



The Historical Dimensions of Regional Inequality

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Introduction and Statement of Argument

As a historian who has studied regional Australia with a focus on industrial and mining towns for more than 30 years, I want to put to this Senate Inquiry that one valuable way to understand regional inequality in the Latrobe Valley, Victoria is to understand it from an historical perspective. It is the weight of history that shapes the challenging socio-economic indicators seen in this area, some of which I shall cite in this submission.

This submission is made on the basis of my research expertise in regional history, and does not constitute any official position, or represent particular views, held by my University employer.

In addressing the Terms of Reference, it is my intention that the submission reflect *inter alia* on the specific impact of government policies on the Latrobe Valley. The submission includes comments and material which address the first seven terms of reference, namely; fiscal policies at federal, state and local government levels, improved co-ordination of federal, state and local government policies, regional development policies, infrastructure, education, building human capital, and enhancing local workforce skills.

Historical Development

The Latrobe Valley developed as the home of the Victoria's state-owned electricity generation industry from the immediate post First World War period. The State Electricity Commission of Victoria (SECV) formed in 1919 and electricity generation from brown coal began in 1921 utilising brown coal from the newly-opened Yallourn open cut mine. Extensive state investment in new power stations and then a new open cut mine underpinned the prosperity of the Valley. The Morwell open cut mine opened in 1948. The Morwell power station and briquette factory opened in 1956 and the Hazelwood Power station began electricity production in 1966 (Fletcher, 2002; Langmore, 2013).

By the 1960s the Latrobe Valley was a prosperous regional economy with a rapidly growing and increasingly diverse population including large numbers of migrant families from Italy, Germany, Poland, the Netherlands, and elsewhere (Zubrzycki, 1964). While industrial regions in Australia and elsewhere suffered from the recessions of the 1970s and 1980s, these were decades of expansion for the power industry in the Latrobe Valley with the opening of the Loy Yang open cut (1984) and the addition of two new power stations, Loy Yang A (1984) and construction of Loy Yang B from 1985 (Langmore, 2013).

The brown coal mining and power generation industry was one element of the regional economy. It built upon a longer tradition of innovation and adaptation that we had seen in the region from at least the 1870s in key industries such as the dairy, forestry, and pulp and paper making industries. The power industry was important because it offered good wages for working class families even though working conditions were difficult and sometimes dangerous. The high wages of the SECV workforce gave the region a more even spread of wealth and prosperity, and trade union activism pushed the SECV to take issues such as asbestosis more seriously (Wragg, 1995). State policies encouraged the development of clothing and textiles industries in the region which often employed women workers including Kayser, Rocklea Spinning Mills, and Valentine Lee. Despite the image of a militant Valley, which developed in the 1970s, the strike rate in the region was at or even below the national average (Rainie et al, 2006). Approximately 20,000 workers were directly and indirectly employed in the energy sector in the mid 1980s, a rate which halved by the mid 1990s to approximately 10,000 following privatisation (Cameron & Gibson, 2005). These job losses coincided with a difficult and controversial reorganization of local government in 1994 initiated by the then State Coalition Government under Premier Jeff Kennett.

Privatisation and Manufacturing Decline

A perfect storm of privatisation of the energy sector and the continued deindustrialisation of the clothing and textiles industries (which had begun in the late 1960s) meant that job opportunities for working men and working women declined, more sharply so from the 1990s. The Latrobe Valley's population also declined from 1996 to 2001 (Wright et al, 2015), and the regional statistics on wealth distribution began to show a hollowing out of middle-income earners. This has continued until the present day with the middle-income quartiles as represented by the most recent 2016 census showing lower percentages relative to other regions and metropolitan Melbourne (Wright et al, 2015). As Wright et al have argued, 'By the end of the period [1991 to 2015] we see that the median income of Latrobe Valley households now sit below those of both Ballarat and non-metropolitan Victoria implying that the premium that Latrobe Valley incomes once enjoyed over the rest of regional Victoria had diminished over time.' (Wright et al, 2015, p.12)

In this sense the transition of the Latrobe Valley region began with privatisation and the decline of manufacturing and continued with the more recent power station closures, with the Morwell power station closure in 2014 and the closure of the Hazelwood Power Station in March 2017. To understand current nature of regional inequality in the Latrobe Valley then you need to understand its origins in the 1990s and the structural changes in the clothing and textile industries which began many decades earlier still.

While the state owned and subsequently privatised power industry bequeathed a legacy of well-paid working-class jobs (even though they were shrinking in absolute numbers) it also left a region which was disproportionately exposed to high amounts of pollution, including air borne and water borne contaminants. This is reflected in mortality rates in the Latrobe Valley region which are amongst the poorest in the state with health statistics showing high rates of cancer and lung disease (Hunter, & LaMontagne 2008). Long term studies show that air pollution led to higher rates of respiratory problems including increased hospital admissions, increased pharmaceutical use, and shorter life expectancy (Walker & LaMontagne 2014; Voight et al, 1998). The steady decline of the energy sector since 1989 has removed many of the high wage working class jobs but still left the environmental legacy from 100 years of powering the state of Victoria. Likewise, the claimed state-wide benefits of privatisation around consumer choice and apparent industry productivity needs to be set against the long term regional-specific

negative economic and social legacies which were arguably borne disproportionately by this community (Quiggin, 2002).

Some Effects of the Dominance of the Energy Sector in the National Media

The fate of power industry workers and their families is an important question for local, state and federal policy makers. The public perception of the Latrobe Valley is shaped by its post-1990 experiences in privatisation especially (Ellis-Jones, 2012). However, the dominance of this image has collapsed the regional and cultural complexity of the Valley down to one industry often with a focus on male jobs. This is unfortunate because the region has vibrant education, food, and arts sectors, an in-region University campus, and a number of remarkable economic, cultural, and natural assets. The one-dimensional nature of the national media coverage of the Valley has also worked to obscure the importance of the region's University campus. We know from studies of universities and regional development that Universities can be a vital player in the effective transition of regional economies (Trippl, 2015; Wise, 2016). The Churchill campus has much to offer the region as it makes its difficult transition. Also, I have argued elsewhere that the region's industrial heritage has been similarly overlooked in this narrow energy sector focus (Eklund, 2017).

The Distinctive Nature of the Latrobe Valley Region

Compared to other industrial and mining regions I have studied in Australia (Eklund, 2012, 2017), the Latrobe Valley presents some unique challenges. While all regions have had a difficult transition with deindustrialisation, the sheer physical size and urban complexity of the Latrobe Valley makes for a complex policy environment. The Latrobe Valley is a sub-region of a larger Gippsland region in south east Victoria which covers over 41,000 square kilometres. The Latrobe Valley is a polycentric sub-region with multiple medium sized towns, in contrast to say Geelong or Newcastle, which are by far the largest cities in their respective regions. The multiple main towns of Moe, Morwell, Churchill and Traralgon present challenges in terms of internal rivalries, split resources, and divided infrastructure.

In my research work too, I have found that regional members of parliament of all political persuasions are the catalysts for regional investment and improvement. We have had excellent and active regional members but the growing dominance of the party system, and especially the marginal seat strategies run by both major parties, means that areas such as the Latrobe Valley and regions such as Gippsland do not secure the electoral benefits that flow from marginal seat status. The *Age* and *Sydney Morning Herald*'s extensive analysis of 2019 Federal election campaign spending by electorate did not even list the seat of 'Gippsland' much less provide figures whilst marginal seats in the Melbourne suburbs (all with better socio-economic indicators than Gippsland) secured promises amounting to many millions of dollars from both major parties. (<https://www.smh.com.au/federal-election-2019/porkathon-at-26k-per-voter-20190514-p51n4j.html>)

The long-term history of the region, since the 1990s especially, has had a cultural impact on locals' sense of optimism. Past experience has shown dramatic external interventions into the regional economy and it is no surprise that Gippsland students are, on average, less optimistic, and less willing to take chances with their career futures (Duffy & Whyte, 2017). Taking on the debt that comes with University study is a major challenge for these regional students who have been raised in an area where closures and job cuts are a part of local memory, with apparently more on the way once the two remaining power stations close within the next 20 years. These material realities have a direct impact on the lives of residents, discouraging University study for example. The 2016 Census found that only 11.5% of Gippsland's

population had a Bachelor qualification or above compared to 24.3% of the Victorian population. A labour market with more casualised jobs and fewer better paid long-term positions also means that average household incomes in Gippsland are below the Victorian average. As a consequence, prospective Gippsland students bring fewer financial resources with them when they embark on their course of study adversely affecting their enrolment, retention, and completion rates (ABS, 2016 Census, Latrobe Valley QuickStats).

One concrete way in which Federation University can contribute to this regional transition is through the Gippsland Archive and Interpretative Centre proposal; a piece of cultural infrastructure for which the University is currently developing a business case, together with the Latrobe Healthy Assembly, RMIT, and PowerWorks. By reclaiming a history of innovation and adaptation, and by conserving, diversifying and layering our sense of the region's history, we can help move beyond the narrative of inevitable closure that comes within the energy sector story. Regional development proposals for the Latrobe Valley have been dominated by speculative ventures which leverage large amounts of public and private money, often for poor or modest economic outcomes. By focusing on cultural heritage and information infrastructure, and by emphasising local expertise and capacity building, this proposal is very different to the high stakes external private investments which, in my view, have shown a poor to modest track record of success.

Conclusion

So, in summary, I commend the Senate for exploring the causes and implications of regional inequality. We study regions because economic and social structures and relationships come together in unique ways in particular regional contexts. Factors such as distance, size, economic and social history, and governance all play a part in shaping the regional experience. A better understanding of the historical dimensions of regional inequality may lead to better contextualized and targeted regional development policies at all levels of government. Historical analysis can also tease out the complex threads of regional experience, work to recover and celebrate past achievements that go beyond a narrative of victimhood, and help underpin a revived regional pride of place.

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