

**The time for  
the future to  
arrive is now,  
Gippsland.**

# GS3

GS3 is taking a place based approach to innovation and sustainable regional development working with and for the local community.

## What is Gippsland's Smart Specialisation and Strategic Approach?

Do you remember when the tag 'one-size-fits-all' was a hyped marketing slogan? It makes sense for a watch or baseball cap, but mostly the term has a more negative connotation, as it never seems to fit anyone that well at all. That's why we've moved towards items that are customised, bespoke or tailored — thoughtfully created for a specific purpose.

It's why, when creating innovative solutions to grow our region, we're less interested in the roll-out of a generalised path forward, one that could be loosely applied to any or all of Australia's regional areas. Rather, we would actually enjoy being seen as the individual snowflake that we are and have an innovation approach specially developed for us, Gippsland.

Established in September 2017, the Gippsland Smart Specialisation and Strategic approach (GS3) was initiated by the Latrobe Valley Authority (LVA) in partnership with the University of Melbourne and RMIT, to work with the community across Gippsland to understand how the smart specialisation approach might be implemented in the region.

On the ground, this means:

- Developing capability, leadership and networks within and between sectors in Gippsland
- Identifying and defining key sectors of competitive advantage and
- Supporting sustainable growth and innovation in the region

Now three years on, working with over 2500 people and 140 partner organisations across Gippsland, we have more of an understanding of Gippsland's assets, its people and economy, the level of innovation and the local operating environment.

The key findings about the region from the initial Regional Context Analysis were:

- 1— A need to build a stronger connected region;
- 2— An opportunity to learn from others at a global level;
- 3— The identification of four high potential growth sectors: energy, tourism, food and fibre, health and wellbeing;
- 4— That presently a moderate level of innovation activity and an emergent innovation eco-system exists in the region.

The four high potential growth sectors became natural starting points for exploration using the innovative Smart Specialisation process, a technique that aims to boost growth and employment by enabling Gippsland to identify and develop our own globally competitive products and services. After all, today's increased connectivity now provides broader horizons for our prospective markets.

Connection and collaboration are central to the Smart Specialisation approach. For example, it requires state and local government, education, industry and the community to work together to identify and develop regional competitive advantages and long-term growth strategies and actions. By reading on, you'll see how the Gippsland community has developed an understanding of the Smart specialisation approach and how it could be applied in the region.

Changing the business and innovation culture of a region takes time. That's why *Gippslandia* is putting in the time to understand the work of the GS3 team via a series of informative lift-outs presented in upcoming editions. These provide you with a clear view of what the project has achieved and what the future may look like for Gippsland.

*Edition  
One*

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# Regional Transformation

A catalyst for *Gippslandia*'s launch edition was to discuss what a 'just transition' looked like for the Latrobe Valley due to the area's impending coal industry closures. These closures also triggered increased funding for the region from the Victorian State Government.

Gippsland, and other regional areas, are increasingly regarded as a source of valuable primary produce, but not the location where value is added to that produce - that would be the city. Previously, this happened here. Take a drive through any number of our beautiful small towns and you'll spot the remnants of elegantly designed milk or butter factories,

frequently cooperatives that processed the local milk for additional markets. As you'll read on the Collective Malting Facility concept, these concepts can again benefit Gippsland today.

In delving into the past and the challenging present situation for many regional areas, including Gippsland, you realise that the change required is both deep-seated and far-reaching.

The systems established through the GS3 process will need to be effective at multiple scales, assisting individual entrepreneurs to entire Gippsland industries that interface with global markets.

As highlighted previously, to facilitate a coordinated response to this degree requires the commitment of government, education, industry and the community. As you can imagine, this alignment isn't easy to achieve, but it can be a massive transformative force when it does.

This is why the GS3 aims to build the conditions not just for a transition, but, by utilising the region's many strengths, it can forge a path to long-term prosperity for the entire region.

## What can we learn and adapt to our region?

With smart specialisation having its roots in the European Union (EU), it was highly beneficial for a group of Gippsland-based stakeholders involved in the development of the region's Smart Specialisation approach to travel to the Netherlands and Germany to experience the place-based approach firsthand.

A 2019 study mission provided Gippsland industry and community partners an opportunity to hear the lessons gained from European colleagues through their on-going engagement with regional innovation systems. Each of the regions visited were selected based on their experience in sectors that relate back to Gippsland. These areas included Groningen (New Energy), Gelderland (Food Valley), Zuid Holland (Westland) and Limburg (Freshpark and Greenport Venlo; Brightlands Campus) in the Netherlands. In Germany, the region of Weser-Ems was chosen for its relatable energy transition experience.

The aim of the study mission was to understand how the GS3 approach is applied in practice through the collaboration occurring between governments, industry, the education and research sector and civil society to develop regional innovation systems.

Dr Jessie Horton, an LVA project officer at the time, shared some of her insights from the visit, including that the application of the Smart Specialisation approach in the Netherlands was "focused on securing the future of its people in the long term".

"Smart Specialisation Strategies cover a seven-year-period and are collaboratively designed up to three years prior to implementation. This co-design results in a long-term shared vision, and funding cycle, that has strong political and societal ownership making it more resilient to the impact of short-term political cycles."

Dr Horton adds that, "economic complexity enables sustainable growth in place, and the principle of relatedness is important when considering the competitive advantage of a region".

At the risk of revealing our cynical side, phrases like 'co-design', 'strong political and societal ownership' and 'resilience' aren't as frequently raised in Australian policy development as they maybe should be. But they're terminology that gets bandied around in startup pitches for disruptive ideas or inclusive community design concepts.

At the end of the mission the two groups, focused on Food and Fibre and New Energy, shared their experiences, insights and take-aways for the ongoing work in Gippsland connecting government, industry, the education, training and research sector and civil society to further the creation of Gippsland's regional innovation system.

## How Regions Can Adapt With Prof. Ron Boschma

Early in the facilitation of the Gippsland Smart Specialisation approach, we experienced an insight into the scale of the initiative via an invitation to interview leading innovation scholars Professor Bjorn Asheim (University of Stavanger) and Professor Ron Boschma (Utrecht University/University of Stavanger) on the theory and practice of regional innovation.

While they are currently two of the most cited academics in the world, they generously introduced *Gippslandia* to the field of evolutionary economic geography and divulged insights into how regional areas can become more adaptable and resilient to future stressors.

An excerpt of our conversation with Prof. Boschma is as follows.

**Gippslandia: Hello Prof. Boschma, can you please provide an introduction into your field of evolutionary economic geography?**

**Prof. Boschma:** We have been trying to develop a new way to approach economic geography that takes history seriously. Everything that we find regarding the location of firms, people, regional growth or regional diversification, [demonstrates that] you always have to go back in history to give an explanation for why some regions are capable of growing or diversifying...

Individuals have their own past, skills and their own education. That really matters for how they behave in economics. It's the same for firms, cities or regions; they acquire different competencies over time. Regions don't change overnight. They're constrained by their past. The past provides opportunities, but also sets limits to what you can do.

**When you're exploring a new region, such as Gippsland, how do you read or analyse the area?**

We look at how a region can diversify. By examining the developments of the past, we see what the chances are for them to move into new directions and what that is connected to.

We tend to observe that some regions can make a jump and do something quite different, but most regions don't change that much, because when they do, they make use of existing capabilities. When you're specialised in agriculture, it's hard to move into nuclear physics, right?

**Then how do you make a region more nimble, or able to adjust to new capabilities?**

If you already have a diversified structure, you have a range of very different competencies, and so you can make new combinations between those. There's much more potential to diversify into new directions and stimulate economic growth [if you're diversified], than regions that are very specialised in a single activity.

Another enabling factor is the region's institutions. Some institutions are really inclusive, in the sense that they can stimulate change by making connections across different types of activities, prompting economic growth.

We are increasingly witnessing the importance of intra-regional linkages. It's very important for cities or regions to connect to the outside world to ensure that they don't get too locked into specific activities. Connections to other regions provide new

ideas, new insights and new competences that are not available in the region itself.

**What insights on Gippsland have excited you so far?**

I've met some people in the LVA who are very active, especially in the type of policy they're conducting. They are really proactive. There are new collaborations and there are local approaches to stimulating innovation in the region.

The Smart Specialisation approach, which takes a long-term perspective, is about creating more knowledge intensive economic activities that will provide greater job opportunities for the future. I must say I'm very positive about the approach here.



# Gippsland's Innovative Micro & Small Businesses

Innovation is increasingly seen as the fuel that boosts a region. And in a first for Victoria, a region-wide survey was conducted as part of the GS3 to provide insights on Gippsland's business innovation activities.

The survey's questions related to areas such as:

- Forms of introduced innovation (product, process, organisational, marketing);
- Forms of cooperation for research and development;
- Business information (the type of industry, location, size, markets and employee structure).
- Media and Telecommunications and Wholesale.

More than 450 Gippsland businesses, of different sizes, industry sectors and locations, took part in the survey.

Encouragingly, the findings were that 63% of the Gippsland survey respondents were innovative, stating that they have introduced at least one innovation type (product, process, organisational, or marketing) during the

last three years; in comparison, the OECD (Organisation for Economic Co-operation and Development) had recorded 57.8% as an Australian average. Kudos, Gippslandians!

The most innovative businesses could be linked to the following industry sectors:

- Manufacturing
- Health Care and Social Assistance
- Education Professional, Scientific and Technical Services Information
- Media and Telecommunications and Wholesale.

The analysis of the survey data revealed a distinct micro- and small-business landscape in Gippsland. The majority (67%) of the businesses reported having 0 to 4 employees. Like analysis conducted by the EU and OECD, the Gippsland data shows that larger businesses are more likely to introduce innovations.

Additionally, Gippsland's businesses have a strong local or regional focus. Only 16% of the businesses stated that the most important market (in terms of revenue) is

outside of Victoria. International markets were mentioned by only 4% of businesses, signally an avenue for potential substantial growth.

The UoM researchers behind the study state that, "A better understanding of how innovation is created, organised and embedded in regional networks is required".

The OECD has highlighted the importance of innovation as a key driver of regional economic development, community wealth-building and resilience. Gippsland can gain much from international examples that show that economic development and innovation processes often depend on cooperation, capacity-building and knowledge-sharing. More private and public co-investment could be injected to support research and demonstration projects too.

While Gippslandians may currently be an above-average innovative bunch, this year's bushfires and a global pandemic have clearly shown the importance of continually nurturing our community's resilience and well-being. And, when have we ever settled for just being 'above-average'?! That's the kicker about being innovative, we're always seeking to improve and get better.

63%

of businesses stated they were innovation-active in 2016–18.

453 businesses responded. 419 responds were used for the analysis of innovation activities.

## Types of introduced business innovations

57%	Service Innovation
37%	Process Innovation
31%	Goods Innovation
29%	Organisational Innovation
27%	Marketing Innovation

(proportion of innovative-active businesses, N=268)

## Most innovation-active industry sectors (2016–18)

Manufacturing
Health Care And Social Assistance
Education
Professional, Scientific and Technical Services
Information Media and Telecommunications
Wholesale

## Diverse cooperation partners for innovation

11%	Businesses within enterprise group
9%	Competitor/other business
9%	Clients from public sector
9%	Clients from private sector
8%	Suppliers
6%	Universities or other higher education

## Size Matters

The larger the businesses (in terms of number of employees), the more innovative-active they are.

Larger companies (20 or more) reported more innovation activity particularly in the areas of organisational innovation (94%), service innovations (70%) and process innovation (88%).

83%

of businesses stated their most important market (in terms of revenue) is local or within Victoria.

Just 4% of respondents stated that markets overseas are most important for their business.



Partners from across industry, government, education and the community in Gippsland are now engaging in collaborative work to explore a number of growth opportunities identified through the Smart Specialisation approach that, through collective action, provide the potential for competitive advantage across the region, nationally and internationally.

## Empowering Our Towns

Excitingly, over the next three years, the Wellington Shire town of Heyfield, through the collaborative Smart Specialisation approach, will lead the testing of the viability of microgrids as a local energy solution, especially for powering other edge-of-grid towns around Australia.

A 'microgrid' is the term applied to a group of homes or businesses that generate, use and share electricity. With the ability to be controlled as a single system, microgrids are able to connect and disconnect from the main electricity grid as required. This ability is especially valuable during natural disasters, such as bushfires and floods, when the area may be cut-off from the grid, rendering it powerless.

Additional potential benefits of microgrids include:

- Cost effective alternative to upgrading/replacing grid.
- More resilient in wake of extreme events.

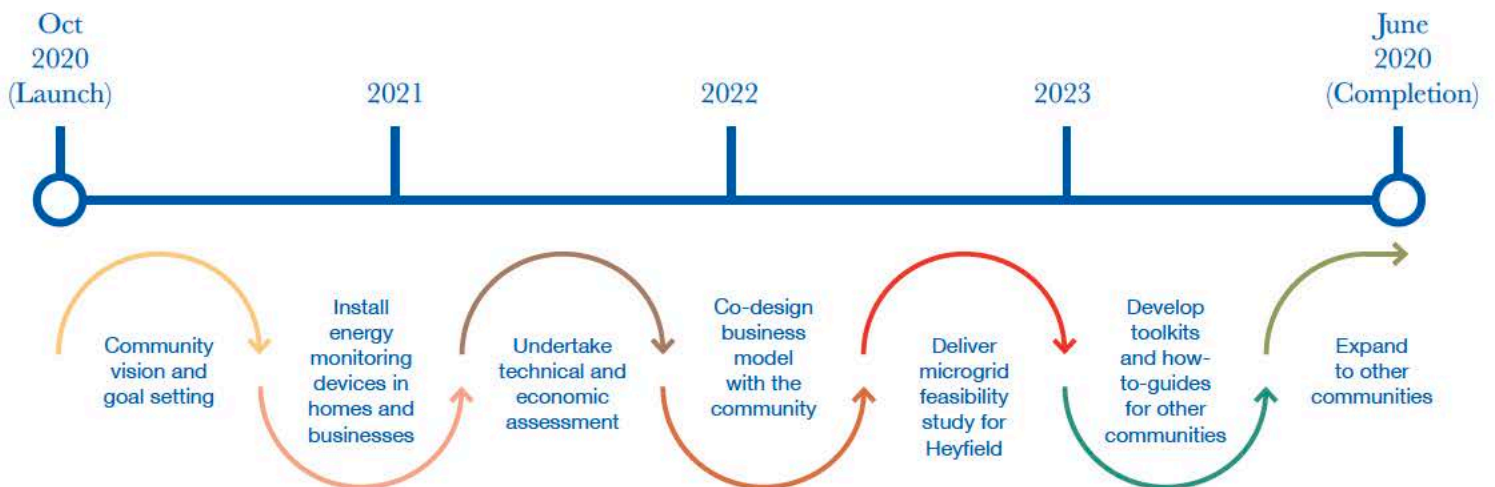
- Benefits shared among participants.
- Improve the operation and stability of the main grid.
- Supply clean, affordable, reliable energy.

The powerful vision for the MyTown Microgrid in Heyfield is to "enable the community to understand, design and implement a local renewable energy system (microgrid) through bringing together progressive industry, community and research partners.

An example of the Smart Specialisation collaborative approach is the prefeasibility study and community engagement plan for the project developed in partnership with the Institute for Sustainable Futures (ISF) at the University of Sydney for the Heyfield Community Resource Centre (HCRC), which is where you'll find local powerhouse, Julie Bryer. Not only is the research team seeking a solution for Heyfield, but they aim to develop a replicable model that could benefit similar communities Australia-wide.

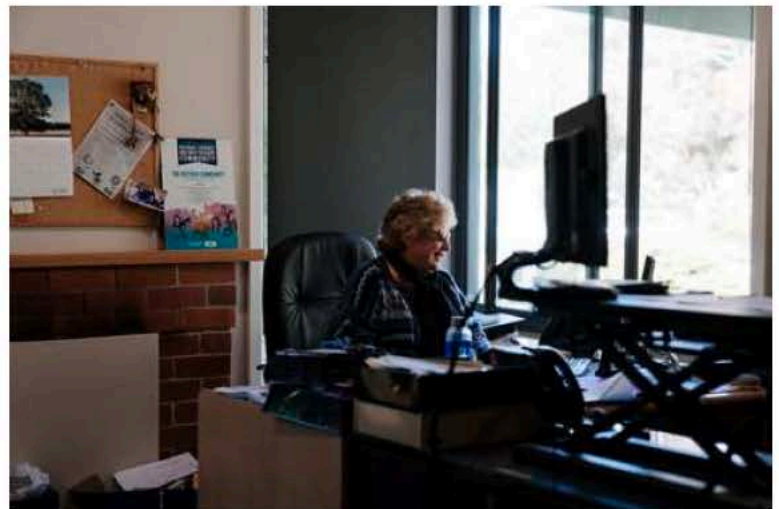
With a long track record in sustainability initiatives, Heyfield has one of Australia's highest penetrations of rooftop solar photovoltaic (PV) systems at a town level. Almost a third of all houses and more than half of all local businesses have rooftop solar. The Glenmaggie Hydro Power Station is nearby, and while there currently aren't any large-scale wind farms, yet, the region has great potential. A solar-powered amenity block is available at the Heyfield RV Park, again demonstrating the community's willpower to utilise local renewable energy. It is an ideal location to pilot this new approach.

Over the three year duration, the project will also develop the knowledge and tools to make it faster, easier, and cheaper for other regional communities to understand the microgrid proposition for their community. Leading to the MyTown Microgrid approach applied here empowering other communities in Gippsland and beyond, and, well, that may just be Heyfield's superpower.



“In a changing and warming climate, Heyfield has the chance to be a community leader in renewable energy. We must seek change from the ground up for the future of our planet,”

*Heyfield community member.*





## An Introduction to the Collective Craft Malting Facility

**provenance [noun]: the origin or source of something.**

American writer, Wright Thompson's new book, *Pappyland: A Story of Family, Fine Bourbon, and the Things That Last* colourfully describes the history of bourbon in the US; how a sin tax imposed by Treasury Secretary Alexander Hamilton to repay the cost of the Civil War resulted in Kentucky becoming the bourbon capital of America, thanks to tax evading corn farmers.

Thompson details the immense effort distiller Julian Preston Van Winkle III undertakes in developing the highly sought after Pappy Van Winkle's Family Reserve; as he attempts to capture the distinct flavour profile of that year's ingredients, yet still produce a spirit that will be desirable in 20 years time. With their famed 23-year-old expression fetching over \$20,000 for a single 750ml at auction - celebrating provenance pays.

Excitingly, Gippsland is becoming home to an ever-growing number of craft brewers and distillers. Currently 13 independent breweries and distilleries have been established within our region, fuelled by a consumer base thirsty for provenance, flavour and quality. Together with artisan bakers, these beverage producers share the story of the seasonality of our land via unique flavours, which are sought out by locals and tourists alike.

And yet malt, a key ingredient in beer, many distilled beverages, and artisan bread often has to be brought in from outside Gippsland, sometimes even internationally. Which is wild when you consider that there are belts of grain production in our region. Grains, such as wheat and barley, that could be transformed into malt to then create delicious high-value products to be enjoyed in moderation (including bread - we know how easily a fresh loaf of Seasalt sourdough can disappear in a single sitting!).

The following is an interview with Ben Gebert, of Food and Fibre Gippsland Inc, who shares the partnership approach of Smart Specialisation to developing a collective craft malting facility:

**Gippslandia: How will the facility benefit the brewers and distillers of Gippsland, and will it have benefits for those beyond the region?**

*Ben Gebert: The facility, if proven to be a viable venture, will provide high-quality, locally-sourced malt to the region's businesses. This will add to their unique provenance stories, generate new industry in the region and create a potential new avenue for other members of the value chain (such as grain growers) and also provide opportunities for tourism in the region.*

*As a region not well-renowned for grain production, if this facility were proven and able to utilise a portion of the grain grown here to generate a new, value-added business venture, this project could act as an exemplar for other regions to model.*

**Why is the 'collective' structure of this new facility important?**

*Maximising the benefit of any project to members up and down the value chain has been a core focus of the project stakeholder group. A collective structure grows the pie; facilitates mutual benefit; creates multi-sector buy-in; and strengthens the region.*

**Hypothetically, say I'm a talented homebrewer; a couple of mates and I are thinking about all pitching in to create a batch of craft beer. We plan on responsibly drinking a few, but also sell a few cases to recoup costs (while adhering to all relevant liquor laws).**

**What should I know about this project?**

*The project invites any interested parties to reach out - we'd love to involve you in the Innovation Group that sets the project's direction.*

*With summer coming, we're conscious that you and your mates are probably going to get quite thirsty if you're hanging your hat on malt from this project being available quickly. We've still got some way to go in proving the feasibility of the concept, and have a number of pieces of evidence to gather. This process is important, as with a price tag well in excess of \$1 million for the plant itself, it's critical that we do the pre-work to ensure that any money that might be put towards the project maximises the benefit for the region.*

Chris and Gabrielle Moore of Orbost's beloved Sailors Grave Brewery have been

project champions and stakeholders through the feasibility process, and Gab had further insights into the benefit of the proposed facility:

*At the heart of the beers we make is the desire to express a sense of place and time. We do this through storytelling and with the fruit and botanicals that we use. Unfortunately, the main ingredient in the story, grain, is sourced from all over the place and it is mostly without provenance. To be able to use product grown and processed right here can only strengthen our regional identity and help build resilience against [future] national and global disruptions.*

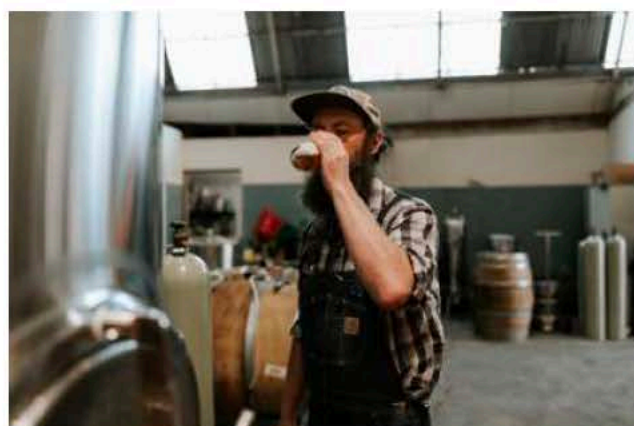
*[The project] has the ability to create a new product that tells a story about East Gippsland and is backed up by the potential to create new skills and economic and opportunities for the area.*

*Co-operative structures have had some bad outcomes recently, but at their core are mutual benefit and shared interests. If a micro-malting facility is set up collectively it will allow local farmers to transition to malt quality grain cropping with the confidence of guaranteed prices. And, if those same farmers can work alongside brewers, bakers, distillers and maltsters, it will enable the development of specialised skills and products unique to our region.*

We can't lie, there's a solid thirst developing as Ben shares what he believes the proposed East Gippsland malting facility could mean for the whole region:

*If proven, it would be a testament to cross-sectoral collaboration. It has the potential to offer a unique, high-value product that benefits a myriad of businesses; has the potential to be incorporated with an educational offering; and could give Gippslanders a taste of what it looks like to establish a new, niche industry in their backyard. I'm excited by it and I'd hope that it would excite others too.*

Ol' Pappy Van Winkle was well aware of the importance of provenance when he started distilling all those years ago. He must have had some foresight too, as he was able to continue his business throughout prohibition (his whiskey was 'medicinal'). The Collective Malting Facility isn't open and ready to celebrate yet, but with healthy momentum continuing through the enquiry phase, you get the sense that there could be an exciting new Gippsland industry brewing.

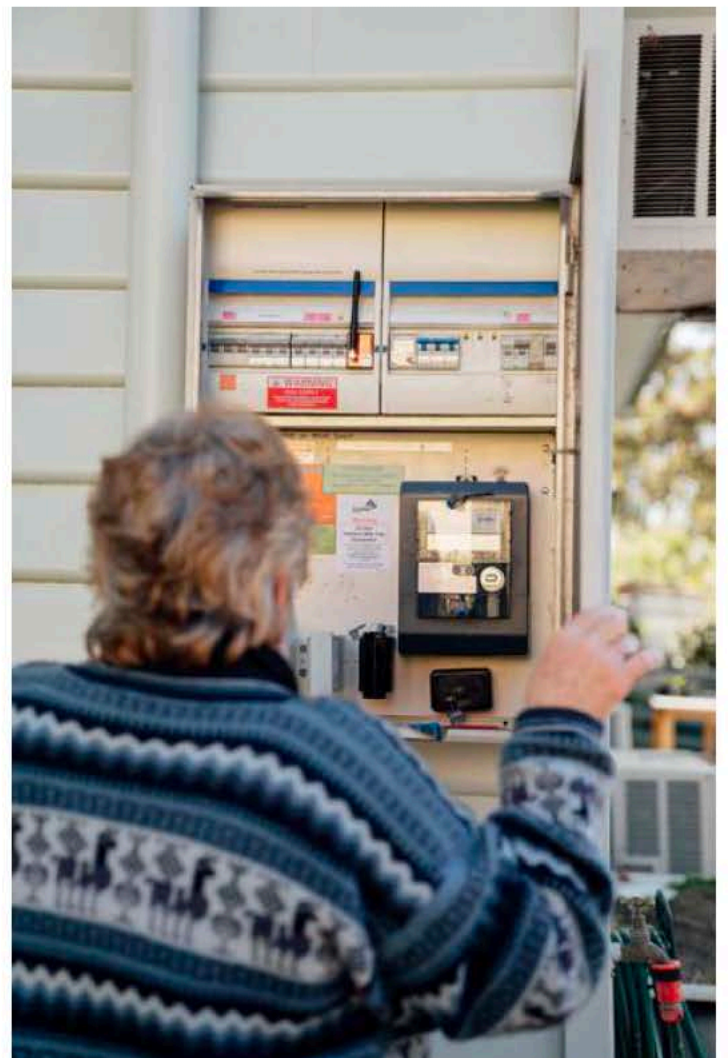






“For a sustainable future that doesn’t rely upon finite resources,”

*Heyfield community member.*









# Putting Our Stamp on It

It goes without saying that we want our farmers to secure maximum returns from producing high-quality food products in Gippsland. Through the GS3 approach, we are learning how to find a creative and competitive edge to build the story and provenance of food in the Gippsland region.

Increasingly international markets, especially in Asia, are seeing additional value in presenting and protecting the provenance of food and fibre products. In essence, consumers are willing to pay higher prices for products that are reliably identified as quality Gippsland produce, 'cause we grow some darn good stuff!

A Gippsland Trusted Provenance has been developed in partnership with local businesses and Food and Fibre Gippsland, Destination

Gippsland, Gippsland's Local Government Areas and the LVA. The aim of this registered trademark, to be managed by Food and Fibre Gippsland, is to build more awareness for these brands and the region, by creating a common theme across all of Gippsland.

This certified trademark will authenticate product origin and support broader recognition of the collective strength of regional produce.

Anyone who grows or manufactures products predominantly using ingredients from the region, and has their business registered within the six shire boundaries of Gippsland as set out by the Victorian Electoral Commission, will be eligible to register as a user of the trademark.

There will be an application and approval process for businesses wanting to use the trademark, with rules and guidelines governing its ongoing use once approved.

As is the case with setting up any new trademark, there is an application and approval process with IP Australia and the ACCC. This application will be submitted by the end of 2020 and planning work is underway for a launch of the trademark to Food & Fibre Gippsland members and regional businesses. So, stay connected to Food & Fibre Gippsland to see how the project is progressing and look out for the launch.



## Next Edition:

Coming in March 2021, the next edition of this collaborative series featuring the work of the Gippsland Smart Specialisation initiative, will be exploring the role of the region's education institutions as part of innovation systems and develop community capability for the future.

For more information, please visit the following pages:

University of Melbourne  
[sustainable.unimelb.edu.au/research/research-projects/gippsland-smart-specialisation-strategy](https://sustainable.unimelb.edu.au/research/research-projects/gippsland-smart-specialisation-strategy)

RMIT University  
[rmit.edu.au/about/schools-colleges/global-urban-and-social-studies/research/research-centres-and-groups/european-union-centre-of-excellence/projects/coe-smart-specialisation-regional-policy](https://rmit.edu.au/about/schools-colleges/global-urban-and-social-studies/research/research-centres-and-groups/european-union-centre-of-excellence/projects/coe-smart-specialisation-regional-policy)

[rmit.edu.au/about/schools-colleges/global-urban-and-social-studies/research/research-centres-and-groups/european-union-centre-of-excellence/smart-specialisation-livewire](https://rmit.edu.au/about/schools-colleges/global-urban-and-social-studies/research/research-centres-and-groups/european-union-centre-of-excellence/smart-specialisation-livewire)

LVA  
[lva.vic.gov.au/business/gippslands-smart-specialisation-strategy](https://lva.vic.gov.au/business/gippslands-smart-specialisation-strategy)

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