STATE ENTREPRENEURIALISM AND PLACE PROMOTION: LESSONS FROM VICTORIA

Benno Engels*

Since the mid 1970s, the Australian economy has undergone major structural change. This can be partly attributed to recurrent recessionary conditions and to its progressive integration into an emerging global economy, while successive federal governments have struggled to find the appropriate policy responses. An initial resistance to the need for such fundamental change gave way to a consensus amongst the major political parties to rethink their strategies and embrace neo-liberalism or what has become better known in this country as 'economic rationalism' (see Catley, 1996; Bell, 1993, 1997; Bryan & Rafferty, 1998). If Australia was to prosper in this emerging global economy, it was argued, we had to internationalise the national economy in order to be competitive against other trading nations.

Implementing change has come at a cost: currency fluctuations, deindustrialization, business failures, balance of payment problems, unemployment and growing levels of social inequality. Bell (1997: 208-9) asserts that 'few would disagree with the claim that the Australian economy needed a competitive shake-up', but there is far less agreement on the direction this policy shift has taken and whether enough has been done to soften the negative impacts of such extensive economic restructuring (see Carroll & Manne, 1992; Rees, Rodley & Stilwell, 1993; Bell & Head, 1994; Langmore & Quiggin, 1994; Argy, 1998).

* The author wishes to thank M. Rezel, Frank Stilwell and an anonymous referee for their helpful comments upon an earlier draft of this paper

Moreover, these changes have impacted unevenly upon the national economy, with some industrial sectors and geographic regions experiencing growth while others have declined. As has happened in the past, one spatial economic order is replaced by a new one, but its final shape is just as indeterminate as the forces driving this process of structural change.

Within this context, it is hardly surprising to find that the level of inter-state competition and developmental entrepreneurialism has escalated over the past two decades, as the various states and territories struggle to deal with the stresses of economic restructuring caused by globalisation. While the abilities of the states (and territories) have always been constrained by national and international forces, promoting economic 'development has long been recognised as a dominant theme in state politics' (Galligan, 1986: 248). In fact, there is a long history of inter-state (or inter-colonial) competition in Australia. The electoral fortunes of state (and territory) governments have often been closely tied to an ability to counteract national economic trends by enticing new investment to their state (or territory). Competition has been and still remains an unavoidable reality within a federated national state, which effectively consists of eight competing economies, each espousing their own brand of parochialism. Hence, no state (or territory) can afford not to compete, otherwise it runs the risk of being left behind in the race to attract new investment and jobs.

On closer investigation it is possible to discern subtle changes in the nature of inter-state competition over the past decade. Not only is it now qualitatively different from the past, but these changes can be attributed to the same economic problems that have confronted the national economy over the past two decades. Unfortunately, few researchers have shown much interest in these changes (exceptions are Fletcher, 1993; Industry Commission, 1996; Rayner, 1997). Using Victoria as a case study, this paper redresses this imbalance by showing how inter-state competition and state entrepreneurialism has altered over the last decade. It examines four specific areas of change: the current drive to foster a good internal business climate; the process of capital attraction and facilitation; how place promotion techniques are now used in this

process, and why these facilitation techniques are being used to attract hallmark sporting and cultural events.

Inter-State Competition and State Boosterism.

By the late 1970s, the folly of decades of inter-state competition for protectionist dependent industries began to become apparent, as a new tariff regime was instituted. Many of the incentive programs previously used by the states had concentrated upon simply attracting manufacturing firms, whereas little consideration had been given to their performance against overseas competitors (McFarlane, 1986: 16). South Australia, Victoria, Tasmania and parts of NSW would increasingly be labelled the 'rust belt states' of Australia. In contrast, the resource rich states of Western Australia, Queensland and the Northern Territory prospered as the world demand for minerals and energy increased. They were identified as the new 'sun belt states' and promoted accordingly by their state governments eager to attract more footloose capital and tourists (Galligan, 1986; Stimson, 1995). The level of inter-state competition continued and even intensified during the late 1980s and the early 1990s, despite calls for its cessation (see Industry Commission, 1996). Several reasons can be advanced to account for this.

First, as the national economy opened to the world market through the further lowering of tariff protection, high labour costs reduced Australia's attractiveness to footloose capital (see Capling & Galligan, 1992; Stewart, 1994; Catley, 1996), forcing the states to compete harder and offer more generous incentives to potential investors.

Second, the unanimous decision of the states in 1986 to abolish purchasing preference arrangements - to buy products and services from local suppliers - led to a levelling of the playing field between them (see Warhurst, *et al.*, 1986: 208 & 214; Industry Commission, 1996: 15). This now permitted the smaller states to compete more successfully against the larger ones, which helped to increase inter-state competition.

Third, low economic growth rates and rising levels of unemployment during the late 1980s and early 1990s resulted in successive federal Labor governments, reluctant to either raise taxes or substantially cut

their own programs, reducing grants to the states (see Fletcher, 1993; Norman, 1995; Mathews & Grewal, 1997). For instance, the Commonwealth provided 49% of Victoria's total budget revenue in 1986-87 but this had fallen to 42% in 1992-93 (Nicholls Review, 1992: 217 *cf.* Crooks & Webber, 1993: 8-9). Rises in state taxes and charges only exacerbated the situation and made it even more difficult to attract footloose capital. In addition, some states had also inherited large public sector debts through the economic mismanagement of their former state Labor governments during the 1980s (see Peachment, 1995). Coupled with tighter federal restrictions on public borrowings, the states were virtually driven to compete for new capital investment, in order to generate economic growth and expand their revenue bases.

Fourth, the push for micro economic reform and increased national competitiveness, following the completion of the Hilmer Report in 1993, resulted in the signing of the Competition Principles Agreement between the federal, state and territory governments in 1995. Codified in the Competition Policy Reform Act, state-controlled public utilities must now ensure that prices charged for their goods and services are set at a level consistent with efficient resource allocation, as opposed to their unique geographic monopoly position (King & Maddock, 1997: 40-43). Like the removal of preference purchasing arrangements, this has begun to engender a more level playing field between the states and promotes the prospect for more competition, as monopoly pricing disadvantages that formerly acted like tariff barriers between the states gradually disappear.

Fifth, the parochial nature of state politics has also played a contributing role in the bidding wars that have erupted, especially where large investment projects like the Olympic Games or the (now aborted) Multi-Function Polis have been involved. State pride is often said to be at stake and the fortunes of the dominant state political party and its leader can be closely tied to the eventual outcome.

Lastly, sluggish recovery among the different state economies during this period resulted in electoral backlashes and changes to state government administrations, the victors often promising to improve economic management and restore prosperity (see Broomhill & Spoehr, 1995). In turn, this has forced incoming state governments to pursue footloose

capital with increased vigour, which has further fuelled the process of inter-state competition over the past decade.

Victoria: The New Entrepreneurial State

Not all the states are as equally engaged in this competitive process or approach it in precisely the same manner. Differences in natural resource and industry base, level of public sector indebtedness, unemployment rate, union militancy and political leadership, have all engendered a range of differing responses. The state of Victoria has responded in particular distinctive ways under a neo-liberal Coalition state government during the past six years.

Victoria On The Move

One of the more discernible changes in inter-state competition during the 1990s has been the emphasis placed upon fostering a 'good business climate' for footloose capital. This is not new in itself. However, the importance given to it and the measures undertaken to achieve it are indeed new, as the Victorian case shows.

In October 1992, ten years of state Labor government in Victoria came to an ignominious end, amidst a mounting state budget and debt problem, rising unemployment, industrial unrest and voter disenchantment. Labor had championed a neo-Keynesian form of 'state corporatism' during its three consecutive terms of office in the 1980s and early 1990s (Considine & Costar, 1992: 5-7; Holmes, 1995: 8-10). It had tried to foster state economic development through a pump-priming strategy that included joint projects with the private sector, using venture capital from state-owned financial institutions (Holmes, 1995:11-12; Catley, 1996:171). Precisely why this strategy failed still remains a point of contention (see Considine & Costar, 1992; Murray & White, 1992; Cain, 1995; Holmes, 1995; Norman, 1995). Far less disagreement surrounds the role that several major financial failures - the Victorian Economic Development Corporation, the Tricontinental collapse, the sale of the State Bank and the Pyramid Building Society fiasco - played in the minds of disgruntled

Victorian voters (see Costar & Economou, 1992: 259). Economic issues became the central theme of the 1992 state election with both the Liberal and National parties campaigning on the theme that Labor was an 'incompetent economic manager' and was responsible for turning Victoria into a 'rust belt state' (Hayward, 1993: 47; Holmes, 1995: 29; Pritchard, 1996:182).

This campaign strategy proved a success, and Labor was swept from office with a swing of over 6 per cent against it (Costar & Economou, 1992: 260). But this campaign strategy would prove itself useful for another reason. Hayward (1993) has argued that the newly elected Kennett-led Government deliberately exaggerated the seriousness of Victoria's public finance problems, in order to abandon its moderate election promises and legitimate a vastly different neo-liberal economic reform agenda (see also Crooks & Webber, 1993; Salvaris, 1995). A $2.5 billion budget deficit and a $ 29.5 billion state debt were indeed serious but they did not equate with Coalition claims that Victoria was on the brink of a 'debt spiral' crisis (Robinson, 1994: 242). In fact, these public sector financial difficulties only partly stemmed from the former Labor state administration. Victoria's tariff protected manufacturing base had suffered severely from the global recession and the restructuring reforms instituted by the Hawke-led Federal Labor Government. In addition, contractions in Commonwealth grants to the states had forced Victoria to become increasingly dependent upon state taxes - stamp duties, payroll, insurance, motor vehicle and licence fees - which were also highly vulnerable to changes in economic conditions (Norman, 1995: 23 & 35). The newly elected Kennett Government only had two feasible options available to it in order to restore public sector finances and the state economy.

First, it could have borrowed additional funds in the short term to overcome the deficit in the budget and meet interest repayments on the state debt, until the economy improved. This was implausible: it not only ran counter to neo-liberal ideology, but it was also a period of high interest rates and Victoria had already suffered a downgrading of its credit rating (see Hayward & Salvaris, 1994). Alternatively, it could reduce government spending and increase taxes. However, this second option was also fought with problems. The electorate had already

endured several years of rising structural unemployment and additional taxes would only further burden the business sector. Neo-liberal ideology suggested the latter option but with tax cuts to businesses. From a competitive perspective, taxes had to fall for the business sector, if Victoria was to promote itself as a desirable destination for new capital investment against the other states (and territories). It therefore fell upon the Kennett Coalition to somehow convince the electorate that they, rather than the business sector, had to shoulder a disproportionate amount of the fiscal austerity measures neo-liberal economic theory suggested. Hence, the need 'to manufacture a debt and fiscal crisis that would legitimate its ideologically premeditated reform agenda' (Crooks & Webber, 1993: 21), as well as an intensification of inter-state entrepreneurialism that would bolster an economic revival of Victoria.

This task began with the appointment of a so-called bipartisan inquiry - the Victorian Commission of Audit - to investigate the financial affairs of the state. This was followed by two unannounced economic statements or mini-budgets in October 1992 and April 1993 (see Hayward, 1993: 47-48). Predictably, the Commission of Audit handed down a damning report in May 1993, which has subsequently been exposed to have grossly distorted the true extent of Victoria's debt position (see Hayward, 1993; Crooks & Webber, 1993; Robinson, 1994). Unfunded liabilities - superannuation, not normally included in public sector debt calculations - were now added, which doubled debt estimates to $60 billion. Victoria was also selectively compared against only the least indebted Australian states. Even longitudinal comparisons of Victoria's state debt levels failed to acknowledge that they had been much higher under former Coalition Governments in the late 1950s and early 1960s. Despite these and other criticisms, the new government was relentless during its first term of office in repeating its alarmist 'debt crisis' claims, aided by the local media. As a result, most of the electorate accepted the government's account of the state finances, to the point where it has now become 'an unchallenged orthodoxy' and paved the way for a second election victory in March 1996 (Salvaris, 1995: 153).

Within such a climate of manufactured public consensus, the Kennett-led Government unveiled its amended mission statement, which stated that it sought:

> ...(1) To increase jobs, business and educational opportunities for all Victorians; (2) To reduce the cost of living for Victorian families and businesses; (3) To provide those quality services at local community level that underpin a secure, stable and safe society founded on the principles of respect and care; together with the recognition of the importance of the family in the future development of the State; (4) To manage the State's growing economy, along with change resulting from technological advance and the increasing globalisation of businesses, in a way that ensures all Victorians can keep pace of change and gain advantage from it.... (Office of Premier, 1995: 3)

Behind the rhetoric of families and the good community was a more immediate concern with restructuring public sector finances and restoring private sector confidence in the Victorian economy, even if it meant damaging the former. The origins of this reform agenda did not derive from coalition party members but from economists working for two Melbourne based right-wing think tanks: the Institute of Public Affairs and the Tasman Institute (see Salvaris, 1995: 153; Kohler, 1997: A15). As Figure 1 reveals, virtually all the reforms that would now be implemented by the Kennett Government were already spelt out in their joint 1991 report entitled *Project Victoria*. Three areas of reform were identified as crucial if Victoria was to be able to compete against the other Australian states (and territories) for new capital investment.

First, the current account budget deficit and the level of state debt had to be reduced, as it had contributed to a drop in Victoria's credit rating (Hayward, 1993; Hayward & Salvaris, 1994; Robinson, 1994). The budget deficit was easily remedied by downsizing the public sector. Expenditure cuts to virtually all social service areas - education, health, welfare, housing and public transport - resulted in further public sector job losses, closure of under-used schools, rural hospitals and public transport routes. A household state deficit levy was introduced and state taxes and charges were raised (i.e. electricity, water, gas, public transport, petrol, car registration and property stamp duty). Altogether, most Victorian households paid an extra $500 a year in additional taxes and charges (Hudson & Wiseman, 1995: 184), whereas the business sector was largely quarantined from most of these revenue raising measures. Subsequent analysis has revealed that these measures proved

so successful that the Victorian budget was already in surplus by 1993-94, but this was deliberately disguised in order to justify their continued use so that tax cuts could be offered to the business sector in latter years (see Davidson, 1999: 15).

Figure 1: Project Victoria and the Kennett Government's Reform Agenda

Project Victoria Proposals	Has the Kennett Government Agreed to these Proposals?
State Revenue and Debt Reduction	
Make debt reduction the top priority	Yes
Restore Victoria's AAA credit rating	Yes
Attempt to reduce tax burden on business	Yes
Reduce social welfare programs	Yes
Keep State budget in surplus	Yes
Engage in sale of public assets	Yes
State Owned Enterprises	
Introduce competitive tendering	Yes
Privatise all public utilities	Yes
SECV	Yes
Gas and Fuel	Yes
Melbourne Port	Yes
Melbourne Water	No
Franchise all public transport	
Buses	Yes
Trams	Yes
Trains	Yes
Public Sector Administration	
Reduce the number of public servants	Yes
Close down inefficient facilities	Yes
Reduce staffing in schools and hospitals	Yes
Adopt new funding allocation mechanism	Yes

Source: compiled from Project Victoria (1991).

The state debt was an entirely different problem. It was to be reduced through the privatisation of major public assets, including the state's electricity and gas utilities (Ernst, 1994; Pritchard, 1996; Webber & Crooks, 1996). To date the privatisation of electricity has reduced the state debt by $23.2 billion, while gas has contributed another $6.3 billion (*The Age* 8.5.1999). The sale of Tabcorp, the State Insurance Office and a $500 million stake in the Portland aluminium smelter netted the government a further $2 billion' (Rouw & Kermond, 1999).

Other less significant public sector assets have also been sold off, which did not always meet with the approval of the state Auditor-General (see Boreham, 1996: 8). By the start of 1996, the budget was in surplus and the state debt had been halved (Office of the Premier, 1996: 2), prompting an early state election. Re-elected, the Kennett Government pressed on with its unpopular privatisation and debt reduction program, restoring Victoria's AAA credit rating in early 1998 (Gibson, 1998: 4).

But the privatisation of public assets has a significance well beyond its immediate capacity to help the Coalition 'balance the books'. Privatisation has also permitted the Kennett Government to facilitate new capital investment and entrepreneurialism in Victoria through the direct sale of public assets. To date, this has been largely to foreign owned companies, which raises additional questions about losing control of local assets, many of whom enjoy almost monopoly-like advantages in their service markets despite the Coalition's rhetoric of eventual supplier competition (see Simpson, 1997: B1). One state government document even goes so far as to suggest that Victoria remains an attractive locational option for international footloose capital because of its ongoing privatisation program that will "...provide investment opportunities unrivalled in Australia...." (Government of Victoria, 1997: 13). Accompanying this massive sell-off has been a mini revival in certain local advanced producer corporate services - merchant banking, accountancy, corporate law and a whole range of advisory fields - which have played a crucial mediating role on behalf of the government and the foreign purchasers in this process, earning themselves hefty fees (see Myer, 1995: 18). In contrast, the privatisation bonanza also resulted in the shedding of thousands of lower skilled manual jobs across Victoria, especially in rural areas (see *People Together Project*, 1997). Very little

in the way of interventionist-style job creation programs have been initiated by the Kennett Government to address this problem, which partly explains why Victoria's unemployment rate has continued to lag behind the national rate (Sheil, 1997: 221).

Second, the state's century old industrial relations system was regarded as too cumbersome and inflexible for Victoria to successfully compete against the other Australian states and the Asian Tiger economies. In March 1993, the Kennett Government introduced the Employee Relations Act which abolished all awards as well as the State Arbitration and Conciliation Commission, replacing them with 'individual employee-employer contracts' negotiated under conditions of common law. Unions were now denied any privileged position in such negotiations and penalty clauses were inserted into the legislation to dissuade organisations and individuals from recruiting new members to the union at worksites (Bancroft, 1995: 120; Pritchard, 1996: 187-8). The anti-union intent of this legislation would also extend well beyond the abolition of the old 'closed-shop'. Industrial action was made more difficult under the Act and prohibited altogether within 'essential services'. Substantial fines and penalties were liable, at both an individual and collective level (Bancroft, 1995: 120-122). In the public sector, the same kind of changes were introduced, including the use of individual contracts and disbanding the Public Service Board (see Alford & O'Neill, 1994). As a result, this new legislative regime 'encouraged a fall in the level of wages and entitlements - public holidays, overtime, sick leave, redundancy payments, equal pay for women and the 38/40 hour week - of many Victorian workers' (Pritchard, 1996: 22 & 187). It was contended that these reforms would make Victoria a more attractive investment destination to footloose capital and in turn create job opportunities for the many thousands who had lost their jobs through business closures or public sector retrenchment.

Third, the *Project Victoria* report also contended that private sector cost efficiencies could be achieved, if public sector management was overhauled. Through the Public Sector Management Act (1992), the Kennett Government began its reform of the Victorian public service which included a reduction in the number of government departments, new employer-employee contracts, a downsizing of staff numbers,

promoting cost savings through the use of competitive tendering, greater transparency with internal budgetary procedures, plus the adoption of a new client-oriented service ethos (O'Neill & Alford, 1994: 24-27; Pritchard, 1996: 188). A highly efficient, smaller government, committed to working with the private sector, was the goal. By the middle of 1993, the 'reform' spotlight shifted to the local government sector, when the Kennett Government sacked all Victorian local government councillors and installed unelected commissioners in their place. While a government-appointed Local Government Board accepted submissions for and against the amalgamation of local councils and shires, the state government modified Victorian planning controls which vested greater powers in the minister, and legislated for the introduction of compulsory competitive tendering by June 1994 (Pritchard, 1996: 189; Mowbray, 1996: 29-32; Kiss, 1997: 49-53). In the end, 210 local councils and shires were reduced to 78, largely upon the contention that cost savings would be derived through economies of scale. As a precaution, rates were capped in early 1996, before scheduled elections were to be conducted to replace commissioners within a large number of newly amalgamated councils and shires (Kiss, 1997: 52). It was claimed that all ratepayers - commercial, industrial and residential - would benefit from the cost savings and efficiencies to be achieved.

According to the Kennett Government's 1996 fourth annual report to the general public - *Victoria: The Story so Far* - it had brought the state back from the brink of financial disaster. The budget was in surplus and public sector debt was significantly reduced. In addition, costs to the private sector had been substantially reduced through restructuring of all major public utilities, the state and local public bureaucracy. Labour market reforms had also contributed to an improved 'business climate' as the powers of trade unions had now been substantially reduced. Critics of the government's program were vilified: if you opposed the government, then the argument followed, you were opposed to restoring economic growth and labelled to be 'un-Victorian'. The state of Victoria was once again 'open for business'. To make the rest of Australia and the world aware of this fact an innovative place promotion strategy was needed.

Advantage Melbourne and Place Promotion

During the past six years, the Kennett Government has produced a host of glossy brochures and documents to promote the state of Victoria, for both national and international distribution. Two documents and their accompanying place promotion campaign - Advantage Melbourne - stand out because of their sophistication and importance.

Place promotion campaigns can employ a number of marketing techniques, including what is known as, the 'competition analysis' method (Ashworth & Voogd, 1990: 53). Put simply, this is a marketing campaign constructed around the 'scores' allocated to a region or city, when it is compared against others across a range of performance indices such as the cost of labour, office rentals, etc. Such benchmarking studies often produce performance 'league tables' which governments use to promote their state or city to footloose capital (and tourists). This kind of place promotion campaign gains more creditability if the comparative appraisal has been undertaken by a reputable or independent authority, as opposed to the organisation conducting the actual campaign (Gold, 1994: 31). This is precisely what the Kennett Government did.

In November 1993, the then international management consultancy firm KPMG was commissioned to undertake a locational benchmarking study that sought to establish the comparative cost of doing business in Melbourne (and Victoria), against other cities in the Asia-Pacific Rim region (KPMG, 1994: 8). The study was completed in two stages.

The first stage was undertaken in November-December 1993 and consisted of interviewing 26 unidentified senior executives from Victorian-based companies which had a strong international business orientation in the Asia-Pacific region. These interviews were designed to elicit information on the cost advantages and disadvantages such companies faced when doing business from Victoria (*ibid*, 1994: 9). This stage of the study also required these 26 senior executives to nominate the major regional cities which, in their opinions, constituted Melbourne's main rivals in the bid to attract more international capital. Eight cities were identified including Sydney, Brisbane, Auckland, Guangzhou, Jakarta, Kuala Lumpur, Singapore and Bangkok (*ibid*, 1994: 9). These choices would form the basis of stage 2 of the study but for

comparative purposes the decision was taken to add three other major cities - Stuttgart, Los Angeles and Osaka - as reference points for the international investment community (*ibid*, 1994: 9-10).

Table 1: KPMG Locational Cost Benchmarking Study

	Melbourne	Sydney	Brisbane	Auckland	Bangkok	Guangzhou
Cost of Local Borrowings	100	100	100	100	128	-
Real Interest Rate	100	100	100	99	106	-
Construction Cost	100	186	119	129	177	100
Factory Rental and Outgoings	100	224	133	158	250	135
Office Rental and Outgoings	100	139	95	63	102	131
Senior Management	100	108	82	63	4	39
Middle Management	100	102	98	58	56	10
Skilled Labour	100	100	98	108	18	8
Unskilled Labour	100	100	98	78	9	7
Professional Services	100	114	92	73	122	144
Business Class Airfares	100	100	99	108	58	72
Air Freight	100	99	92	161	123	83
Port Authority Charges	100	88	93	62	26	32
Sea Freight	100	99	99	133	100	121
International Calls	100	100	100	157	204	-
Local Calls	100	100	100	174	216	-
Electricity Cost	100	127	125	140	340	329
Gas Cost	100	179	243	177	189	570
Water Cost	100	100	123	111	86	-
Office Consumables	100	100	100	96	80	117

Source: KPMG (1994) Cost Benchmarking Study.

Table 1 (Cont.): KPMG Locational Cost Benchmarking Study

	Jakarta	Kuala Lumpur	Los Angeles	Osaka	Singapore	Stuttgart
Cost of Local Borrowings	156	89	81	56	61	63
Real Interest Rate	93	47	59	61	47	33
Construction Cost	105	229	248	1688	1843	233
Factory Rental and Outgoings	129	208	123	420	583	221
Office Rental and Outgoings	106	98	84	242	176	182
Senior Management	79	59	107	244	99	139
Middle Management	59	61	116	127	132	226
Skilled Labour	23	36	143	265	87	128
Unskilled Labour	9	24	120	143	80	102
Professional Services	122	91	110	229	138	105
Business Class Airfares	65	87	109	133	91	129
Air Freight	173	132	205	373	201	179
Port Authority Charges	10	5	100	34	15	111
Sea Freight	98	99	182	113	95	93
International Calls	161	166	142	207	168	246
Local Calls	302	178	118	225	191	73
Electricity Cost	267	139	216	421	233	306
Gas Cost	54	159	102	318	608	180
Water Cost	186	113	140	119	125	378
Office Consumables	96	81	71	194	136	188

Source: KPMG (1994) Cost Benchmarking Study.

Stage 2 of the study then proceeded to collect comparative data from each of these twelve cities across a range of input costs, including capital debt servicing, labour, industrial and office rentals, haulage fees, professional services, office consumables, domestic and international communication rates and public utility charges (*ibid*, 1994: 11). Table 1

shows that Melbourne proved to be reasonably cost competitive against many of the other cities but it did not always offer the lowest costs. It was clearly uncompetitive in three key areas: private debt servicing, unskilled labour and port charges (*ibid*, 4 & 13). These three cost areas were beyond the immediate control of a state government: the same negative findings were made for Sydney and Brisbane.

The Kennett Government embraced this report with enthusiasm and launched the 'Advantage Melbourne' place promotion campaign in late 1995. The sterile KPMG study, full of tables, graphs and statistical appendixes, was translated into a glossy document that was packaged into an information kit complete with a promotional video. One was prepared for a domestic audience and the other for an international one. The document reported the findings of the KPMG study via a host of simplified tables and graphs, accompanied by explanatory text and photographic images of the city. Virtually every second photograph in this document depicted multi-cultural Melbourne either hard at work or engaged in leisure activities. Also included were the personal endorsements of senior executives from major corporations already located in Victoria, including Oracle Corporation, Nokia Telecommunications, Olivetti Australia and Asia Pacific Campbell Soup Company, to name just a few. The accompanying video also adopted this personal endorsement approach, along with a kaleidoscope of sumptuous images of urban Melbourne, emphasising its rich cultural diversity and desired liveability status.[5] This and other place promotional material was then widely distributed overseas via the state government's trade offices in London, Frankfurt, Hong Kong, Jakarta, Seoul, Tokyo (and later Dubai in the United Arab Emirates). Within Australia, business forums and conferences sponsored by the Victorian Government fulfilled the same function.

How objective was the Advantage Melbourne campaign? The authors of the original KPMG study conceded some of the difficulties experienced in collecting data for all the targeted cities. On occasions, they state that they were forced to rely "...upon judgements based on the experience of staff of our overseas offices, key Melbourne based members of our Asian Business Group and representatives of commerce and industry who participated in our stage 1 CEO interviews...." (KPMG, 1994: 11). Even

Table 2: Advantage Melbourne (1997) Locational Cost Benchmarking Study

	Melbourne	Auckland	Bangkok	Jakarta	Kuala Lumpur	Los Angeles
Industrial Land Costs	100	304	311	286	723	358
Factory Construction Cost	100	132	100	62	117	186
Factory Construction Time	100	75	163	138	263	150
Office Rental Costs	100	101	146	131	180	208
Marketing Director Salary	100	93	75	102	100	119
Account Salary	100	85	70	72	71	154
Electronic Engineer Salary	100	80	65	71	63	135
Process Worker Salary	100	119	14	22	26	154
Frequency of Internal Flights	100	41	74	34	41	117
Air Freight Cost	100	102	117	175	129	187
Sea Freight Cargo Cost	100	137	86	88	68	149
Ship Turnaround Time	100	96	144	109	64	88
International Calls	100	131	157	184	121	137
Local Calls	100	161	197	101	171	139
Electricity Cost	100	134	138	251	183	160
Gas Cost	100	305	188	64	397	229
Water Cost	100	134	118	275	92	111
Waste Water Disposal Cost	100	116	59	186	8	62
Industrial Waste Disposal Cost	100	127	443	52	100	475
Hotel Accommodation	100	140	126	126	102	191

Source: Advantage Melbourne (1997) Cost Benchmarking Study.

Table 2 (Cont.): Advantage Melbourne (1997) Locational Cost Benchmarking Study

	Osaka	Singapore	Stuttgart	Shanghai	Hong Kong	Seoul
Industrial Land Costs	7944	3644	939	306	1988	658
Factory Construction Cost	348	216	247	228	391	86
Factory Construction Time	138	263	125	263	88	200
Office Rental Costs	369	538	151	392	653	180
Marketing Director Salary	163	152	167	48	123	120
Account Salary	208	161	168	23	159	118
Electronic Engineer Salary	153	120	174	19	85	110
Process Worker Salary	166	83	191	18	81	122
Frequency of Internal Flights	50	98	106	34	110	57
Air Freight Cost	338	225	186	130	146	161
Sea Freight Cargo Cost	87	76	111	78	75	71
Ship Turnaround Time	64	72	96	168	100	72
International Calls	152	108	127	204	89	119
Local Calls	183	429	181	94	193	59
Electricity Cost	327	137	206	154	155	125
Gas Cost	321	703	226	136	808	204
Water Cost	890	161	424	24	115	61
Waste Water Disposal Cost	430	237	294	10	-	4569
Industrial Waste Disposal Cost	709	165	1446	2	16	336
Hotel Accommodation	189	108	120	188	271	161

Source: Advantage Melbourne (1997) Cost Benchmarking Study.

though such admissions were made in the KPMG report, no details were provided on other sources used for the costings upon which the study was based, nor was any attempt made to clarify the methodological basis

of the study, other than a copy of the original survey schedule used in one of the many appendices. Just how representative were the 26 CEO's who formed the first stage of the study was also never stipulated, nor was their identity and possible associations to KPMG. In the first glossy release of the Advantage Melbourne document in late 1995, KPMG updated the data and revealed some of the secondary sources they had used, but the number of cities had now expanded to fourteen. The additions were Hong Kong and Shanghai. Why they had been previously overlooked and now included was never explained. In addition, several new comparative indices were added, such as the cost of educating a 10-year-old child, the purchase and running cost of a family car, and even the cost of a Big Mac hamburger. From a manufacturing perspective, the cost of waste water disposal, reliability of water and electricity supplies, factory construction time, travel time to other world business centres, nightly hotel rates, and the cost of various specialist professional services made more practical sense. However, no explanation was offered for amending these benchmarks for the cost comparisons between the fourteen cities. Melbourne fared better on a range of indices, especially in the areas of skilled and professional labour costs. This might explain why Melbourne would now be promoted as Australia's so-called 'Skill City' in this and other place promotional material associated with the Advantage Melbourne campaign.

The somewhat dubious nature of this benchmarking exercise becomes even more apparent in the 1997 redraft. The number of cities was now reduced to twelve: Guangzhou, Brisbane and Sydney were removed from the study but Seoul was added (see Table 2). No justification is again offered for this change, particularly the crucial deletion of Sydney which represents Australia's most important urban industrial centre. One can speculate that both Sydney and Brisbane had continued to out-perform Melbourne despite changes to the comparative indices used in the 1997 edition of the Advantage Melbourne document.

Another equally noteworthy feature is the use that has been made of multi-media aids. The video used in the first campaign has been replaced with a Internet Web site. This reproduces the contents of the Advantage Melbourne reports via an interactive search format, but also offers potential investors the opportunity to use a locational cost computer

simulation model for undertaking initial benchmarking estimates. The user simply provides their own cost data and enters it into the model which in turn generates an instant cost comparison between Melbourne and one of the other eleven cities which forms the basis of the 1997 KPMG study. From a place promotion perspective, this significantly reduces the cost of printing thousands of promotional documents. Direct e-mail access also makes the task of contacting government officials much easier than before.

Precisely how successful this campaign has been remains unclear: uncertainty always surrounds the effectiveness of these types of place promotion campaigns. Advantage Melbourne has been innovative because it represented the first occasion that the benchmarking method had been used as a place promotion device by an Australian state (or territory). In addition, it also provided Victoria with the means of waging a promotional campaign for footloose capital, against its other Pacific Rim rivals. Like other similar benchmarking studies, Advantage Melbourne's essential purpose was to gain investor attention. The task of transforming that initial interest into an actual investment decision falls to the facilitation arm of the state government bureaucracy.

Business Victoria and Investment Facilitation

Gaining the attention of potential investors is only the first of many steps in securing a new manufacturing plant or high tech laboratory. In the past, state (and territory) governments adopted a two pronged strategy, to facilitate the inward flow of footloose capital. First, they simply waited for investors and companies to approach them, whereupon a range of facilitation services would be mobilised. This often included the provision of relocation grants, freight haulage concessions, free land and infrastructure, reduced utility charges, etc (see Loveday, 1982; Warhurst, *et al.*, 1985; Galligan, 1986). Second, overseas trade missions, usually led by the state premier, were made on a regular basis in order to solicit interest from potential investors and major companies (see Loveday, 1982). Trade offices in key foreign cities acted as information distribution points between such visits. However, these methods proved

less reliable as competition intensified for footloose capital during the late 1980s.

The Kennett Government's approach to investment facilitation has been more pro-active. This again differentiates Victoria from the other Australian states (and territories). While it continues to make use of the more orthodox methods already mentioned, it has also begun to embrace several new ones.

First, use is being made of international consultants to provide site selection advise to footloose capital, seeking to expand or relocate their operations offshore. It has been claimed that these consultants account for 40 percent of the world's total footloose investment (Department of State Development, 1997: 16). They offer a range of services, not only to the relocating companies or 'end users', but also to the government authorities and organisations trying to lure investment to their locations. With respect to the former, end users can either gain market intelligence directly from these site selection consultants whose offices are located around the world or subscribe to their wide array of publications, some of which can be accessed via the Internet. Like the Advantage Melbourne study, they benchmark national and regional economies against a number of performance indicators, which are updated on an annual basis. In the case of the investment recipient, these consultants act as an international clearing-house for their place promotion material, as well as a means of gauging how they rank against other recipient locations. To this end, regular meetings are undertaken with these consultants, not only to update them about the changes that have taken place within the regional economy, but also to determine what competitors have been doing. Corporate Location and Site Selection are two site selection consultants used by the Kennett Government for this purpose over the past six years (Shepherd, 1998).

Second, the Kennett Government has also directly targeted investors and companies, via its Investment Recruitment and Promotion Unit which is an operational division within Business Victoria. The latter is located within the restructured Department of State Development, formerly the much smaller Department of Business and Employment, which now covers several economic portfolios including Industry, Science and Technology, Tourism, Small Business, Multimedia, Rural Development

and Sport (Department of State Development, 1997: 6). A number of steps or stages are undertaken by the Investment Recruitment and Promotion Unit in its search for footloose capital (Shepherd, 1998).

First, it must identify the specific industries within Victoria where the state has an existing comparative advantage or wishes to develop one. This has recently included automotive engineering, chemicals, textiles, agri-food, pharmaceuticals, information technology and telecommunications. Second, the main global concentrations of these industries within the USA, European and South East Asian regions are then identified. Third, the facilitation process then tries to isolate the major companies located in those regional markets, as well as establish whether they have any subsidiaries in Victoria. Various market intelligence networks are used at this stage, including Fortune 500 Listings, Austrade and site selection consultants already mentioned. At the end of this stage, a short-list of potential targets is made, numbering somewhere around 20 companies. Fourth, a detailed analysis is undertaken by the Unit staff into the various needs these companies might have and how a Victorian location could satisfy them. Once this has been done, letters of introduction and promotional material, such as the Advantage Melbourne material, are distributed to the targeted companies in order to advise them of relocation possibilities.

Should this prove successful, then the fifth stage of the facilitation process will involve staff from the Unit travelling overseas, to make a formal presentation to the company on the merits of relocating in Victoria. Consultants familiar with the target company and its cultural milieu can be hired to assist should it be considered necessary. In addition, company executives will be invited to visit Victoria: depending upon the size of the proposed investment project, they might meet with either the Minister or the Premier. Finally, if the company is prepared to precede, then a special task force is assembled to assist with all aspects of the legal negotiations, site selection, public utility supply agreements, provision of infrastructure, and so on (Department of State Development, 1997: 46).

The state government claims that during the 1996-97 period approximately $1.5 billion worth of new investment projects have been made in the state, generating 3,900 jobs. A disproportionate amount of

this new investment has taken place in Melbourne rather than rural Victoria' (Department of State Development, 1997: 10 & 16-17). In addition, it is claimed that 'Business Victoria at the end of June 1997 was in the process of facilitating a further $5,220 million worth of projects which are estimated to create 12,334 long term jobs and $2,798 million in exports' over the next few years (*ibid*: 16). These figures exceed the performance targets set by the government, but it is difficult to ascertain how much of this new investment is actually inward-bound foreign capital. It is also difficult to establish whether that proportion of new capital investment which is of a foreign origin chose Melbourne (and Victoria) because of the place promotion and facilitation activities of Business Victoria (Shepherd, 1998). Even so, Victoria's average economic growth rate and the level of new capital investment for the past six years has continued to lag behind the national average (Colebatch, 1999: 5). This would suggest that the rate of capital facilitation into Victoria has as yet not been able to stimulate the kind of economic recovery that the Kennett Government had promised would occur under its neo-liberal reform agenda.

The role of Business Victoria (and its predecessor the Office of Trade and Investment) in managing the facilitation services and industry assistance offered to existing or new investment projects is clearer. An independent report by the Victorian Auditor General's Office in 1995, praised the use of "carefully-structured management controls governing the assessment, approval and monitoring stages of assistance...to projects and companies that offer significant economic benefits to the State...[In addition, the report remarked,] the Office of Trade and Investment should be commended for the very positive results achieved...from its trade fairs and missions, as perceived by industry participants..." (*ibid*, 1995: 7 & 9).

The range of financial assistance packages and facilitation services which have been developed to attract new capital investment differs slightly from the incentives offered by other states (see Table 3). The Industry Commission (1996: 117) has estimated that $617.4 million in assistance to industry was spent by Victoria in the 1994-95 period, compared to $534 million during the 1995-96 period (see also Colebatch, 1998: 4). A majority of this assistance has gone to manufacturing industries in the form of 'grants to off-set payroll and land taxes, provision of

infrastructure, assistance with training, plus various kinds of facilitation services including the fast-tracking of regulatory approvals and site selection' (Industry Commission, 1996: AIB.11). The handing out of venture capital has been discontinued under the Kennett Government, partly because of an ideological objection to this practice, but also due to the alleged budgetary and debt problems Victoria had inherited from the former Labor Government.

Table 3: State Government Industry Assistance, 1994-95

State	Form of Industry Assistance
NSW	Fast tracking of development proposal; Infrastructure provision; Industrial land provision; Industrial land development; Provision of strategic advise and research; Promotion and information; Other facilitation services; Staff training; Licensing and registration; Provision of grants, subsidies and tax concessions.
Victoria	Provision of grants, subsidies and tax concessions; Infrastructure provision; Staff training; Provision of information and consultants; Facilitation of regulatory approvals; Subsidies for electricity; Other facilitation services.
Queensland	Provision of grants, subsidies and tax concessions; Tax exemptions; Information, promotion, and marketing; Provision of lease land.
Western Australia	Provision of grants and subsidies; Loan guarantee; Research and development assistance; Marketing, advise and information removal of impediments; Access of government services; Development and supply of infrastructure.
South Australia	Provision of grants, subsidies and tax rebates; Other flexible assistance packages; Information and strategic advise; Research, promotion and marketing; Other facilitation services; Infrastructure provision; Subsidised industrial land
Tasmania	Provision of grants, subsidies and loans; Accommodation, education and training of staff; Information, advise and marketing; Consultancy services; Research and development; Other facilitation services.
ACT	Provision of grants and other financial assistance; Concessions on Payroll tax, land tax and stamp duty; Promotion and marketing; Provision of land and leasing arrangements.

Source: Industry Commission (1996).

While the Kennett Government has been more cautious with the kind of assistance offered, the Industry Commission (1996: 40-48) has argued that such assistance is often counter-productive because of the bidding wars it has triggered between the various states (and territories). Moreover, the assistance offered is generally not considered to be essential to the locational decisions of inward-bound capital and, in most instances, the benefits to these regional economies are illusory. Victoria is estimated to have forgone $1,217 million in payroll tax over the 1993-94 period alone (*ibid*, 1996; 117). This is revenue that could have been spent on schools, hospitals, public transport and other desperately needed social services. Exactly how much tax revenue has been surrendered, or expended upon infrastructure provision, is difficult to estimate as many of the assistance packages offered to recipient companies remain shrouded in secrecy (Industry Commission, 1996; Bita, 1997; Colebatch, 1998). This practice is justified on the grounds that 'commercial-in-confidence' agreements are needed to protect both the company and the government against other state competitors. This aspect of inter-state competition continues to generate just as much suspicion of back-room deals as in the past (see Galligan, 1986; Warhurst, *et al.*, 1986).

Recently undertaken Freedom of Information investigations by the state Labor Opposition and the local print media have revealed that commercial confidentiality has also been used by the Kennett Government for possibly a number of other reasons. For instance, hastily negotiated contractual agreements between itself and Transurban, which has built the City Link tollway project, contain a number of revenue compensation clauses that were never made public (Green, 1995: 1-2). It has been estimated that the Government has already cost the Victorian taxpayer $44.8 million through its mismanagement of transferring the state's ambulance dispatch communication service from the public to the private sphere (Mottram & McKay, 1999: 6). Equally damning allegations have also emerged regarding possible tender manipulation of the proposed redevelopment of Melbourne Port (Walker, 1997: 5). Similar levels of suspicion surround the third method of facilitation used by the Kennett Government to lure footloose capital to Victoria - the staging of major sporting and cultural events.

Major Events and Cultural Capital

Previously, the object of inter-state competition had been the big industrial projects, such as car assembly plants, aluminium smelters, oil refineries, steel works, shipbuilding contracts, white goods manufacturers, food processing and heavy engineering plants. These industries all employed large numbers of people and had extensive spill-over effects for a regional economy. But as the tariff barriers were lowered throughout the 1980s, Australia became less attractive for such industries, compared to the low wage economies of South East Asia.

In response, the object of inter-state competition and capital facilitation began to shift during the late 1980s and early 1990s, with high-tech laboratories, micro-electronic assembly plants, computer software firms, high skill engineering, automotive design and telephone call centres now becoming the new glamour investments. In addition, the hosting of prestigious arts festivals, as well as major sporting and cultural events with international TV broadcasting rights, would now also be added to the list of targets. Some other states and cities have recognised the potential of cultural tourism as an instrument of urban and economic regeneration (see Bianchini & Parkinson, 1993; Law, 1993; Page, 1995). These lessons have not been lost upon the Kennett Government, as it has tried to transform Melbourne into the 'sporting and cultural capital' of Australia, if not the entire Asia-Pacific region.

Under the Kennett Government, Victoria has gained a reputation for poaching major sporting and cultural events away from the other states, via the use of allegedly 'unsporting' financial inducements (Miller, 1997; Yallop, 1997; Marsh & Levy, 1998). The state government has not acted alone. It has been assisted by a number of private and public sector organisations, including the Committee for Melbourne, Melbourne City Marketing, Tourism Victoria and the Melbourne Major Events Corporation. As a result, Melbourne now stages a major sporting or cultural event, of either international or national significance, every calendar month of the year. Events include the Australian Formula One Grand Prix, Australian Motorcycle Grand Prix, Ford Australia Tennis Open, Australian Masters' Golf Tournament, Bells Beach Surf Classic, Herald Sun Cycling Tour, Australian International Air Show and

Aviation Expo, the Bledisloe Rugby Cup and the Melbourne Cup Spring Horse Racing Carnival, Melbourne International Festival, Melbourne International Fashion Festival, Melbourne International Comedy Festival and the Melbourne International Flower and Garden Show.

Other one-off international events have included the World Police and Fire Games, Three Tenors Concert, 1998 President's Golf Cup, 1999 World Sailing Championships, international art exhibitions, plus numerous Asia-Pacific premieres of theatrical productions (e.g. Sunset Boulevard, Sweet Charity, Riverdance, Tap Dogs, Phantom of the Opera, etc). Bids are presently underway for the 2006 Commonwealth Games, World Expo 2004 and the World University Games. The number of national events is almost as large, including the AFL Grand Final, Boxing Day Test Cricket, Melbourne Food and Wine Festival, and the Stawell Gift (Office of the Premier, 1996: 22-3; Miller, 1997: 4; Yallop, 1997: 43-5). The staging of these major sporting and cultural events is significant to the process of inter-state competition for several reasons.

First, in the prevailing global economic climate, diversification is the key to long term survival, as the dynamics of the international economic restructuring process are themselves indeterminate. An acceleration in the redundancy of the technologies that underlie the 'sunrise' industries - micro electronics, computer software, design, pharmaceuticals, tele-communications and bio-technology - will increase the vulnerability of those regional economies which specialise in them.

Second, the staging of sporting and cultural events represents an alternate option, one that has the capacity to generate economic development through local, inter-state and overseas visitors. Local spillover effects are assumed to take place through accommodation bookings, casino gambling, restaurants, retailing and other forms of tourism-based expenditure (see Table 4). One estimate supplied by the state government has contended that $1.3 billion in economic spin-offs are anticipated over the next ten years for Victoria (Hill & Gibson, 1995: 4). By 1996, Melbourne had been ranked as the '19th most popular convention centre in the world, ahead of Sydney and Brisbane' (Cauchi, 1997: 6). In addition, the level of international and inter-state tourism to Victoria has risen over the past few years, which closely corresponds to the expanding events calendar of Melbourne (see Tourism Victoria, 1997).

Table 4: Economic Benefits of Hosting Hallmark Events in Victoria

Event	Year	International Visitors				Total Region/City Economic Impact ($M)
		Total Number	Average Length of Stay (Days)	Average Daily Expenditure ($)	Economic Impact ($M)	
Bledisloe Cup	1997	8350	5.75	-	15	61
Ford Australia Open	1997	5512	5.75	323.48	11.6	82.6
World Cup Soccer Qualifier	1997	1700	-	-	1.28	35
Melbourne International Flower Show	1997	-	-	-	-	2.36
Australian International Air Show and Expo	1997	806	7.3	-	1.25	63
Australian Grand Prix	1996	3100	-	-	10.1	96
Melbourne Comedy Festival	1995	-	-	-	-	17
Melbourne Festival	1995	-	-	-	2.02	13

Source: Marsh and Levy (1998: 17)

Third, these major events also have a capacity to focus national and international attention on the host city and state (see Warhurst, *et al.*, 1986: 202), especially as many of the sporting events are now televised live around the world. Locations that were once unknown to the international business community are suddenly propelled onto the global map of sporting or cultural fame. This can be important in the process of capital facilitation when every country, regional state and major urban centre around the world promotes themselves as possessing a 'renewed

vibrancy, skilled workers, efficient infrastructure, unique investment opportunities and compliant government authorities' (Holcomb, 1994: 115). How to be noticed is the issue here. Hence, international market exposure may be more valuable to the strategic marketing initiatives of Victoria and the other Australian states than the actual revenue collected from visitors or the possible spillover effects into their local economies (see also Marsh & Levy, 1998: 15-19).

Fourth, most of these major sporting and cultural events are staged in the main urban centres of these states, which in turn has made these cities and their public image an active component in the competitive bidding wars for new investment (Ashworth & Voogh, 1990: 3). Those cities that are deficient in some areas may jeopardise any chance their states may have in securing inward-bound footloose capital and tourism. To this end, the Kennett Government has embarked upon a major public works program called Agenda 21 which seeks to upgrade the physical facilities of central Melbourne, to be largely funded through state taxes collected from gambling (see Victorian Government, 1993). Included among the main projects are a new exhibition centre, two public museums, a postmodernist city square, restoration of three historic public buildings, revitalisation of the riverside, renovation of the state art gallery, plus an extension of the existing city tram route. Some of these projects have already been completed ahead of schedule. Virtually all have been undertaken without much public consultation. In some instances, state and local government planning regulations have been disregarded altogether, in order to fast-track these projects (Dovey, 1997; Shaw, 1998). Hence, political governance now becomes more closely integrated into the competitive struggle being waged to secure new capital investment.

Lastly, public disquiet has also continued to surround the question of who are the genuine beneficiaries of staging hallmark events, the state of Victoria or key individuals close to the Kennett Government. For example, the Melbourne Major Events Company operates as a limited liability company whose directors are indemnified by the state. Its chairman - Ron Walker - also happens to be the chief fundraiser for the Federal Liberal Party, as well as being a close personal friend of the Premier Jeff Kennett (Pritchard, 1996: 190; McKay, 1998: 13). Walker

has played an instrumental role in securing many of the hallmark events being staged in Victoria, including the Australian Formula One Grand Prix. It has been asserted that he was aware that Melbourne had secured the Grand Prix before it became public knowledge, while Hudson Conway Ltd, of which he was a joint managing director, made a successful bid via Crown Ltd for Victoria's sole license to operate a casino in Melbourne (see Gill, 1994). This information was not shared at the time with Crown's unsuccessful international rival, ITT Sheraton, and allegedly helped it win the final bid in late 1994 (McKay, 1998: 13). Doubts have subsequently surrounded the probity of the casino tender process (*ibid*, 13). Moreover, Crown has enjoyed very favourable tax and planning control treatment from the Kennett Government, and it is a major beneficiary of the extra gamblers enticed by Victoria's enhanced conference and events calendar. It would seem that the returns of hosting these sporting and cultural hallmark events can indeed be more readily quantified for some than for others.

Conclusions

The globalisation of the Australian economy over the past two decades has had an uneven impact on the regional economies of the various states and territories. Those that were reliant upon tariff protected manufacturing industries have experienced the highest levels of job loss and social hardship. Confronted by the realities of capital restructuring and abandonment, the worst effected states have been drawn into bidding wars for new footloose capital investment, as competing state political parties struggle to gain the ascendancy in this volatile economic climate. Victoria, under the political control of a neo-liberal Coalition for the past six years, has proven to be the most aggressive player in these bidding wars. While such inter-state rivalry is not new, there are noticeable differences in how this competitive bidding process is now being waged.

The Kennett Government's ambitious place promotion and marketing campaign has used techniques more common to North America or Western Europe. Determined to restructure the Victorian economy for an export-oriented global market it has used several strategic marketing and advertising techniques featuring Melbourne as its focal point in an innovative place promotion campaign, seeking both national and

international attention. Customary promotional brochures are supplemented by multi-media devices - video and web sites - as well as locational benchmarking studies and extensive facilitation services which include overseas visits to prospective investors. Several state government departments have been merged into a single mega-department, permitting the formulation of an integrated strategy to attract footloose capital and hallmark cultural and sporting events to Victoria. The latter are assumed to be of value beyond the immediate tourism income they might generate.

Victoria might indeed be 'on the move' again, but concerns have also been raised about whether the state is heading in the right direction and at whose expense. Surplus state budgets have been achieved at the cost of considerable social hardship to the citizens who have borne higher taxes and charges, while the level of funding to health, education and community care have all declined. In turn, reductions in the state debt have been the result of the sell-off of public assets to new foreign owners, which has also often been accompanied by falls in service delivery standards (Davidson, 1998). Public consultation has virtually disappeared, as all economic and social policy decisions are now made in secret and their implementation is often protected under long-forgotten constitutional provisions that either marginalise or suspend the rights of disaffected groups. Public monies badly needed in social policy areas are redirected to the rejuvenation of central Melbourne in order to make it the 'sporting and events capital of Australia', whether taxpayers like it or not.

The governance of Melbourne and Victoria is now guided by a single objective - the restoration of economic growth via improving the 'market competitiveness' of the state. Those who are critical of this objective are publicly dismissed as 'yesterday's people' and 'un-Victorian'. Foreign investors, gamblers, hallmark event groupies and coalition voters are 'today's people' and the so-called 'true Victorians'. This should signal caution to any other state (or territory) thinking of following the example of Victoria by recklessly wagering everything to compete for footloose capital and hallmark events in the newly emerging global marketplace. Instead, more consideration should be given to the dangers of inter-state

competition and what is surrendered in this process, as the above discussion has begun to suggest.

References

Alford J, and O'Neill D, (eds.) (1994) *The Contract State: Public Management and the Kennett Government*, CASR, Deakin University, Geelong.

Argy F, (1998) *Australia at the Crossroads: Radical Free Market or a Progressive Liberalism*? Allen & Unwin, Sydney.

Ashworth G, and Voogd H, (1990) *Selling the City: Marketing Approaches in Public Sector Urban Planning*, Belhaven Press, London, UK.

Bancroft R, (1995) "Industrial Relations and Legislative Change in Victoria", in Spoehr J, and Broomhill R, (eds.) *Altered States: the Impact of Free Market Policies on the Australian States*, CLS Research Paper No. 5, University of Adelaide, Adelaide.

Bell S, (1993) *Australian Manufacturing and the State: the Politics of Industry Policy in the Post-War Era*, Cambridge University Press, Melbourne.

Bell S, (1997) *Ungoverning the Economy: the Political Economy of Australian Economic Policy*, Oxford University Press, Melbourne.

Bell S, and Head B, (eds.) (1994) *State, Economy and Public Policy in Australia*, Oxford University Press, Melbourne.

Bianchini F, and Parkinson M, (1993) *Cultural Policy and Urban Regeneration: the West European Experience*, Manchester University Press, Manchester, UK.

Bita N, (1997) "States Accused of Secret Deals on Multinationals", *The Weekend Australian*, 19-20 April, p. 9.

Boreham G, (1997) "Auditor's Report Mixed on State Asset Sell-off", *The Age*, 16th October, p. 8.

Broomhill R, and Spoehr J, (1995) "Altered State Governments and Vampire Economics", in Spoehr J, and Broomhill R, (eds.) *Altered States: the Impact of Free Market Policies on the Australian States*, CLS Research Paper No. 5, University of Adelaide, Adelaide.

Bryan D, and Rafferty M, (1998) *The Global Economy in Australia: Global Integration and National Economic Policy*, Allen & Unwin, Sydney.

Business Victoria (1995) *Advantage Melbourne: an International Comparison of Business Investment Factors*, Business Victoria, Melbourne.

Business Victoria (1997) *Advanaige Melbourne: the Comparison of Investment Location Factors in Asia Pacific*, Business Victoria, Melbourne.

Cain J, (1995) *John Cain's Years: Power, Parties and Politics*, Melbourne University Press, Melbourne.

Capling A, and Galligan B, (1992) *Beyond the Protective State: the Political Economy of Australia's Manufacturing Industry Policy*, Cambridge University Press, Melbourne.

Carroll J, and Manne R, (eds.) (1992) *Shutdown: the Failure of Economic Rationalism and How to Rescue Australia*, The Text Publishing Company, East Melbourne.

Catley B, (1996) *Globalising Australian Capitalism*, Cambridge University Press, Melbourne.

Cauchi S, (1997) "Melbourne Takes Lead as Conference Venue", *The Age*, 16th January, p. A6.

Colebatch T, (1998) "States Must Ban Incentives to Firms", Report Urges, *The Age*, 24 February, p. A4.

Colebatch T, (1999) "State's Economy Falling Behind", *The Age*, Monday 24th May, p. 5.

Considine M, and Costar B, (eds.) (1992) *Trials in Power: Cain, Kirner and Victoria, 1982-1992*, Melbourne University Press, Melbourne.

Costar B, and Economou N, (1992) "Elections and Electoral Change", in Considine M, and Costar B, (eds.) *Trials in Power: Cain, Kirner and Victoria, 1982-1992*, Melbourne University Press, Melbourne.

Crooks M, and Webber M, (1993) "State Finances and Public Policy", in Victoria, *Bulletin of Society and Economy*, No. 1, The Victorian Foundation, Northcote.

Davidson K, (1998) "Why Your Lights Go Out More Often These Days", *The Age*, 9th April, p. 17.

Davidson K, (1999) "The Truth About Our Missing Surplus", *The Age*, 10th May, p. 15.

Department of State Development (1997) *Annual Report: 1996/97*, State Government of Victoria, Melbourne.

Dovey K, (1997) "Fast Cars, Slow Cities: Melbourne is Being Remade in the Image of its Leaders", *Arena Magazine*, April-May, pp. 32-37.

Ernst J, (1994) "Privatisation, Competition and Contracts", in Alford J, and O'Neill D, (eds.) *The Contract State: Public Management and the Kennett Government*, CASR, Deakin University, Geelong.

Fletcher C, (1993) "Competition Between Regional Governments and the Federal Culture of Fiscal Equalisation", *Australian Journal of Political Science*, Vol. 28, pp. 54-73.

Galligan B, (1986) "The Political Economy of the States", in Galligan B, (ed.) *Australian State Politics*, Longman Cheshire, Melbourne.

Gibson R, (1998) "AAA Rating has Few Real Benefits, Say Economists", *The Age*, 30th March, p. 4.

Gill M, (1994) "Revealed: Taxpayers Fund Vic Promoter", *Australian Financial Review*, 28th July.

Gold J, (1994) "Locating the Message: Place Promotion as Image Communication", in Gold J, and Ward S, (eds.) *Place Promotion: the Use of Publicity and Marketing to Sell Towns and Regions*, John Wiley & Sons, Chichester.

Government of Victoria (1993) *Agenda 21: Major Civic Projects for Melbourne*, Victorian Government Printer, Melbourne.

Green S, (1995) "City Link Deal Just Scrapes In", *The Age*, 21st October, p. 1-2.

Hanan E, and Rouw, J. (1999) "Final Gas Sale cuts State's Debt to $5b", *The Age*, 8th May.

Harvey D, (1989) "From Managerialism to Entrepreneurialism: The Transformation in Urban Governance in Late Capitalism", *Geografiska Annaler*, Vol 21, No. 1, pp. 3- 17.

Hayward D, (1993) "The Kennett Cuts: How Necessary are They?", *Journal of Australian Political Economy*, No. 32, pp. 46-74

Hayward D, and Salvaris M, (1994) "Rating the States: Credit Rating Agencies and the Australian State Governments", *Journal of Australian Political Economy*, No. 34, pp. 1-25.

Hill K, and Gibson R, (1995) "When You Can't Beat Sydney, Stage Another Tourist Event", *The Age*, 18th October, p. 4.

Holcomb B, (1994) "City Make-Overs: Marketing the Post-Industrial City", in Gold J, and Ward S, (eds.) *Place Promotion: the Use of Publicity and Marketing to Sell Towns and Regions*, John Wiley & Sons, Chichester.

Holmes J, (1995) "Victoria: State Enterprise and Labor in the Eighties", in Peachment A, (ed.) *Westminster Inc. a Survey of Three States in the 1980s*, The Federation Press, Sydney.

Hudson R, and Wiseman J, (1995) "The Fat Man Cometh? The Initial Policy Directions of the Victorian Liberal/National Party Government", in Spoehr J, and Broomhill R, (eds.) *Altered States: the Impact of Free Market Policies on the Australian States*, CLS Research Paper No. 5, University of Adelaide, Adelaide.

Industry Commission (1996) *State, Territory and Local Government Assistance to Industry*, Draft Report, Industry Commission, Melbourne.

King S, and Maddock R, (1996) *Unlocking the Infrastructure: the Reform of Public Utilities in Australia*, Allen & Unwin, Sydney.

Kiss R, (1997) "Governing Local Communities: Top Down or Bottom Up?", in Chapman R, Haward M, and Ryan B, (eds.) *Local Government Restructuring in Australasia*, CPMP, University of Tasmania, Hobart.

Kohler A, (1997) "The Radical Right Wing Speeds the Kennett Revolution", *The Age*, 14th February, p. A15.

KPMG Consulting (1994) *Cost Benchmarking Study*, Department of Business and Employment Victoria, Melbourne.

Langmore J, and Quiggin J, (1994) *Work for All: Full Employment in the Nineties*, Melbourne University Press, Melbourne.

Law C, (1993) *Urban Tourism: Attracting Visitors to Large Cities*, Mansell, London.

Loveday P, (1982) *Promoting Industry*, University of Queensland Press, St. Lucia, Brisbane.

Marsh I, and Levy S, (1998) *Sydney Gay & Lesbian Mardi Gras: Economic Impact Statement*, SGLMG Ltd, Sydney.

Mathews R, and Grewal B, (1997) *The Public Sector in Jeopardy: Australian Fiscal Federalism from Whitlam to Keating*, Centre for Strategic Economic Studies, Victoria University, Melbourne.

McFarlane B, (1986) "The Role of Government in the Economic Life of South Australia", in Sheridan K, (ed.) *The State as Developer: Public Enterprise in South Australia*, RAIPA & Wakefield Press, Adelaide.

McKay S, (1998) "Doubts Grow Over Purity of Casino Bid", *The Age*, 14th November, p. 13.

Miller C, (1997) "City May be Stage-Struck, but Can the Shows Go On?", *The Age*, 19th March, p. 4.

Moore D and Porter M, (1991) *Project Victoria: An Agenda for Change*, Tasman Institute and the Institute for Public Affairs, Melbourne.

Mottram M, and McKay S, (1999) "The Secret State: How the Kennett Government Keeps Victorians in the Dark", *The Age*, 8th May, p. 1 & 6.

Mowbray M, (1996) "Local Government in Victoria: Hijacked or Returned to its Roots?", *Just Policy*, No,. 8, pp. 28-35.

Murray R, and White K, (1992) *The Fall of the House of Cain*, Spectrum Publications, Melbourne.

Myer R, (1995) "$52m Fees in Power Deal Run-up", *The Age*, 18th June, p. 18.

Nicholls Review (1992) *Independent Review of Victoria's Public Sector Finances*, Victorian Government Printer, Melbourne.

Norman N, (1995) *Refocusing Fiscal Reform: An Analysis of the Fiscal Crisis in Australian States*, Business Council of Australia, Melbourne.

Office of the Premier (1995) *Visions of Victoria*, Office of the Premier, Parliament House, Melbourne.

Office of the Premier (1996) *Victoria: The Story so Far*, 4th Annual Report, Office of the Premier, Parliament House, Melbourne.

Page S, (1995) *Urban Tourism*, Routledge, London.

Peachment A, (ed.) (1995) *Westminster Inc : a Survey of Three States in the 1980s*, The Federation Press, Sydney.

People Together Project (1997) *The Impact of Government Reforms on Victorians and their Local Communities*, People Together Project, Carlton North.

Pritchard B, (ed.) (1996) *The State of Australia*, Evatt Foundation, Sydney.

Rayner M, (1997) *Rooting Democracy: Growing the Society We Want*, Allen & Unwin, Sydney.

Rees S, Rodley G, and Stilwell F, (eds.) (1993) *Beyond the Market: Alternatives to Economic Rationalism*, Pluto Press, Sydney.

Robinson M, (1994) "The Financial Management Strategy of the Victorian Coalition Government", *Australian Journal of Public Administration*, Vol. 53, No. 2, pp. 232-247.

Rouw J, and Kermond C, (1999) "State Gas Sale Windfall", *The Age*, 1st February, p. 1.

Salvaris M, (1995) "Jeff Kennett's Anti-Government", in Rees S, and Rodley G, (eds.) *The Human Costs of Managerialism: Advocating the Recovery of Humanity*, Pluto Press, Sydney.

Shaw K, (ed.) (1998) *Planning Practice 1998: the Best and Worst Examples of City Planning and Development, Forum Papers*, Peoples Community For Melbourne and RMIT, Melbourne.

Sheil C, (ed.) (1997) *Turning Point: the State of Australia and New Zealand*, Evatt Foundation and Allen & Unwin, Sydney.

Shephard J, (1998) "Business Victoria, Investment Recruitment and Promotion, General Manager", *Personal Interview*, Melbourne, September.

Simpson K, (1997) "Bargin War Cuts Power Prices", *The Age*, 10th July, p. B1.

Spoehr J, and Broomhill R, (eds.) (1995) *Altered States: the Impact of Free Market Policies on the Australian States*, CLS Research Paper No. 5, University of Adelaide, Adelaide.

Stewart J, (1994) *The Lie of the Level Playing Field: Industry Policy and Australia's Future*, The Text Publishing Company, Melbourne.

Stimson R, (1995) "Processes of Globalisation, Economic Restructuring and the Emergence of a New Space Economy of Cities and Regions in Australia", in Brotchies J, Batty M, Blakely E, Hall P, and Newton P (eds.) *Cities in Competition: Productive and Sustainable Cities for the 21st Century*, Longman Australia, Melbourne.

Tebutt D, (1998) "Towns on Call: Can Call Centres Save Regional Australia?", *The Weekend Australian*, 29-30 August, IT Section, p. 12.

Tourism Victoria (1997) *Annual Report: 1996/97*, Tourism Victoria, Melbourne.

Victorian Auditor-General's Office (1995) *Promoting Industry Development: Assistance by Government*, Special Report No. 37, Victorian Government Printer, Melbourne.

Walker D, (1997) "Tender Says Port Rules Were Changed", *The Age*, 10th February, p. 5.

Warhurst J, Stewart J, and Head B, (1988) "The Promotion of Industry", in Galligan B, (ed.) *Comparative State Politics*, Longman Cheshire, Melbourne.

Yallop R, (1997) "State of Play", *The Australian Magazine*, 24-25th May, pp. 42-45.