

The “Before and After” Victoria Story

Preface

Since retiring in 1999, I have consistently attempted (totally unsuccessfully!) to persuade key political figures to introduce policies which I believed would reduce the ever widening gap between the Australian and New Zealand economies.

My key recommendations to the 2025 Taskforce are:

- That Government should implement the policies used by Jeff Kennett from 1992 onwards, which maximised the growth rate of Victoria's export sectors, and amazed the world by the economic turnaround Victoria achieved in such a short time. (After this preface, I have detailed summaries of what was achieved, and the methods used, by the Kennett Government.)
- In addition I believe our Government should apply a Jeff Kennett - like policy to designate the most applicable tertiary institution to study and publicize world's best practice in the policies implemented by, and the management of, each of the major Government Departments. Each selected institution would be guided by a group of people - independent of Government and of Government Ministries - who are experts in the field, and who are nationally (and hopefully internationally) respected for their views. The selected institutions would transparently publish the results of their best practice research, and pressure would thence be placed on Governments to implement the very best initiatives uncovered

This would be far more likely to ensure the constant implementation by Government of policies which would continuously improve the standard of living of New Zealanders relative to other countries - in strong contrast to the current situation in which it is in the interests of key public servants to recommend what their Ministers would wish them to recommend!

This above independent approach for tertiary institutions differs from the Kennett Sector Strategy Committees, which were chaired by Jeff Kennett, and included respected sector representatives, and appropriate Government Ministers. Kennett's Sector Committees each initially prepared Sector Strategic Plans to maximise the growth of their sector, and they met at least three times a year to review and update those plans.

I believe New Zealand could achieve the "Catch up with Australia" goal, and that implementation of the above initiatives would play a vital role in achieving that goal - **because they create an opportunity for innovative, successful New Zealanders to play a key role in influencing the future of the New Zealand economy - instead of that responsibility being taken by politicians who are primarily concerned with ensuring their re-election chances are maximised!"**

John R Williams

Former Chief Executive and owner of PEC (New Zealand) Limited of Marton

Victoria in 1992/93

- A large public sector debt – A\$33 billion – and an Aa credit rating
- Negative migration flows
- An “old economy” based on traditional manufacturing, chemical and agricultural industries
- Stagnant exports (declining compared with other Australian states)
- Lack of confidence and investment by the private sector
- Low self-esteem and moral with its citizens (Victoria was known as the “rust belt of Australia”)

Victoria in 2001

- Victoria had regained an AAA credit rating with both Moodys and Standards and Poors
- The state had positive migration flows
- Education was aligned to support the move to the new economy, with strong linkages to Industry and a minimum of 7 computers per classroom
- Sector action plans were developed and agreed with Government
- Victoria had the highest FD investment rate, and GDP per capita growth rate in Australia
- The economy had switched towards the higher added value end, and a number of significant ICT (Information, Communications and Technology) companies have been attracted to Victoria
- Exports had increased from A\$14 billion in 1992/93 to around \$A24 billion in 2001
(Victoria was Australia’s fastest growing state)
- Citizens were proud to be Victorian
- Melbourne earned a reputation as the “event capital of the world”

It is interesting to note that Victoria’s amazing success had resulted from a carefully planned blend of increased market competition - as evidenced by the changes in its telecom industry - and Government intervention, to ensure that sectors moved in a focussed direction that would be to the future benefit of the state.

JOINT INDUSTRY/GOVERNMENT SECTOR APPROACH

BACKGROUND:

The Coalition (National/Liberal) Government in 1992 set out to form a very close relationship with business in order to encourage business growth and new investment in the State of Victoria. Reform of State Government agencies was undertaken in order to minimise points of contact with Government State agencies, which included: -

- Tourism Victoria - tourism including infrastructure
- Business Victoria - existing businesses (traditional)
 - foreign direct investment
- Multimedia Victoria - new technology
- Cinemedia - film and culture development
- Small Business Victoria - small business focused
- Regulation Reform - reviewing regulations
- Research, Science and Technology
- Major Events
- Rural Development

These agencies, amongst others, were all grouped together into the Department of State Development.

KEY STRATEGY:

The key strategy adopted was a sectorial approach - partially seen in the naming of operating units of the Department as above.

SELECTION OF SECTORS:

Detailed analysis was carried out by departmental staff and consultants (KPMG and PWC) on the current Victorian and Australian economies. This detail covered numbers of people employed, average wages paid, domestic and export sales and trends/changes over a number of years. Assessments were also made of "scale". This data was then compared to an analysis of the world economy via sectors including changes and future trends.

Assessment was also carried out of local capability and capacity of both Victorian and Australian economies.

From this analysis the Department was able to build up a very good understanding of the local economy both in terms of make up and contribution to GSP (Gross State Product). By being able to understand the states comparative advantage and being able to compare to world trends, the following "sectors" were initially selected as priorities for encouragement.

- Information communication technologies
- Food
- Automotive
- Tourism
- Film
- Research, science technology including biotechnology
- Education

DEVELOPMENT OF SECTORIAL PLANS:

The approach used varied, but in essence all had some common features.

- Senior private sectors CEOs were invited by the Premier (Jeff Kennett) to participate (up to 20/sector).
- Support groups were set up (1-3 stall) in the Department of State Development and often branded e.g. Food Victoria.
- Groups met minimum 3 times per year with the Premier as Chair plus 2-4 Senior Cabinet Ministers in attendance.
- Targets e.g. double food exports by 2000, were agreed initially for year 2000 and then 2005 by the private sector and Government.
- Joint strategies were agreed and then monitored and reported back by the support groups to the next meeting (included both Government and private sector actions).
- A range of special programmes would be initiated e.g. attracting events to support the industry sector namely Australian Grand Prix and F.A.O. Food Regulatory conference (only time held outside Rome).
- The sectorial plans would identify gaps, which were either filled locally by utilising the services of I.S.O. or by targeted F.D.I.
- In most cases these high level plans were publicly available. The Federal Government also adopted a sectorial plan approach, but without the same level of pre-analysis.

- These sectors received priority funding from the overall departmental budget of circa \$200m p.a. that was allocated to industry development, tourism, research, science and technology. Delivery of existing business development programmes and staff expertise was allocated to sector priorities.

EXAMPLE:

1. Priority Sector - Automotive

Industry and Victorian Government agreed that if a viable automotive sector could be maintained in Australia then there were key opportunities for growth, particularly in the following areas: -

- Research and development centres of excellence.
- Export opportunities (built up and components).
- Development of component suppliers.
- F.D.I. employment growth and forestry.

Two key action points arose from the sector plan.

- (i) Victorian Government - provide policy argument to change the Federal Government current view on tariffs from 0% in 2000 to 15% in 2000 and reducing to 0% by 2010.
- (ii) Industry - to convey this scenario to head offices and seek commitment to significant investment in Victoria based on export capability, research and development.

Other strategies devised jointly were based on the Australian Grand Prix in Melbourne where international buyers for components (Audi, BMW, Mercedes and Porche) were brought to Melbourne and introduced to component suppliers who were experience in "short run" production. The V8 (General Motors and Ford) series provided good examples of development technology for rear wheel drive platforms for "niche" marketers of Ford and General Motors products.

The key research and development input was the development of "the Australian concept car" produced by a co-operative research centre involving funding from Federal and State Government and industry. This won acclaim at all the major world auto shows and acted as a showcase for Australian technology.

RESULT:

Increased investment of circa \$2.5b by Ford, General Motors and Toyota since 1996 with Victorian export sales going from \$700m to over \$2.0b in the same period. Both Ford and General Motors headquartered their rear wheel research and development centres in Victoria.