

The Winston Churchill Memorial Trust of Australia

“The only way a man can remain consistent amid changing circumstances is to change with them while preserving the same dominating purpose.”

Winston Churchill (Policies Old and New)

Reported by – Charlotte Finch – 2004 Churchill Fellow

To research economic tools to assist the rejuvenation of depressed rural areas with particular reference to rural enterprise zone areas in the United Kingdom. To investigate current and future rural development trends.

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Signed CHARLOTTE FINCH

Dated 5TH JANUARY 2005

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1. INTRODUCTION and ACKNOWLEDGEMENTS

The 2004 Churchill Fellowship study visit to the United Kingdom focused primarily on an investigation into whether long term benefits had flowed from the designated rural enterprise zones that were set up around 1983 and de-designated around 1993. This study, occurring ten years after the areas were de-designated, is well placed to do this.

Information was sourced from within the zone regions and also from different levels of government, from those who were involved in the zones during designation and from those currently involved in economic development and regeneration.

The secondary task was an enquiry into the current and future trends in Rural Development. Such trends are not restricted to international boundaries and so have the potential to have similar impact on Australian rural communities.

The considerable experience and knowledge I gained through my visit to the United Kingdom would not have been possible without:

- First and foremost, the opportunity and the financial support granted to me by the Winston Churchill Memorial Trust, along with the support of their State and National offices.
- The support of the Barwon Darling Alliance, my employer, which ensured that my visit and study could be for an extended period of time.
- The people who were involved in the three designated enterprise zones studied and who so generously gave up their time to talk to me.
- Those people who are currently involved in economic development and regeneration in the United Kingdom, from those in the Office of Deputy Prime Minister, to those on the ground working in the areas researched.
- The people involved in rural development research and on ground projects who were only too willing to assist and advance my knowledge.
- My husband and my sons for their encouragement to undertake such specific study but seemed pleased at my return.
- A very special thank you to Pam Marr and Joyce MacLennan, Scotland, both of whom were good enough to organise meetings, for me, while I was still half a world away.

2. EXECUTIVE SUMMARY

Name: Charlotte Finch
Position: Project Manager, Barwon Darling Alliance
Address: PO Box 21, Bourke, NSW 2840
Contact: Phone 02 68722055
Fax 02 68723030
Email bda@bourke.nsw.gov.au

Project Description:

The objective of the fellowship was to determine whether long term benefits flowed from enterprise zones, implemented in depressed rural areas and if the enterprise zones were successful as catalysts, in stimulating the rejuvenation of the regions. The fellowship offered the opportunity to study three UK rural areas, ten years after enterprise zones had ceased.

Highlights:

Central Government developed the Enterprise Zone policy that was implemented. Meeting with people directly involved with the Regeneration Division and the Office of Deputy Prime Minister, in London, was invaluable.

As was visiting the de-designated regions and meeting not only people currently involved in economic development but many of the people who were intimately involved with the EZ during designation, some for the complete ten year period.

Major Findings:

- Positive effect on the wider region, both in attracting investment and raising capacity.
- Increased economic diversity creating a more robust economy.
- Increased employment and average incomes.
- Created partnerships, of regional benefit, that remained post EZ.
- A decline in social issues followed the decrease in unemployment.
- Proved to be a catalyst for socio-economic rejuvenation of the region.

Lessons Learnt:

- Economic and social issues must be tackled together.
- Proactive administration is critical for EZ implementation.
- EZ is a powerful marketing tool for the wider region.
- Governments utilising the EZ framework need to think long term, as EZs are a long term vehicle.

Recommendation:

That a trial or trials be conducted in depressed rural areas, in Australia, to ascertain whether the EZ framework could deliver both the long term benefits and be the catalyst for the rejuvenation of these areas, as has happened in the UK.

That any such trial, encompass a targeted range of socio-economic measures rather than solely economic incentives.

3. PROGRAMME

England

London 19th September – 23rd September
Office of the Deputy Prime Minister
Don Gibson - Regeneration Division,
Rob Schofield – Senior Research Officer
Mark Rolls – Policy Advisor

Scotland

Aberdeen 26th September – 29th September
Arkleton Institute, University of Aberdeen
Prof. Ken Thomson – Dept. of Land Economy
Dr. Deb Roberts – Senior Research Fellow
Prof. Mark Shucksmith – Dept. of Land Economy
Prof. John Bryden – Chair of Human Geography

Inverness 30th September – 1st October
Inverness & Nairn Enterprise
Dr. Stuart Black - CEO

Invergordon 2nd October – 4th October
Highland & Islands Enterprise
Shaun Murphy – Senior Development Manager
Archie McCreevy – Head of Manufacture and Innovation,

Ross & Cromarty Enterprise
Roy Munro – Development Manager
Justin Calder - Director

England

Allerdale 6th October – 8th October
Allerdale Borough Council
David Martin – Head of Regeneration

West Cumbria Development Agency
Ray Patterson – Property Manager

Wales

Milford Haven 11th October – 13th October
Pembrokeshire County Council
Kefin Wakefield – Head of Economic Development

England

Kent 16th October - 17th October
Chartwell House

Sussex 18th October – 19th October
University of Sussex, Falmer
Institute for Development Studies
Dr. Grace Carswell – Human Geography, Development Studies
Dr. Martin Greeley – Economist, Poverty and Rural Development

Cambridge 20th October – 21st October
University of Cambridge
Dr. Peter Tyler, Dept. of Land Economy, author of the Final Evaluation of Enterprise Zones, 1995.

Norwich 25th October – 29th October
University of East Anglia
School of Development Studies
Dr. Frank Ellis, Agricultural Economist - Cancelled

London 31st October – 1st November
Office of the Deputy Prime Minister
Regeneration Division,
Second meeting

Sussex 2nd November
University of Sussex, Falmer
Institute for Development Studies
Second meeting

4. BACKGROUND

This report deals solely with rural enterprise zones (EZ) and does not in anyway attempt to deal with the more prolific urban enterprise zones. As can be appreciated given the wide divergence of environments, both business and physical, care must be taken not to confuse the evaluations from either. As will be shown later in the report the aggregation of data from a large number of urban zones with a small number of rural EZ can lead to assumptions which may be collectively but not individually correct.

4.1 Depressed Rural Areas

It is recognised that there are areas in rural Australia that are depressed both economically and socially. Often the social issues are closely linked to a lack of available employment. The investment by government in many of these areas is quite high however the return on that investment is not satisfactory. There is a need, in these areas, to turn around the current declining trends of socio-economic indicators. This is a matter of urgency not simply in regard to raising the quality of life for the effected communities but also to increase the governments (public funding) return on investment in these areas.

This report looks at a tool which has been assessed and evaluated as having the potential to be a catalyst for economic growth and an increased quality of life, in depressed rural areas. This report investigates whether or not there were long term benefits which had an effect on the region, not just the zone areas, ten years after three rural enterprise zones were de-designated and their specific incentives removed.

The second focus of the report looks at some of the current thinking about the present and future rural development trends, in both developed and developing countries, as these trends effect rural communities and their future potential.

4.2 Enterprise Zones

Enterprise Zones are a policy tool to stimulate the rejuvenation of depressed areas. It is a catalyst tool to generate positive change and does not aim to solve all problems simultaneously.

EZs have been used widely in a number of western economies. The tool has been used extensively in urban areas and to a lesser extent in rural areas. Particular investigation is necessary to investigate rural EZs as most reports mix the data of urban and rural EZs with the result that the averages and assumptions produced are overshadowed by urban results and assumptions. Often rural particulars and peculiarities are averaged out.

The focus of EZs is to increase employment, through an increase in available jobs, in a set geographical area. This is accomplished by taking up the initial business establishment and expansion needs that the market has failed to fulfil and so create a business environment where the market will again intervene to produce positive economic growth.

An enterprise zone framework looks to lower the barriers to business establishment and growth, in order to stimulate activity, to the point where the market forces will again promote positive economic growth.

4.3 United Kingdom Enterprise Zones

In the UK, the EZ policy took a strictly economical structure. The barriers were seen to be purely economic in nature. Therefore economic incentives were seen as a direct way of lowering the barriers blocking investment in the UK EZ areas. However, it is interesting that once on the ground, social aspects and needs were identified by the local administration.

The rural EZs in the UK were of particular interest due to the ten year period that has now lapsed, since de-designation. This policy was also implemented in a multi-tiered government system and all three rural zones (termed in UK literature as 'remote' zones) were in less accessible areas. All three were suffering from economic decline, high unemployment, decreasing population, an aging population, outward drift of the younger population and lower than average incomes.

The three zones studied were Invergordon in Scotland, Allerdale in England and Milford Haven in Wales.

4.4 Central and Local Government Role

Central Government formulated the EZ policy and invited Local Government Councils to bid for the opportunity to implement an enterprise zone within their region.

EZs were very popular with Local Government especially in depressed areas. They generated a lot of interest and a lot of hard bidding. EZ designation was seen, by Local Councils as a good thing for an area, a beacon of investment and potential economic activity. Councils were extremely keen to be able to attach the label "enterprise zone" to their region.

Once an area was chosen the policy implementation was handed to Local Government to administer. Central Government retained an enquiry/information role for potential developers and investors. Central Government also engaged independent consultants to monitor and evaluate the programme during and post designation.

4.5 Australian model

The study of rural UK EZs and the assessing of the long term benefits following de-designation are of particular interest to Australia. A model has been constructed for trial in western NSW. The aim is to rejuvenate a region which has long term depressed social and economic trends. This model is based on socio-economic incentives and regeneration rather than the straight economic model of the UK. It is interesting to note that, post EZ, the UK government has now moved on to seek combined socio-economic solutions, rather than economic only strategies.

The Australian model seeks to use the same EZ framework, that of lowering or removing identified barriers to economic growth, for a set period of time, to trigger an increase in economic activity and development, leading to the commencement of regional recovery.

4.6 Rural Development Trends

The current and future trends in rural development, both in developed and developing countries have the potential to provide an insight into the direction of rural development in Australia and the trends that will directly and indirectly affect rural regions and their communities.

Agriculture appears to be reducing in its status and position as a powerhouse of the economy. Rural development has an increasing status and has become an all encompassing term of which agriculture is only one of many occupations or aspects, in a field that also includes landscape, environment and land use.

Rural development has expanded in a number of directions, many of which have little to do with agriculture and more to do with servicing the people outside metropolitan areas, whether or not they are involved in agriculture. Some of the many areas that now attract attention and dollars are government service delivery and infrastructure, social cohesion, poverty alleviation, urban encroachment, environmental management and lifestyle/wellbeing issues.

5. RURAL ENTERPRISE ZONES UK

The three de-designated enterprise zones which were studied under this fellowship were geographically and culturally quite separate. However, twenty years ago, all three areas were depressed both economically and socially, with high unemployment, a narrow skills base and low incomes. All three areas had poor access and infrastructure. Although in the past, they had been areas of large industry activity, all were now considered 'backwaters'. These areas all recorded a leakage of population, primarily the young, the skilled and the educated. These areas were not on the new investment radar.

In physical appearance, many designated enterprise zones were very similar to industrial/business parks, others made use of derelict areas. However, their aim was not simply to provide a physical place for light industrial business to be situated nor was it an industry clustering process but it sought to lower the business risk environment to induce business establishment and growth.

Specifically, the public sector took on the initial risk for business establishment and expansion that the private sector could not or was not prepared to take up. The public sector was taking on the role of stimulating private investment where market forces had failed to do so. What then was forecast to follow was development through new investment from the market place.

One of the barriers to new investment was the situation where the cost of constructing business premises surpassed the market value of the premises post construction, due to the regional location. Another barrier was the possible time lag between construction and lease or sale of the business premises. Therefore private enterprise was reluctant to invest. What was noted was, once the EZ administration took over that risk, businesses were established (both new and expansion) in the zones.

It was noted that a number of businesses commenced in relatively small business premises and at a later date shifted, either continuing to lease or purchasing outright larger units, within the same region. This move was made due to the new business having taken the step to grow in size. Again the risk inherently involved in a business striving to develop economies of scale, is another potential high risk event as the business fulfils new production and employment targets. A risk often too great in a socially and economically depressed region, it was lowered by the availability of appropriate available premises.

5.1 Causes of Region Depression

The three regions had each been an area of major industry activity and had seen that activity either slowly decline or rapidly collapse. All three areas had previously been dependent on one or only a couple of major industries.

This meant a lot of the skilled workforce had a narrow range of skills. When coupled with a high level of low skilled population, opportunities for employment and education outside of these industries were few. The population drift out of the region was linked to seeking employment and education options not available in the region. This was especially so for the younger and more educated of the region, aiding the trend of an aging population.

With the failure of major industries, job losses occurred and unemployment rose, along with a dependency on welfare benefits in regions that already had generally lower than average incomes.

All three areas gained EZ status due to economic and employment problems. The closure of the aluminium smelter in the Invergordon area was the catalyst for the enterprise zone application. The demise of the steel industry, especially in West Cumbria, saw the Allerdale region bid for EZ status and the reduction of the military presences followed by a decline in the oil industry lowered the Milford Haven region into a gloom and doom mentality.

The Milford Haven/Pembroke area saw a long slow decline, beginning in the 1920's with the commencement of naval withdrawal. This continued again in the 1950's when the Flying Boat base closed and into the early 1980's with the start of the oil refinery closures.

To begin with there was much scepticism, in the wider regions, that implementation of the EZ policy could make a difference. This was not a quick fix solution, as the effect of the EZ on employment, business activity and community confidence was an accumulative one.

5.2 UK Government Policy & Future

More than twenty years after the designation of the first round of enterprise zones, the UK government remains confident that the original principles laid down for the regeneration of depressed areas, still apply today.

Increasing levels of enterprise and economic activity go hand in hand with tackling poverty, unemployment and social exclusion. Starting or running a business is difficult enough, but there are additional barriers to enterprise faced by those who live in some of the most deprived areas of the country. This is one of the key reasons for the much lower rates of enterprise seen in disadvantaged communities – just where the need for enterprise is the greatest.

This quote is taken from a paper entitled *Enterprise Areas* put out collectively by HM Treasury, the Small Business Service and the Office of the Deputy Prime Minister, UK, 2003.

UK government intended a broad based approach to tackling disadvantage by addressing barriers to economic activity and so encourage bigger flows of private investment.

Actual Incentives Offered

The following incentives were available, for the period of the designation of the zone, to both new and existing businesses in an Enterprise Zone.

- 100% capital allowances on industrial and commercial buildings.
- Exemption from the Uniform Business Rate on industrial and commercial property.
- A greatly simplified planning regime.
- Statutory controls remaining in force were administered more speedily.
- Employers were exempt from industrial training levies and from the supply of information to the Industrial Training Boards.
- Certain customs facilities were processed as priority
- Government requests for statistical information were reduced.

Enterprise Zones: Their Main Features, Published by the Department of Environment, Transport and the Regions (DETR), 2000.

(For a fuller description see Appendix)

5.3 Long Term Benefits

Effect of EZ areas on the Wider Region

There were two major effects on the region surrounding the EZ areas. One was the attraction of investment into the EZ areas and the region. The second was the increased business capacity of both businesses in the EZ areas and businesses in the region around them.

Far from creating a negative stigma, EZ designation drew investment attention to the area and created positive interest. Opportunities were also recognised outside the EZ areas but in the same region. Because of the attention to the EZ region these opportunities were taken up even though they were outside the EZ and without EZ specific benefits.

Far from disadvantaging the area outside the zone, as has also been reported with some urban EZs, these rural areas appeared to gain significantly through the flow-on effects of the investment attention received by the zones themselves.

The second benefit is an increase in business capacity. EZ activity in the zones increased the volume of business for some entities neighbouring the zones. This meant money was kept in the region and also assisted in bring outside money into the region. For example some tradesmen, such as mechanics, saw their established businesses, although located outside the zones, grow due to new economic activity within the zone.

This growth was accomplished without EZ incentives, due simply to the flow on effect of the increased activity generated by business growth in the zones.

It has been recognised that there was a significant flow-on affect to the area, through an increased take up of local goods and services so that even businesses that do not/can not take up the specific incentives can benefit from the EZ structure.

Diversity

It was felt that diversity was the key to the economic success. The EZ mainly helped small business but did help a few big companies. Success was in assisting a range of business, not backing one industry, as was the situation prior to EZ designation, in the region.

A senior Development Manager, who worked in economic development during the designation period of the Invergordon EZ and continues to do so today in the Highland and Islands region, concludes that “an increase in diversity has delivered a more robust economy than was present 30 years ago”.

The Allerdale council feels strongly that the economy is now more robust because it is more diverse. If the region loses an employer this is buffered by the diversity and it is not anticipated, that such losses would cause the situation to revert back to pre EZ conditions.

“Workington EZ has been of enormous benefit to the Allerdale region and the investment it has attracted over the last decade has transformed the local economy from being almost entirely dependent on the steel industry to a more balanced and diverse economy.”
9th Year Monitoring Report – Zone Position as at October 1992

The Allerdale region is still strongly manufacturing orientated but it is not as significant to the region as it was. At the end of the EZ period, manufacturing made up 23% of the economy, in 1983 it was at 39%. This was a drop of 16% over the 10 year period of the EZ. The diversity that commenced under the EZ has continued. Currently there are only a few large scale employers, so the risk of industry downturn is not as big a threat to the regional economy as it was in the past. There has been an increased portion of service and retail businesses giving a more balanced economy.

Currently unemployment is decreasing in the Milford Haven region. This is put down to greater diversity in the economy, which provides a buffer, as different businesses and industries go through their life cycles. Greater diversity has also encouraged and supported entrepreneurship in business. Business establishments are high and although the high proportion of jobs affected by seasonality was a problem in the past, tourism has consolidated and is now a more professional and sustainable industry.

Diversity has delivered a more robust economy in each of the three rural areas.

Investment Beacon

A Development Manager, who worked with the Invergordon EZ from its conception, believes that “the best benefit [from the EZ] was it was a great opportunity to create an awareness of the problems and positive opportunities.” Problems weren’t seen as limiting investment.

Another significant benefit was the attention drawn to the area by EZ designation. This was felt, by both business and administration, to be a major benefit. It not only stated the problems upfront but also gave a focus to the opportunities available. A company looking for a workforce knew this area had people available, it knew what assistance it would receive and what assets the region held that could complement and assist their business.

The government had shown by its actions (EZ designation) that it had confidence in this area as having potential for increased economic activity. This confidence was of value to businesses and the region.

Employment

Invergordon EZ Annual Review Report – October 1993 shows that 770 jobs were created directly, with many more indirectly created. More than 60 businesses were established, with further businesses benefiting in the region. Some sites/employers employed 1, 2 or 3 people, whilst some employed 40 to 45 people. However, approximately 46% of employers employed less than 5 people.

The Invergordon region's employment trend is now positive. Unemployment gradually dropped over the period from 26.6% in 1985, to currently having an unemployment figure lower than the national Scottish average, for the first time in employment data recorded history. EZ had a significant effect on the employment big picture.

Allerdale prior to the EZ designation had approximately 16% unemployment. Currently it has a 2.7% unemployment figure. There has been a steady drop, post EZ, over the last 10 years.

In the Milford Haven region, unemployment has been decreasing since the EZ period. This has been put down to the greater diversity in the economy providing a buffer as different businesses and industries go through their business cycle. However, the region is still a black spot and unemployment appears to trend up and down with the National movement.

All three rural EZs showed that 65% - 75% of total employment was male. Also that 85% - 95% of total employment was full time employment. In all three areas the percentage of female participation in paid employment was greater after the EZ designation period than before EZ designation. (PA Cambridge Economic Consultants, *Final Evaluation of Enterprise Zones*, London HMSO 1995.)

Partnership

The Central Government formulated the EZ policy and then handed over the administration to the successful Local Government Councils to be implemented. There appeared to be no real partnership established between Local and Central Government within the Enterprise Zone structure, initially.

However, the EZ drew all local departments and agencies, within the region, together with a common focus. It enabled different schemes and grants to be offered as a combined package, not officially joined but this occurred

practically, due to personnel of each department and agency working together and having representatives on the EZ committee, so that the knowledge was interchangeable.

The Allerdale EZ administration looked at social issues as well as the economic ones. Often a region's social issues, as well as economic ones, were able to be better recognised and appreciated due to the cross section of personnel and organisations on the EZ boards. It was the multi agency representation on the EZ boards that assisted in a clearer picture of the needs and also cemented the benefits of constructed partnerships that continued, to great benefit, after the EZ period.

The creation of such partnerships benefited the whole region. The strong focus on economic activity meant these partnerships continued post EZ. This close partnership has continued to make economic development delivery by government much more efficient and effective on the ground.

Income

Allerdale had one of the lowest pay rates in the country, now it is close to the national average.

The Milford Haven region has, over the last 20 years, made inroads into unemployment but it still has amongst the lowest wages in Britain. It is predicted that as labour availability shortens, wages will increase. It is foreseen that this will also assist in bringing back more people with skills.

Population Movement

The Milford Haven region is starting to see the return of people who previously left the area, coming back with young families. The two main reasons are the ability to be in business and have an attractive and affordable lifestyle.

Both the Invergordon and Allerdale regions are predicting difficulty, in the near future, in filling the staff requirements of companies looking to set up in the region, due to a lack of available labour. This is an enormous turn around from the pre-EZ high unemployment.

The population drift has slowed in the Invergordon region and an inflow of eastern Europeans has developed, moving into the region and taking up employment opportunities.

Social Issues

In the Invergordon region the knock on effect, of increasing employment, saw a decline in social problems in previously depressed towns, like Alness. After the closure of the smelter Alness became very much a social security town with large social problems, drugs, alcohol etc. With the economic activity and rise in employment there was a change of attitude by the people and businesses.

The community took on board the opportunities available to them and got involved. One notable feature was the change in the main street. The community, rather than the council as often is the case, took and is taking responsibility for the upkeep of the main street. This town has currently one of the most charming main streets in the UK.

The increase in local employment led to an increase in local area spending, giving rise to a more positive economy.

Allerdale, prior to the EZ designation had high female unemployment as well as health, housing and education issues. The EZ indirectly increased investment in housing and raised health standards. People invested their increased household income in themselves, their houses and their children. It raised aspirations by bringing in more money and employment into households.

The positive impact of EZs showed sustainability, after de-designation, as businesses tended to stay. This sustainability enhanced economic activity and the social environment of the region.

Catalyst

Even though further economic development has occurred after the EZ period it was felt by most involved during designation and those currently involved, that the Invergordon EZ was the catalyst to the current economic activity.

The Allerdale EZ highlighted the awareness of “development” and how it impacted not just in the EZs but in the surrounding region positively. Those currently involved in economic development felt that the EZ was also the catalyst for the economic development that came after it. The EZ focused attention on the needs. It drew investment into both the zone and to areas outside the zone, something that market forces had failed to do.

As one Manager from the West Cumbria Development Agency described it “the Allerdale EZ did transform West Cumbria. Without the kick along we would still be in the same position as 1983 or worse.”

The Milford Haven EZ was seen as a catalyst for more diverse economic activity and the focus for a wider strategy for the region.

5.4 Shortcomings

The EZ framework provides a catalyst for positive growth and a better social environment. It does not hold all the answers to all problems. As such there are weaknesses, as well as, strengths. Some of the identified weaknesses are:

- The multi-tiered partnership between the Local and Central Governments did not exist in the first stages of the EZ designation however, on a local level strong sustainable partnerships did develop.
- The EZ policy, implemented in different regions, did not have a uniform effect on raising income levels.
- Invergordon's designation coincided with other funding for infrastructure, roads, bridges and sewage. This undoubtedly enhanced and assisted the activities in the region around the EZ.
- Although significant decreases in unemployment were evident in the regions and this trend has continued post EZ, the degree of the decline was not uniform.
- All three local administrations put in for an extension of the EZ, after the ten year period. It would appear that towards the end of the designation period confidence in the long term benefits was not high. However the outcome of a more diverse and sustainable economy seems to have alleviated those fears.
- The Simplified Planning Zone Scheme was adopted in the Invergordon region post EZ, in order to "maintain the momentum of the EZ once it had finished by encouraging new business and stimulating employment in the area." Again this statement would appear to give the impression that there was the fear that once the EZ incentives finished so would the momentum.

Perhaps at the time there was not a lot of confidence that there would spring enough long term benefits or that there would possibly be a lag between EZ de-designation and the long term benefits or momentum kicking in. This lack of confidence was proven, in the long term, to be misplaced.

- The region was sold as a clean, air and water environment, an all round nice place to live. These points did help, however the big questions asked by incomers were about schools, hospitals and connections to rail and air.
- A major criticism of the UK economic only incentives policy was that it did not include a social aspect.

5.5 Lessons Learnt by UK

Social Issues

In hindsight, the UK EZ policy was recognised, by Central Government, as not being effective with the social issues that should be a part of any economic improvement strategy. The EZ policy was aimed at just drawing in developers to an area by presenting 10 years of incentives. The UK policy was solely economic development focused.

Now Central Government recognises that there is a need for the social side to be addressed as well as the economics. However, Local Government recognised this and included social objectives within the EZ aims and strategies when implementing them.

It was recognised that attention to the economy couldn't be done in isolation, especially in the rural areas. These rural areas had social issues which became part of the focus.

Currently, the UK government is looking at social and economic issues as a mix, having recognised that they go hand in hand and need to be tackled together.

Government Issues

Central Government currently feels that EZs have done the job they set out to do but now there was a real need to move onto other strategies, specifically socio-economic.

Also complications became apparent with the implementation of new EZ areas and restrictions or agendas expected by Brussels. The current EU bureaucracy now makes EZ designation complex and time consuming.

Administration Issues

How well zones were developed by regeneration partners was particularly important to their success. Success itself was dependent on administration of the zone. The focus, marketing and pro-activeness of the administration were particularly critical to zone success. It didn't all just happen because of zone designation.

Marketing of the zone is very important. EZs were a powerful marketing tool for a region even though the physical zone only covered a small proportion of the region.

Business and Investment Issues

As pointed out in the *Final Evaluation of Enterprise Zones* (PA Cambridge Economic Consultants, London HMSO, 1995) the EZs were not designed to attract long distance businesses. EZ incentives on their own were not proposed as geographical movers.

The best zones had an idea of what they were trying to achieve beforehand.

The waiver of local business rates and the capital allowance were seen as two powerful economic incentives.

The unsung success story was the new investment that was brought into the regions, which otherwise wouldn't have been there.

Approach Issues

The view that one block, already set up to go, serviced and having the required infrastructure, was a better implementation than scattering the zones in 4-6 pieces throughout an area, is a collective view of the evaluation of a number of EZs covering all three types urban, accessible and remote.

If an individual zone view is taken, the rural zones saw more benefits, for the region as a whole, with multiple zone sites. This enable, a spread of the benefits geographically. Both views are valid depending on whether the view point is UK EZs as a collective mass or an individual rural EZ view of structure, consequence and benefit.

Governments utilising the EZ framework need to think long term as EZs are a long term vehicle.

EZ policy produced a more powerful catalyst package when used with other incentives and programmes currently available.

What Invergordon Learnt:

- “[The] zone is a regional and not just a local asset”

What Milford Haven Learnt:

- “[A] long term view is needed for regeneration as shown by the first work on the Pembroke Docks now coming to fruition 20 years on.”
- The importance of good partnerships.
- Regeneration should be long term. The need to implement strategies whilst maintaining a vision and the importance of not allowing short term pressures to dilute it.

5.6 Applicable to Australia - Removing Business Impediments

The Fellowship seriously looked to see if lowering the barriers that are preventing business establishment and expansion produced long term benefits for the region.

Different barriers will be identified for different regions and economies. Twenty years ago, the UK saw the barriers as economic only. Two barriers perceived as significant were capital investment versus the post construction asset value and the red tape (bureaucracy) involved in development. In depressed rural Australia many of the regions' barriers have been identified as being socio-economic in nature.

Each enterprise zone uses a similar framework. That is, through dismantling the barriers that prevent economic growth, the EZ lowers the business risk environment, for a set period of time, so that private investment can establish new businesses and business expansion, creating more jobs, in a set geographical area. This is not done as an end in itself but as a means of being the catalyst for the rejuvenation of a depressed area. The ultimate goal is to raise the quality of life for those living in the region.

It was never envisaged that a UK model would be used in Australia. It is envisaged that a framework that gives long term benefits to a depressed rural area will be trialled using an Australian model. It was, therefore, always important that foreseeable long term benefits were able to be identified as probable outcomes.

As pointed out by several people involved in economic development in the three rural regions studied, the public sector exists to fill in where the private sector falls down or does not take up the initiative. Public sector involvement is necessary for when market mechanisms fail to fire.

The Australian national employment figures are currently rising. However this is not necessarily the case in many rural areas. Another national average which is on the increase is quality of life as indicated by average earnings. However in many rural areas the quality of life is and has been declining along with other social and economic indicators (Vinson T., *Community Adversity and Resilience*, Jesuit Social Services, 2004). The national figure is an average and as with all averages there is the danger that individual sections will be overlooked and forgotten as the big picture is viewed.

For depressed rural areas with declining socio-economic trends there is an urgent need for action. The investigation and trial of mechanisms of real potential cannot be ignored.

5.7 Conclusion

The aim of the UK Government was to lower the business risk environment so business activity, be it start up or expansion, became viable for private investment.

The UK Government's aim was *'to tackle disadvantage by addressing the barriers to economic activity and opportunity for all'*, as stated in a paper put out collectively by HM Treasury, Small Business Service and the Office of the Deputy Prime Minister, entitled Enterprise Areas - Tackling barriers to enterprise in our most disadvantaged communities.

It was constantly pointed out, during my visits, that the goal of market forces being that of maximizing profit and the goal of the economic development of new business are not compatible in an adverse environment which is socially and economically depressed. Simply put market forces will move the activity elsewhere.

EZs are a mechanism used in depressed regions. All three rural zone regions investigated, were in less accessible areas. All three were suffering from economic decline, high unemployment, decreasing population, an aging population, outward drift of the younger population and lower than average incomes.

The benefits accruing to EZs were of an accumulative nature with long term benefits also flowing to the wider region. The EZs created a focused effort, which lead to regional strategies and partnerships between economic development organisations.

The ability to promote the area as an EZ was a material benefit. It identified and demonstrated the positives of the area, the government confidence for economic growth of the area and it became an investment beacon.

It has been recognised that an increase in business expansion and establishment will give a significant flow on affect to the area through an increased take up of local goods and services, so that even businesses that do not/can not take up the specific incentives still benefit from the EZ structure.

The increased business activity produced diversity which in turn, produced a more robust economy, better able to weather future economic downturns.

EZ was not all the answer but was shown to be a successful catalyst which stimulated ongoing activity.

Nor was EZ perfect in all aspects. Some of the shortcomings recognised by this study were the lack of partnering between Central and Local Government, the increase in income levels was not uniform over three regions, the decrease in unemployment not uniform over the three regions and there was a need to include social issues rather than economic only incentives.

The lessons learnt were important ones for rural EZ regions. Good partnerships are important. The social and economic issues of a region affect each other and so both need to be included. The zone administration needs to be proactive and focused. Much of the increased businesses activity was promoted from within the region, few firms physically moved into the region.

Importantly, EZ was a regional asset, not just a zone asset, with a positive flow on effect that spread wider than the zone boundaries.

Probably the most important lesson to be learnt was the need to take a long term view. EZ benefits were produced by an accumulative result.

6. CURRENT AND FUTURE RURAL DEVELOPMENT TRENDS

This part of the study is not meant to be in depth and all encompassing but an indication of trends outside Australia, through personal discussion with those involved in research, development and on ground projects. Therefore what is presented below is a representation of discussions with a variety of academics, researchers and practitioners all of whom currently work in rural development areas. These areas range from poverty reduction to agricultural economics.

The subject of rural development trends deserves an indepth analysis in its own right and the following makes no pretence to accomplish this. It is an attempt to learn from people currently and intimately involved in a number of rural development areas and to learn from them and their experience how this important sector may be changing and evolving.

6.1 Developed Countries

It is generally recognised that rural and agriculture are being split from a government perspective. Rural is becoming an all encompassing term for non-metropolitan. Agriculture has become a narrow term and occupies only one of the many categories within rural development.

Currently in the UK between 1% and 2% of the population is employed directly in Agriculture. Only 10% of the population, in most UK rural areas, is directly employed in agriculture. Agriculture is being overshadowed by landscape and environment and a push for economic diversity in rural areas.

Rural areas, in the UK, are increasingly becoming privatised (private residential areas), often through the purchase of a second investment home, weekender or home based-business. The 'outside' consumer is usually buying privacy and/or lifestyle. The land is being purchased for reasons other than agricultural use and the consumption of land is competing with the productive use of the land.

There are some acknowledged positive aspects, such a trend may produce. It has been suggested that it may assist in maintaining public services due to maintaining population, even if the activity is not agricultural, if 'incomers' make a permanent move into the region, for example e-based businesses. In this respect, diversity is seen as a good thing that should be promoted in rural areas. That a more diverse economy tends to be more robust.

However, the negative consequences of such a trend have also been noted. That the trend may lead to a diminishing public service if 'incomers' are weekenders, contributing to a loss in full time capacity. The purchasing of a second home by 'incomers', without dependent children, means that the use of services, especially schools are decreasing. Also the cost of housing often increases to a point where the 'locals' of the area can no longer afford to buy in the area.

A counter to this is that ‘incomers’, even retired ones, may not contribute to child support services but do in fact help to maintain a capacity for services in other sectors such as health.

Diversity appears to have not only brought in new business types but also may encourage part time farming. The part time farmer is becoming socially important in the UK and although environmentally and socially important, part time farmers may not be as efficient, from a productive aspect.

It is however obvious, through the discussions, that agriculture is losing its previous high status as a major portfolio in government. This appears to be due to two aspects, the decline in the percentage of the labour force directly and indirectly involved in agriculture and the decline in the percentage of GDP that agriculture represents. Also there has been an increasing awareness of the many aspects that contribute to the rural sector. Many of these aspects now command the attention of the public and a consciousness that the community as a whole, represented by government, sees issues that they would like addressed, outside of agriculture but still in the rural sector.

Multifunctionality, a relatively new term, has arisen to endeavour to detail the value of agricultural pursuits as part of rural development, over and above agricultural productivity. Some descriptions of multifunctionality are:

- The collective public good of farming.
- The social benefit from farming.
- The place that agriculture holds in society as a backdrop rather than an industry activity. For example, farmers in the Lakes District have been described as gardeners because their main function is seen by some to be primarily that of keeping the landscape looking nice and as the rest of society, mainly urban, would expect it to look.
- Maintain the landscape that is wanted by the wider community (nation).
- For such a role the wider community (nation) may have to pay for this collectively (subsidies, taxes).

The fact that this word is now used freely in relation to agriculture again suggests that agriculture has lost its previous high status and is being downgraded from an important sector in its own right to being only one, of many activities within rural development/environment.

For example, hill farmers, in the UK, financially need a subsidy to maintain a viable net income. This is where “multifunctionality” comes in. This concept suggests that if society wants to see hill farming remain as a feel good, see good landscape then society should pay the cost.

However, if subsidies are to come from taxes and not consumption (higher prices for product), then this provides a justification as to why tax money should be going to farmers. This notion could be defended by multifunctionality, farming being more than the economic production of goods but a community service. There are, however, dangers with this argument.

A discussion then arises as to why this money should not go to hospitals or education, which are also for the community good.

Environment farming, that is, farming as a way of maintaining the landscape and wildlife habitat is becoming more than a trend, especially in the upland areas. It is becoming accepted as part of rural development.

6.2 Developing Countries

It appears from discussions that a decline in the prominence of agriculture may also be a prevailing trend, in developing countries. Although some discussions preferred to highlight the trend as an increase in the prominence, of other rural development aspects, rather than a decreasing prominence of agriculture.

Wherever the emphasis is placed, this trend is being linked to globalisation. The World Bank is promoting diversification within rural development and this promotes an increase in the attention given to other aspects of rural development. Several discussions noted a declining trend internationally in the dollars for research and development in agriculture, though not necessarily for rural development.

The argument was put forward that, in developing countries, it is often politics and policy, living standards and personal security that effects people's survival and sustainability as much or more than the simple production of food and products. However, whether diversification is good or not is an ongoing policy debate.

Currently the concept of sustainable rural livelihoods is used to understand people's lives and then, where possible, uses policy opportunities to make a difference. Instead of starting with recognition of the desired outcomes and working towards them, sustainable rural livelihoods is used to understand people's lives from a governance point of view. It starts with what do people do, how do they do it and what do people have.

This is a governance or policy tool. The premise being that if the policy is right, the rest will follow. It holds out to be encompassing all facets and is seen as a more holistic approach.

The pure market based approach is seen as not working effectively. The market approach is not considered by many as appropriate, or effective, as it has a different target to a quality of life approach. If rural development has as a goal, that of increased quality of life within a sustainable environment, then the market may not be the instrument to reach the desired end result.

Another view discussed was the perception that individuals require more than a single track response. However the more intensive approach of 'hand holding' although giving effective on-ground results, is expensive both in time and dollars. This approach involves a closer, more direct approach.

Following on from this is the approach, is the recognition, that poverty reduction, within rural development, needs target based projects for on-ground results. Agriculture may or may not be a part of poverty reduction. There are economic opportunities but these must be focused and targeted. This approach has been shown to work but is slow. It is effective but there are few political points in such work.

Rural development has taken on a new importance. It is more and more commonly mentioned in relation to the World Trade Organisation and non agricultural activities. However, there is an uneasiness with this trend. It has been suggested that serious problems may arise in the future, if in the growth of the many aspects of rural development, attention to the productive sector, agriculture, elapses.

6.3 Conclusions

Agriculture is losing its status and position as a powerhouse in the economy, both in developed and developing countries. Rural development is increasingly pushed on by diversity and a greater recognition, than in the past, of what aspects contribute to make up the rural landscape and its functions.

In developed countries economic diversity and multifunctionality are seen as being as much a part of the rural landscape as agriculture. In developing countries diversity recognises the multitude of factors that affect both individual and national survival and sustainability.

The status of rural development is increasing. It is an all encompassing term of which agriculture is only one of many factors, in a field that also encompasses landscape, environment, land use, lifestyle and survival.

Agriculture, as food and fibre production, has a declining association with development in a rural economy, in both Britain and Western Europe, as well as in developing countries. This movement is affected by multi factored issues, both internal and external. One major factor in developed countries is lifestyle, whilst in developing countries it is also lifestyle but more basically survival and sustainability.

Both in developed and developing countries agriculture is losing its place centre stage. Governance, policy, environment, landscape, diversification as well as other rural development components are all rising in status. These are all valid areas and require advancement but the danger is that in doing so the productive aspect of agriculture is downplayed or worse ignored.

7. RECOMMENDATIONS AND DISSEMINATION

7.1 Recommendations

1. Due to the narrow reporting of enterprise zones within Australian literature and the lack of knowledge, at some levels, of the breadth of the enterprise framework (especially in regard to rural enterprise zones) it is recommended that this report be disseminated to the relevant parties locally, regionally and nationally (see 7.2 Dissemination).
2. This report found that long term benefits flowed from the ten year EZ designation period, in the UK and acted as a catalyst to stimulate a rejuvenation of the three areas studied. It is recommended that an Australian trial or trials be conducted in depressed rural areas to determine the extent to which enterprise zones may offer lasting and measurable benefits and to ascertain their use to stimulate the rejuvenation of socio-economically depressed rural areas.

7.2 Dissemination

- Verbal summary reports were presented in December 2004 to the Shire Councils of Central Darling, Bourke, Brewarrina, Walgett and Coonamble as well as the Murdi Paaki Regional Council of ATSIC. All these organisations lie in western NSW and are members of the Barwon Darling Alliance, my employer.
- A verbal summary has also been presented to a Sydney meeting attended by peak organisations in the social services, business and agricultural sectors.
- Media - a local western NSW newspaper interview was conducted in December 2004 as was a state-wide radio interview. Further media interviews are possible in the coming year.
- The report will also be distributed to targeted government and opposition positions at a local, state and federal level. The report will also be distributed to key industrial, business and social sector bodies.
- Presentations will also be conducted, in western NSW and other regions where it will be relevant, for community organisations such as Chamber of Commerce, Progressive Associations and Indigenous Community Working Parties.

8. APPENDIX

UK ENTERPRISE ZONE INCENTIVES

1. 100% allowances for corporation and income tax purposes for capital expenditure on industrial and commercial buildings.
2. Exemption from the National Non-Domestic Rate (Uniform Business Rate) on industrial and commercial property.
3. A greatly simplified planning regime;
Developments that conform with the published scheme for each Zone do not require individual planning permission.
4. Those statutory controls remaining in force (eg planning) are administered more speedily.
5. Employers are exempt from industrial training levies and from the requirement to supply information to Industrial Training Boards.
6. Applications from firms in EZs for certain customs facilities are processed as a matter of priority and certain criteria relaxed.
7. Government requests for statistical information are reduced.