investment occurred in the State owned and operated electricity industry, with the construction of six brown coal fired power stations and one gas powered facility in succession. This investment was accompanied by expansion of or commissioning of new open cut brown coal mines, water storages, effluent treatment and disposal systems, technical training institutions, public and private housing, transport infrastructure and supporting civic infrastructure.

The private sector responded by developing some of Australia's principal support businesses, particularly in the engineering sector.

The La Trobe Valley was the direct recipient of thousands of new Australians under the national immigration campaign, with particularly strong growth in the Dutch, German and Italian communities. Many of these settlers went on to become significant civic and business leaders in their adopted community.

The unprecedented growth is well illustrated by the township of Moe, which grew from a mere 750 residents in 1938 to around 17,000 forty years later!

Figure 1 illustrates the close correlation between the growth of the La Trobe Valley electricity generating industry and the Valley's population and urban towns.

Several generations of La Trobe Valley residents grew up to expect a relatively secure livelihood in one of the most beautiful environments in Australia, with the opportunity for advancement and personal wellbeing in return for commitment and hard work.

From around 1985, the whole fabric commenced to unravel; heralding a decade best described as an "economic devastation" without parallel in modern Australian history.

Visited upon the La Trobe Valley during the years 1985-1995 were:

- A slow down or completion of major infrastructure projects
- The impact of national recession and micro-economic reform
- The crises in the Victorian State economy in the late 1980s
- Restructuring and privatisation of the State Electricity Commission
- Local government amalgamation, which saw all or part of six municipalities combine to form the current La Trobe Shire
- Rationalisation of the Latrobe Regional Hospital with the closure of three public campuses and replacement by one facility owned and managed by a private sector operator
- The stresses endured by all provincial centres as a result of changing government and private policy toward service provision in country and regional centres

The impact of any one of these factors would have been catastrophic for any provincial centre. *The restructuring and privatisation of the SECV alone, for example, resulted in almost 10% of La Trobe Shire's total population losing their jobs!* The occurrence of all of the above impacts in rapid succession is indeed an unprecedented "economic devastation".

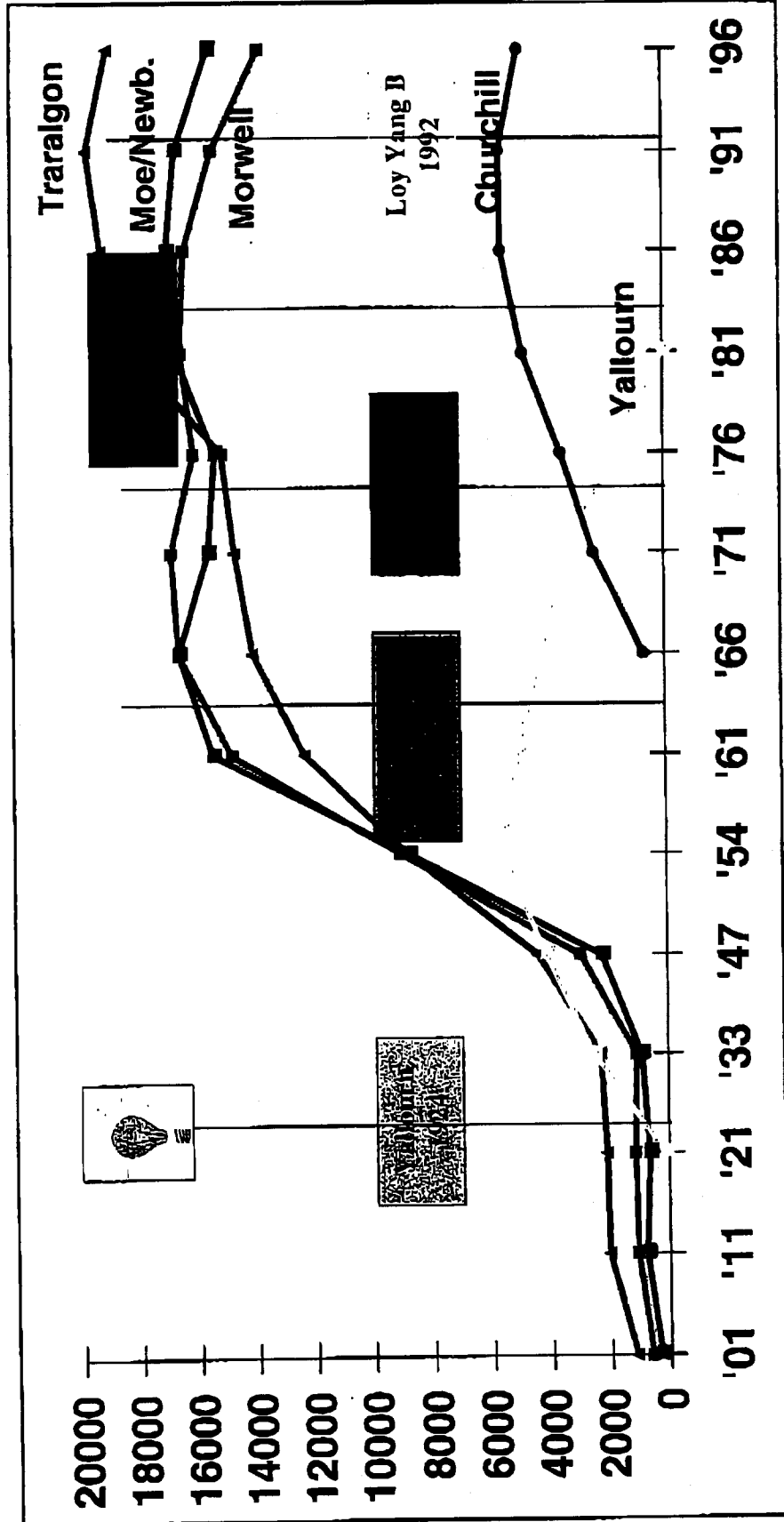
Figure 2 starkly illustrates the impact of major downsizing amongst major employers in the La Trobe Valley. It will be noted that although some useful gains have been made in terms of job creation, these new jobs have far from replaced those lost through downsizing.

Many of those who lost their full time jobs have remained in the area, with a loss of population of only 3,500 between 1991 and 1996 despite the loss of 6,000 jobs. In some cases those who have remained are hoping for better times, but many have been unable to sell their houses to finance a new life elsewhere. Of particular concern is the large pool of highly skilled but narrowly experienced workers in their 40s and 50s who now find themselves with few prospects.

In these circumstances, full time employment is being replaced by an increase in part time employment or unemployment and a decrease in the participation rate. A comparison of **Figures 3 and 4** shows that these trends are more evident in the La Trobe Valley than the remainder of Gippsland.

The results of the economic devastation have flowed far beyond the La Trobe Valley. As Gippsland's provincial population, employment and administrative centre, the health of the Valley's economy is reflected throughout the Gippsland region. Whilst the towns between Melbourne and the Valley may have to some extent been cushioned by their closeness to the State capital, the economics of Gippsland's settlements to the south, north and east of the La Trobe Valley have been harshly affected.

Town Populations & Power Stations - La Trobe Valley 1901 to 1996



SOURCE: GRIS

Major Employers - La Trobe Shire

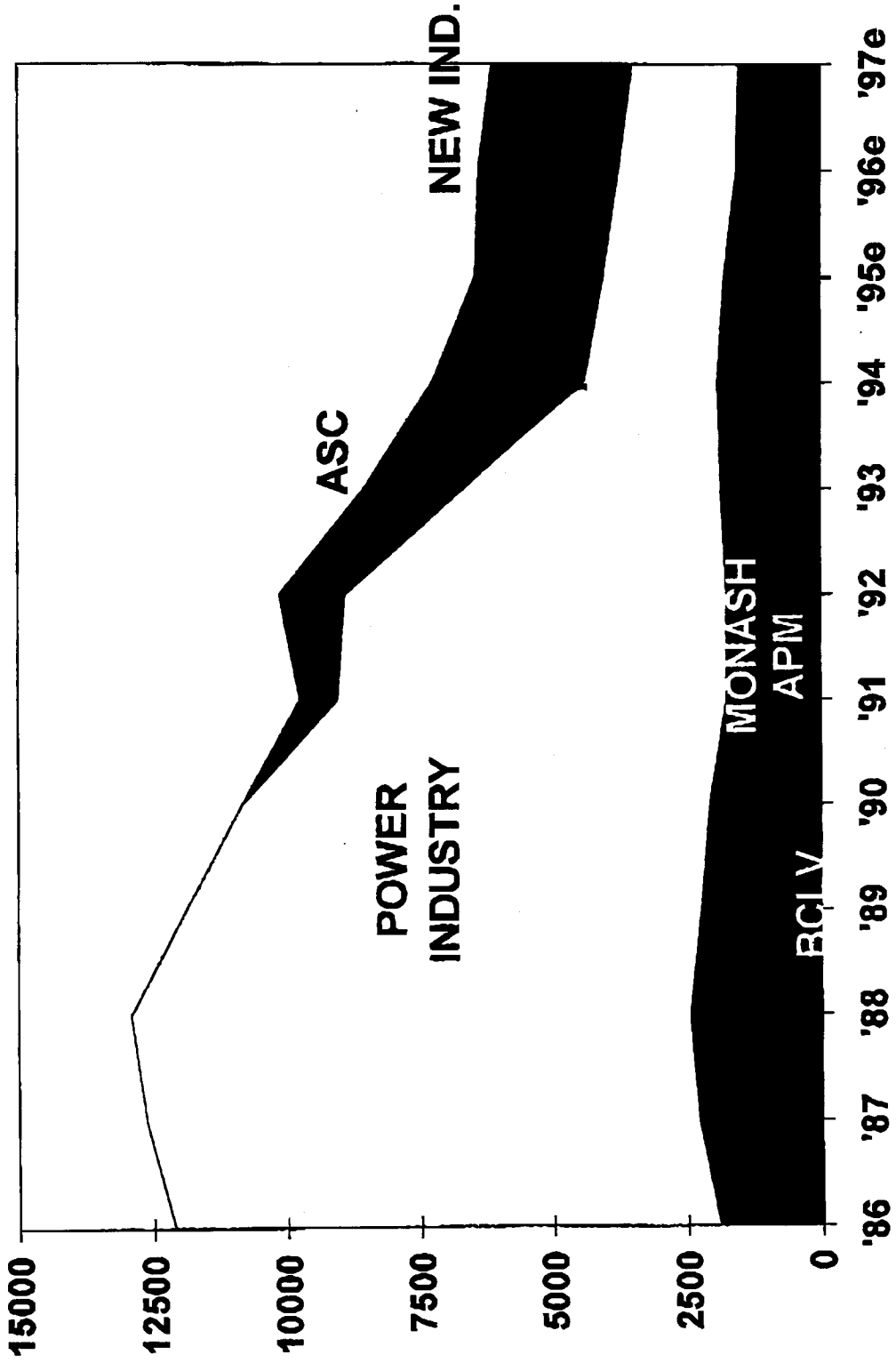


Figure 2

% Changes in Labour Force La Trobe Shire, 1991 - 1996

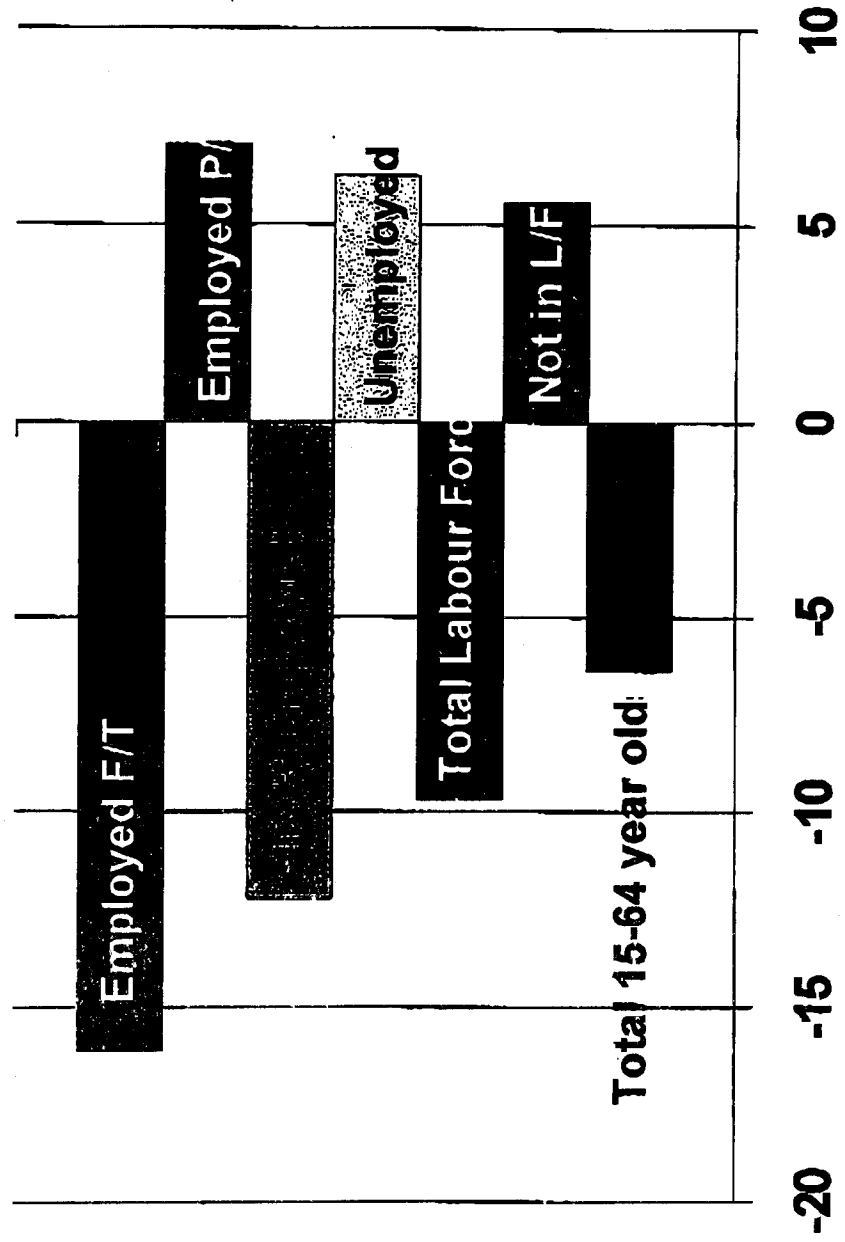


Figure 3

% Changes in Labour Force - Gippsland, 1991 - 1996

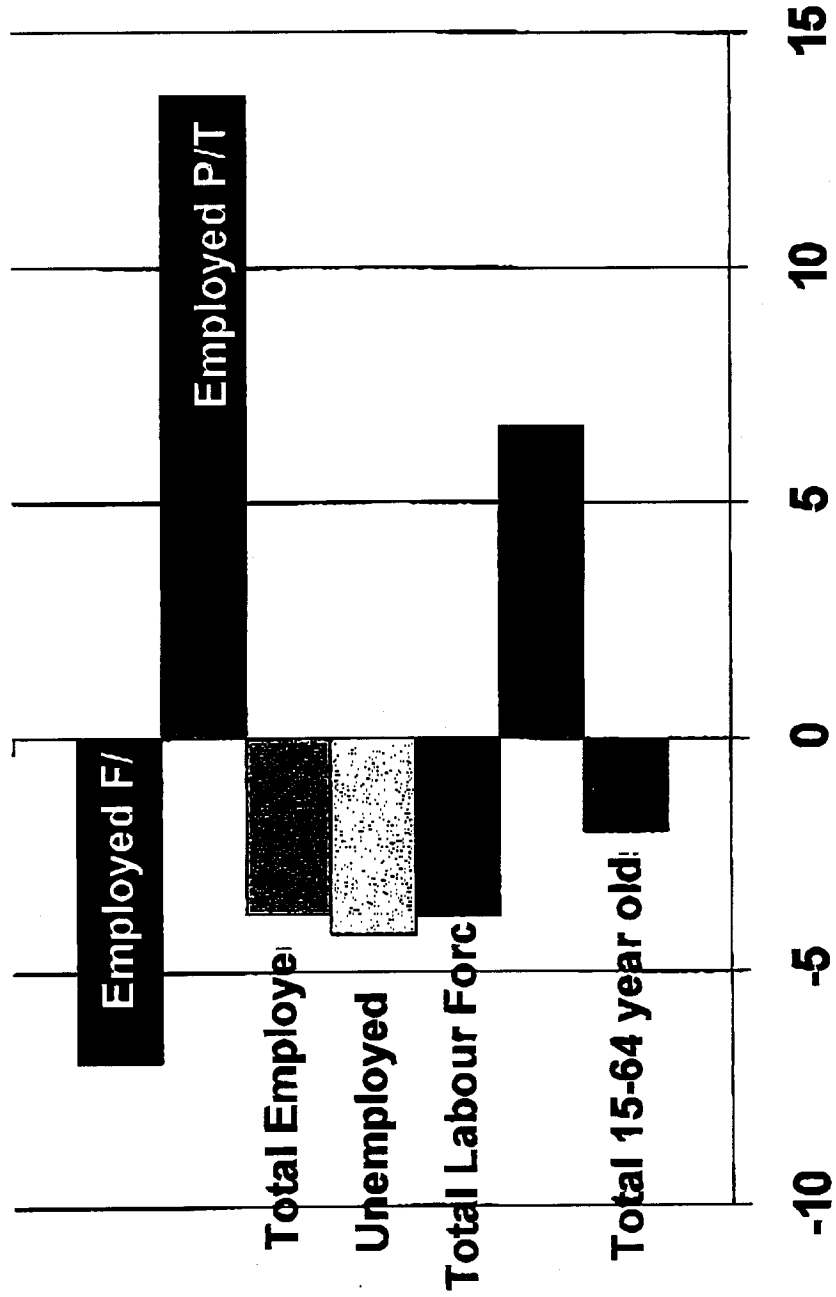


Figure 4

The holiday and retirement village of Lakes Entrance has, for example, felt the impact of the loss of patronage by relatively well paid La Trobe Valley residents purchasing holidays and retirement facilities. The relative distance of Lakes Entrance from Melbourne (around four hours) makes this difficult to replace in the short term.

Figure 5 shows the change in average disposable incomes in the La Trobe Valley compared with Victoria. For many years incomes in the Valley were well above the average, but since 1994 state wide incomes have progressively overtaken those in the La Trobe Valley.

Particularly galling for Gippslanders has been that lack of consistent national recognition of the calamity which had so suddenly overtaken them.

Compare, for example, the virtual silence attending the loss of 6,000 jobs in the La Trobe Valley from the restructuring of the SECV with the immediate national attention attracted by last year's announcement of the loss of *only 2,000 jobs, two years in the future*, in Newcastle. The Newcastle announcement attracted front page media coverage for a week and immediate pledges of government assistance to manage the adjustment process.

La Trobe Valley and Gippsland – the Future

The wisdom and necessity of those of the changes to the La Trobe Valley economy which resulted from acts of deliberate policy, continue to be debated. However, there is little doubt that at the very least, the changes could have been predicted and policies adopted to manage the change process in a manner designed to ameliorate the damage to the economic and social fabric of the region.

The lessons, which may be drawn from this experience, are explored later in this submission.

Perhaps the most remarkable point about the 1985-95 economic devastation is that despite the damage to the region's economic fabric and personal human dislocation and misery which occurred, at no stage did the region's economy totally collapse.

This may be taken as an indication of the underlying strength and potential of the Gippsland region and the La Trobe Valley – indeed, the region has the capacity to become “a region to watch” in the 21st Century. Indeed, certain economic indicators point toward the commencement of a slow recovery phase.

In this respect, the region is more fortunate than those parts of Australia which, having achieved prosperity from a single industry, have failed to make a transition to a new future and virtually cease to exist. Only 45 minutes from the La Trobe Valley is a well-known example. In 1900 the goldmining township of Walhalla boasted a population of 3,500. Following the closure of the mines in 1911-1914, a rapid decline set in, with only 11 permanent residents currently occupying the village.

By contrast, Gippsland continues to generate around 85% of Victoria's electricity at the cheapest production rates in the nation, it supplies prodigious quantities of dairy and forest products and, with a temperate climate, reliable rainfall and rich soils, is capable of producing a wide variety of primary products.

Gippsland has the capacity to become a market garden for the highly populated region to our north, growing and processing foodstuffs which accord with the highest environmental and health standards.

Average Disposable Income La Trobe Valley & Victoria

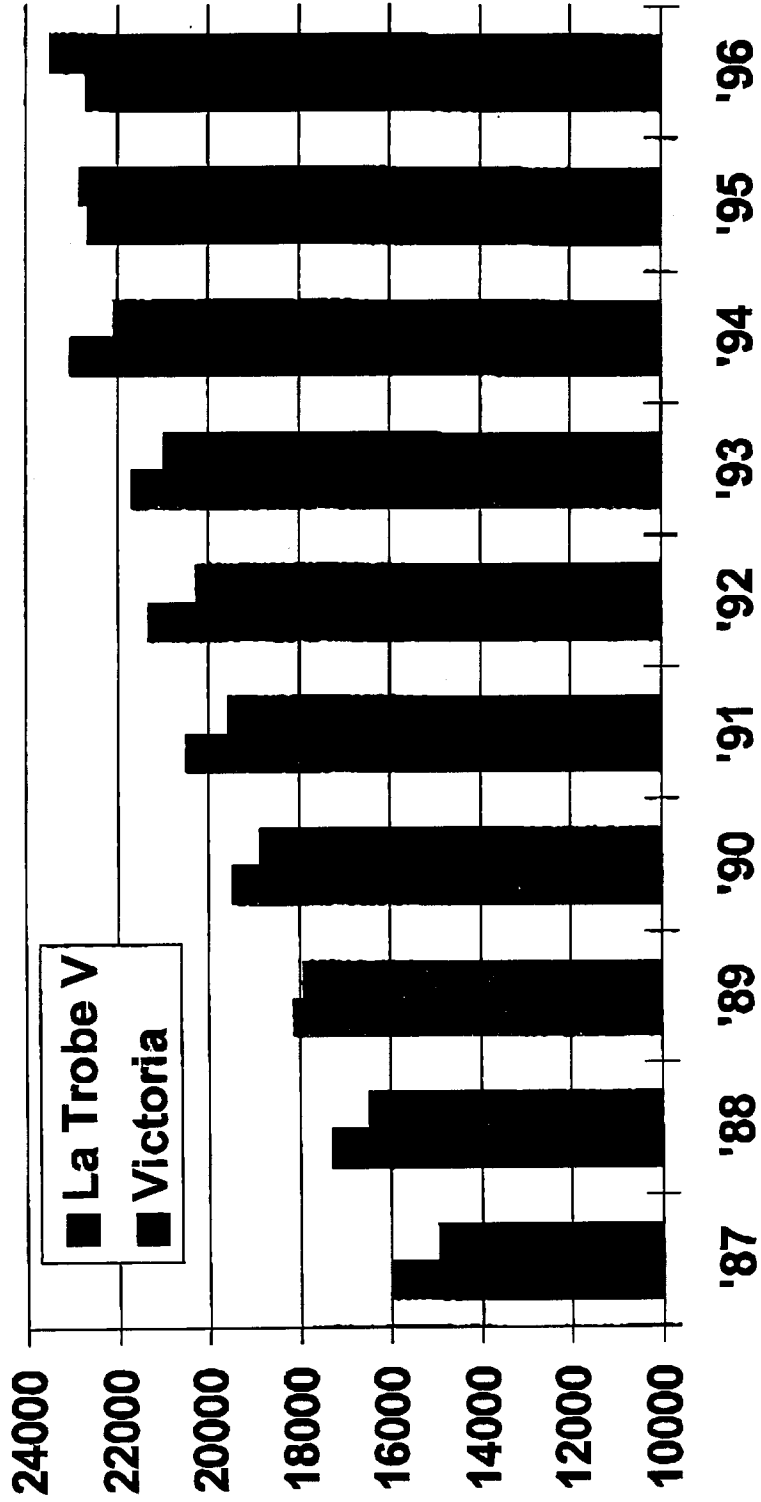


Figure 5

FEDERAL, STATE AND LOCAL GOVERNMENT FUNDING AND SERVICES CHANGES

SERVICES LOST	TRARALGON	MORWELL	MOE
Medicare			X
Gas & Fuel - Showroom		X	X
Natural Resources & Environment - Depot			X
SEC Administration Centre		X	
State Electricity Commission Showroom		X	X
SEC Training Facility		X	
La Trobe Regional Commission	X		
City of Moe			X
City of Moe - Depot			X
City of Morwell		X	
City of Traralgon	X		
Shire of Traralgon	X		
City of Traralgon - Depot	X		
Office of Corrections		X	
Morwell River Prison		X	
Department of Social Security		X	
State Bank of Victoria	X	X	X
Commonwealth Bank of Australia		X	X
Family Research & Action Centre		X	
Moe Hospital			X
Traralgon Hospital	X		
Moe Water Board			X
Moe Water Board - Depot			X
Morwell Water Board		X	
Traralgon Water Board	X		
La Trobe Valley Water & Sewerage Board	X		
Ministry of Housing			X
Office of Mapping		X	
Department of Youth, Sport & Recreation		X	
Moe High School			X
Newborough High School			X
Yallourn Technical School			X
Morwell Primary School		X	
Morwell Technical School		X	

SERVICES GAINED	TRARALGON	MORWELL	MOE
DSS Call Centre	X		
Business Victoria	X		
Australian Securities Commission	X		
La Trobe Regional Hospital	X		
West Gippsland Land & Catchment Authority	X		
Gippsland Water	X		
Lowanna College			X
La Trobe Shire Council	X		

In addition, the 1945-85 growth years left an excellent human and built infrastructure and a resourceful culture. The region's built infrastructure includes transport links, serviced industrial land, educational facilities (including the Gippsland campus of Monash University) and civic infrastructure which rivals that in any modern provincial centre.

Already, employment in La Trobe Shire's rural, retail and services sectors each exceeds employment in the once dominant electricity generating industry. Whilst electricity remains important, signs exist of a diversification of the Shire's economy.

It will become apparent as the case presented in this submission unfolds that the La Trobe Valley will continue to be a driving force in regional Australia in the next century. *However, Gippsland and the La Trobe Valley have the capacity to become a key region in a national drive toward economic growth.*

This is the principal theme of this submission.

Factors Affecting Australian Regional Economies

So far, this submission has concentrated primarily on the extraordinary history of the La Trobe Valley, which saw it become an Australian regional "tiger economy" between 1945 and 1985, endure an "economic devastation" from 1985 to 1995. The underlying strengths which give the Valley the capacity to remain a force in regional Australia into the next Century have also been briefly documented.

Beside these factors, Gippsland and the La Trobe Valley have also endured the ups and downs, which are shared by most Australian regions. The most frequently cited factors are:

1. Withdrawal and Rationalisation of Public and Private Services

In common with most Australian provincial centres, the La Trobe Valley and surrounding region has experienced withdrawal and rationalisation of services and facilities – transport, education, administration, retailing, manufacturing and so on.

Whilst often cited as a cause of regional economic stress, this trend is in most respects a consequence of economic change, as the mode and scale of production evolves. Small, one-teacher schools have all but disappeared, independent multi brand service stations are scarcely remembered, labour intensive railway depots equipped to service a fleet of steam locomotives are no longer required, small low technology saw mills have been supplanted by large timber processing facilities.

Each of these changes has resulted in a decline in employment, which, in turn, has rendered it increasingly difficult for governments and private providers to justify the maintenance of tertiary service facilities. Frequently, the rationalisation or withdrawal of such facilities is the end result, not the cause of declining employment in regional areas.

Nevertheless, each public service withdrawal or rationalisation results both in a loss of employment and amenity to the community in the area concerned. Figure 6 documents the services lost – and the small number of new services gained – in La Trobe Shire in recent years.

2. Increasing Capital Intensity of Production

The starting point of the process of employment decline is the increasingly capital intensive scale of production in almost all economic sectors – especially those which were once major



Economic Restructuring has resulted in Unemployment and Small Business Failures

employers in regional areas. Forestry and timber products, farming and fishing, mining and food processing have all increased output per worker and the scale of production.

Furthermore, the engine of the La Trobe Valley's post war growth phase, the electricity industry, collapsed its period of restructuring into a few short years.

3. Improved Transport and Communications

Improved transport and communications continues to facilitate the centralisation of human activities into major towns, where services are provided in a less labour intensive manner than was once the case. The impacts described above – the centralisation and rationalisation of facilities and services and the increase in capital intensity and scale of production – would not be possible without continually improving transport and communications.

Perhaps the one exception is the current development of electronic communications, which may enable individuals and businesses to make a choice to decentralise whilst maintaining business and personal contacts. However, the full impact of electronic communications is yet to be established, and at this stage electronic commerce should be regarded as offering potential for decentralisation rather than being a driving force for it.

La Trobe Shire, in co-operation with the Centre for Electronic Commerce at Monash University's Gippsland Campus, is at the forefront in ensuring that it is equipped to maximise the advantages of electronic commerce. As a provincial centre within easy reach of Melbourne and Sydney yet possessing excellent infrastructure and lifestyle, the La Trobe Valley is especially suited to telecommuting.

4. Community Expectations

Regional communities – especially small ones – are being squeezed between increasingly sophisticated community expectations and decreasing community and social fabric in many rural areas. Young people especially find the level of facilities offered by major cities almost irresistible in contrast to those available in even the major provincial centres.

5. Commitment to Managed Economic and Regional Development

Just as important as the factors described above, which are generally long term economic and social trends, has been a *decline in commitment by governments and the community to regional development.*

Several factors have been important in this national loss of direction and confidence:

- The virtual cessation of managed immigration and the findings of the Borrie Report into National Population Growth in the 1970's, which deprived governments of the opportunity to pursue regional development in a climate of overall population growth
- A loss of recognition by economic decision makers of the ability of the public sector to provide community and economic policy leadership
- A lack of holistic policies in key areas which focus on the achievement of long term national objectives, such as containment of urban sprawl in the State's capital cities and the promotion of growth in key regional centres

In this environment, the impact of relative and in some cases absolute declines in rural populations, in a climate of virtually static national population and increasingly capital



- Quality Recreational Facilities in La Trobe Shire
1. Angels Nightclub
 2. Gippsland Falcons, National Soccer Team

intensive production has resulted in the issue of regional development "slipping off the policy agenda".

Regional Development in Australia

For over 20 years, Australian and overseas policy specialists have documented the high economic and social costs of concentration of activities and population in our capital cities. It has been argued that to reverse this trend requires leadership by Government and a holistic approach to policy.

Regional development policies achieved their greatest impact prior to 1974, in a climate of overall growth in both population and output, supported by a broad range of inter-related policies.

Whilst there is no doubt that many of the smallest rural communities suffered population and economic decline during the post war era, strong growth and prosperity was enjoyed by most medium and large provincial centres.

What is required to again achieve regional development in Australia?

1. A joint commitment by Australian Commonwealth, State and Local Governments to actively pursue regional development
2. Sound planning of a holistic suite of policies which will facilitate growth through leveraging competitive advantage to underpin this commitment, and
3. Effective marketing of the program to the community to win confidence in its benefits and overcome fear of perceived negative consequences

In effect, a commitment and approach is required such as has not been seen in Australia since the bi-partisan commitment to post War Reconstruction in the 1940s, 50s and 60s. The mindset required of Government is a corporate style approach, embracing positive management toward long term objectives.

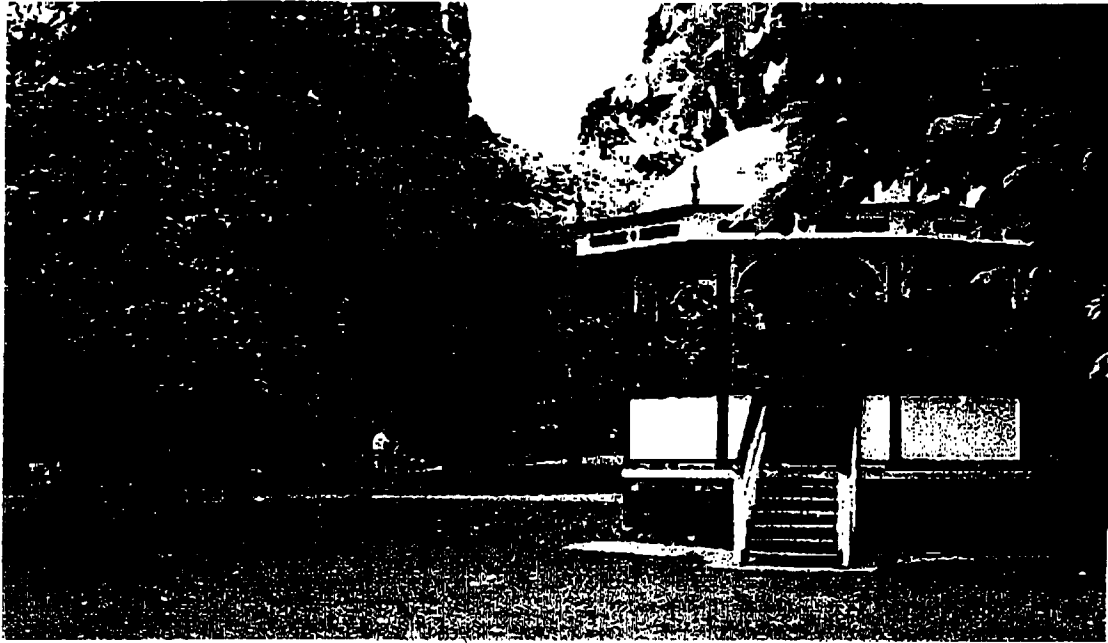
Indicative Policy Directions

1. Population Growth

Between 1945 and the 1970s, Australia doubled its population, thereby expanding its market, its skill and capital base and its diversity of intellectual capital. Since that time, our population growth has declined, whilst the world's population has continued to grow and the scale of production increase.

Furthermore, our population is ageing significantly, with the result that the balance between people of productive age is declining in relation to those who must in old age draw on Society's resources.

Put simply, the quantum leap forward achieved by Australia between 1945 and 1974 has been exhausted.



Civic Facilities in La Trobe Shire
Assets such as Victory Park (Traralgon) and Commercial Road Shops and
Bus Interchange services a wide catchment area

2. New Approaches to Population Settlement

It is true that population growth places enormous strains on a society. In many parts of Australia, major expansion of traditional modes of supporting infrastructure (especially water and sewerage) would impose severe environmental risks.

However,

- (a) Significant sectors of Australia – Gippsland and Tasmania in particular – enjoy a European style climate and environment and could support additional population even if conventional infrastructure services were relied upon
- (b) In certain areas, Australia is becoming a world leader in achieving balance in a fragile environment – but we have barely scratched the surface of what is possible. For example, Australians:
 - waste most water which falls on roofs and pavements in urban areas
 - treat and evaporate or release to the sea most of our effluent
 - continue to be enormously wasteful in our consumption of water and energy
 - continue to adopt land settlement patterns which generate high demand for resource intensive transport and other key services

Australia must become a world leader in maximising the balance between population growth and environmental responsibility.

3. Positive, Selective Immigration

It is neither practical nor desirable to seek to significantly grow our population domestically. Australia must as a nation prosecute a further program of mass immigration, as we have during all previous phases of rapid economic growth – last century and during the 1920s and between 1945 and 1974.

Many of the same issues will arise – fear of competition for Australian jobs, fear of ethnic minorities forming “ghettos”, fear of unfamiliar cultures and races “swamping” our domestic culture. But we have experienced all of this before and effectively managed these stresses to our long-term benefit. Today’s multicultural community in the La Trobe Valley is a local testament to this achievement.

The immigration campaign must be *managed* to ensure two key goals are achieved:

- (a) maximisation of entry by migrants possessing skills and capital, and
- (b) dispersal of population to key regional centres and minimal growth in existing capital cities

It is likely that the achievement of these goals will require positive management by Governments, with consideration being given to financial assistance in return for adherence to settlement in nominated growth regions and policies for social integration such as cultural and language training and skills conversion.

4. Infrastructure Development

Adoption of a managerial approach to growth will lessen the risks associated with infrastructure provision by both the public and private sectors.

Positive leadership by Government will provide powerful signals to infrastructure providers to identify and fill gaps in areas such as transport, energy, water and waste water and individual, commercial and residential development.

Similarly, human services – education, health, retail and administrative facilities – will benefit from a common goal in an otherwise risky environment.

5. Wealth Creating Job Opportunities

Certain economic sectors will benefit from population growth and the resulting requirement for infrastructure, services and consumer goods.

However, Australia as a nation must ensure that sufficient expansion occurs in its internationally traded goods and services sector to finance the expansion of its domestic economy in the long term. It must also ensure that job opportunities are, wherever feasible, pushed out into regional centres.

To achieve these goals, Australia must:

- (a) aggressively compete on the world market for “mobile” projects which will operate viably in Australia
- (b) minimise the loss of existing employers to off-shore locations by addressing the factors which make overseas locations attractive and marketing our provincial centres as an alternative
- (c) foster the growth of domestic inventiveness and entrepreneurialism to minimise the loss of intellectual capital to other nations
- (d) Assess key industry sectors in terms of their ability to locate in nominated growth regions – recognising the radical changes, which may evolve through the development of electronic commerce, inventory management and conventional transport systems

Amongst the measure which must be adopted by governments in pursuit of these goals are:

- Assistance packages for *major* projects in regional areas, along the lines of the assistance already announced for Newcastle
- Significant expansion of the import replacement programs – aimed at both within Australia and outside Australia
- Assistance to existing businesses to increase employment

6. Proactive Management of Economic Reform and Change

The growth program outlined in this submission will take place against a background of accelerating economic reform in the international, national and regional economies. A national growth program will not be a substitute for continuing prosecution of micro-economic reform and policies flowing from national competition policy.

Indeed, continuous improvements in the efficiency of the Australian economy *must* accompany economic growth, to ensure that the economic strains of achieving growth are successfully accommodated.

However, the extraordinary changes in the La Trobe Valley economy between 1985 and 1995 are an example of economic reform for which virtually no accompanying social or economic planning was undertaken. It would appear that successive Commonwealth and State governments unleashed economic devastation with no prior thought toward replacement jobs, re-skilling or restructuring of the regional economy.

As was noted at the outset, the ten-year economic devastation in the La Trobe Valley has had a generational impact throughout the Gippsland region.

If such a mistake were to be repeated elsewhere, the level of national and regional consensus required to underpin sustained national growth would be severely undermined. Most facets of the economic restructuring experienced by the La Trobe Valley after 1995 were predictable and could have been addressed with positive planning.

The La Trobe Valley experience must be noted by all Australians and never repeated.

Amongst the measures which should have been adopted – and which should be put in place ahead of time in the future - are:

- Specific assistance packages to assist economic and social adjustment – aimed not at “propping up” unviable industries but on identifying and setting a course toward a new, viable economic future with ongoing reskilling of the workforce
- Disincentives for down-sizing, eg differentiation between city and country businesses in payroll tax and fuel taxes to represent the additional costs to government of expansion in major cities
- Encouragement to utilise existing infrastructure wherever possible – eg serviced industrial and residential land and buildings in the La Trobe Valley
- Programs to build entrepreneurial skills and awareness amongst a workforces which have (in the case of the Valley) for many years been governed by major public and private corporations.

Having established these directions, consistency and continuity is essential – another lesson to be learnt from international examples is that frequent, sharp policy changes in themselves can be enormously unsettling.

Not only is business confidence affected by policy inconsistency and frequent change - critical labour market and community services professions become unattractive to the quality entrants required to facilitate the change process.

Where Do We Start?

As noted in this submission, the attainment of a broad-based commitment toward national economic and regional growth is the first, crucial step.

It would be highly appropriate for this Senate Inquiry to recommend the convening of a National Economic and Regional Growth Convention, emulating the model set by the recent Constitutional Convention.

If appropriate support is forthcoming, a standing National Growth Council might be established to oversee the development of a detailed program and manage its implementation. The Council might comprise nominees from the Commonwealth and all States and Territories, plus Local Government and the Private Sector.

A department comprising Commonwealth officers, with secondees from the States, Territories and the private sector could service the Council.

Within the Commonwealth government, a senior Minister of Cabinet rank should represent National Economic and Regional Development. The Minister's Department should have the ability to coordinate other relevant commonwealth agencies, in a manner similar to the Departments of Prime Minister and Cabinet, Treasury and Finance.

Conclusion

The issues raised in this submission are broad, and aim at proposing an agenda, which is fundamentally different to any seen in recent years.

It does not negate the many excellent contributions made by inquiries such as that by Mortimer. However, unless a fundamental commitment and program of national economic and regional development is adopted as a key community commitment related policy developments will lack direction and context.

The impending dawn of the new millennium offers an opportunity to re-draw the economic and social agenda in much the same way as Australia's constitution is currently undergoing fundamental scrutiny.

A more appropriate time could not be found.