

**Submission to Parliament of Victoria  
– Economic and Infrastructure  
Committee**

**INQUIRY INTO ISSUES RELATING  
TO LOCAL ECONOMIC  
DEVELOPMENT INITIATIVES  
IN VICTORIA**

**September 2012**  
(note: submission extension granted)



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**EXAMINE WAYS IN WHICH MUNICIPAL COUNCILS AND THE VICTORIAN GOVERNMENT CAN JOINTLY SUPPORT LOCAL ECONOMIC DEVELOPMENT, ENHANCE AND PROMOTE EMPLOYMENT AND ATTRACT NEW INVESTMENT, ESPECIALLY IN LOCALITIES WITH EMERGING ECONOMIC POTENTIAL .....22**

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## PURPOSE

A submission on behalf of the East Gippsland Shire Council (EGSC) to the Parliament of Victoria's Economic and Infrastructure Committee on issues relating to local economic development initiatives in Victoria

## CONTEXT

The Parliament of Victoria is currently conducting an enquiry by the Economic Development and Infrastructure Committee into issues relating to local economic development initiatives in Victoria and, in particular, the Committee is requested to:

- a. examine the range of existing local economic development programs being carried out in Victorian municipalities;
- b. examine the appropriate role of local government in generating economic development and review the allocation of responsibility in this area with the State Government;
- c. examine whether the role of local government in rural and regional areas has different economic development tasks to that of metropolitan based municipalities;
- d. identify the barriers to local economic development, including compliance costs for business and planning delays, in operating in local municipalities and develop solutions to address these barriers;
- e. examine ways in which municipal councils and the Victorian Government can jointly support local economic development, enhance and promote employment and attract new investment, especially in localities with emerging economic potential; and
- f. investigate best practice local economic development initiatives relevant to the terms of reference.

## CONTRIBUTIONS

This submission has been prepared by East Gippsland Shire Council officers. Contributions have been sought from East Gippsland Shire Council's Economic Development Advisory Board, comprising of industry leaders from throughout the shire..

This submission also draws on other submissions made to the Victorian Government on economic development matters over the past 18 months.

## INTRODUCTION

The Shire of East Gippsland covers over 20,000 square kilometers, and as at June 2010 had a population of 44,262. The area is largely rural, with vast tracts of public land. The commercial centre is Bairnsdale, with a population of over 12,000. There are four other towns with populations above 1,000 and a considerable number of communities with populations below this number, some of them isolated by comparison with the rest of Victoria.

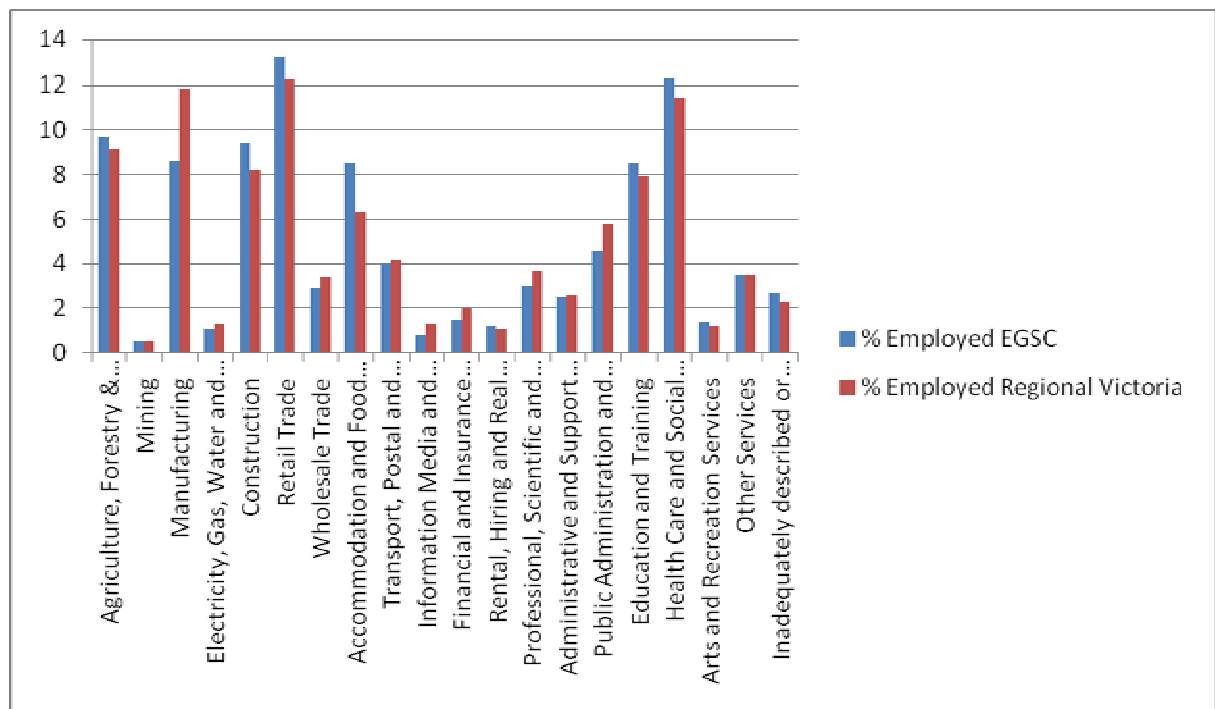
The area is well known for its natural values and iconic landscapes, inclusive of the Gippsland Lakes, rivers and coastline, the high country, and the far-east wilderness areas.

The economic outputs of East Gippsland's industry sectors, which are summarized below, indicate that East Gippsland has a diverse economy and therefore a diverse range of economic development support requirements.

Industry Sector	Gross Revenue Value (\$m)	% Gross Revenue
Manufacturing	440.38	16
Construction	367.64	13
Agriculture, Forestry, Fishing	269.77	10
Retail Trade	263.05	10
Property & Business Services	244.62	9
Wholesale Trade	178.96	7
Transport & Storage	155.45	6
Health & Community Services	148.25	5
Accommodation, cafes & restaurants	144.88	5
Education	125.68	5
Government, administration & defense	102.95	4
Finance & Insurance	76.41	3
Electricity, gas & water supply	60.75	2
Personal & other services	47.19	2
Cultural & recreational services	44.52	2
Communication services	35.53	1
Mining	20.17	1
TOTAL	2,726.22	100

Source: ABS, 2006

The chart over page indicates the key employment sectors of the East Gippsland region, together with their relative importance in relation to other regions of Victoria.



Source: ABS, 2006

Whilst locally quite significant variances are noted, East Gippsland is ranked 12<sup>th</sup> in term of highest rate of relative social disadvantage amongst 49 local government areas across Victoria. The Index of Relative Socio-Economic Disadvantage is derived from attributes such as low income, low educational attainment, high unemployment, jobs in relatively unskilled occupations and variables that reflect disadvantage (SEIFA 2006).

## LOCAL ECONOMIC DEVELOPMENT PROGRAMS BEING CARRIED OUT

### East Gippsland Shire Council Investment in Economic Development

EGSC currently invests over \$1.73 million pa on economic development (excluding capital works initiatives). This includes employment of 11 permanent staff (9.2 EFTs). Council's definition of economic development includes:

- Facilitation and management of major projects (excluding Council's own capital works projects);
- Attraction and retention of business investment;
- Supporting small business;
- Facilitating and managing tourism projects and initiatives;
- Facilitating major events;
- Operating Visitor Information Centres;

EGSC has had an economic development business unit within Council for over a decade. Prior to this Council invested heavily in an externally managed not-for-profit economic development agency (VEDA).

### **East Gippsland Economic Development Discretionary Fund**

In 2005 Council resolved to introduce a new rating differential on all Commercial and Industrial properties within the Shire. This rate raises approximately \$2.5m pa, which is used to fund Council's economic development functions; capital expenditure with business related outcomes; and funding of external economic development initiatives.

Approximately 10% of the rate is quarantined in an Economic Development Discretionary Fund (EDDF). This fund is used to support projects that promote economic development in the East Gippsland Shire.

Council is advised on the distribution of the EDDF by the *East Gippsland Shire Council's Economic Development Advisory Board*. The EDDF finances projects of economic significance in the broad areas of Marketing, Industry Development and Smaller Infrastructure Projects

The State Government should consider rewarding Councils who make a positive and proactive approach to stimulating economic growth (via a dedicated commercial and differential rate) in their local economy by providing these Councils with an unencumbered matching contribution to their Fund

### **East Gippsland Economic Development Advisory Board**

Council has had an Economic Development Advisory Board for approximately six years. The composition of the board is made up of nine respected business and service leaders and the CEO of the East Gippsland Shire Council. The Board meets on a quarterly basis and makes recommendations directly to Council via a formal Council report. Two Councilors also sit on the Board.

### **Agreements and Partnerships**

Council has a range of formal agreements with agencies around economic development initiatives and partners proactively with many of the regions industry groups, businesses and industry support agencies to facilitate local economic development.

These agreements include a Memorandum of Understanding (MOU) with the region's not for profit marketing body (East Gippsland Marketing Inc.) and the peak industry Association (East Gippsland Regional Business and Tourism Association). This tri-party MOU articulates the roles each organisation plays in economic development and regional marketing. The MOU is underpinned by a three year service level agreement in which Council commits \$100,000pa to East Gippsland marketing and \$65,000 pa to EGRBTA.

A significant agreement has been recently signed by Council and the developers of the proposed Stockman Mine, Independence Group. This agreement commits the organisations' to working together to ensure that the proposed mine delivers a range of economic and broader benefits community to the region. It is the first time that Council has entered into an agreement of this nature with a major private investor

and sets a new benchmark for how Council engages with investors in East Gippsland.

In the agreement, Independence Group commits to demonstrating local employment and local contracting preferences and working with Council to ensure that the mine leaves a lasting positive legacy. This is in addition to the significant direct benefits the mine will generate through of creating employment, and encouraging new people to relocate to the region.

The Stockman project is forecast to be one of the most significant investments in the Victorian High Country over the next 10 years. It is anticipated that the project will have a life of at least eight years and will generate approximately 120 jobs during the construction phase and will employ a permanent workforce of about 250 to 300 staff. In addition to these direct jobs the project is likely to generate significant opportunities for contractors and suppliers.

## **APPROPRIATE ROLE OF LOCAL GOVERNMENT IN GENERATING ECONOMIC DEVELOPMENT AND REVIEW THE ALLOCATION OF RESPONSIBILITY IN THIS AREA WITH THE STATE GOVERNMENT;**

The East Gippsland Shire Council provides leadership and services that support sustainable economic development as do a range of agencies, service providers and industry associations, businesses and the community.

### **East Gippsland Economic Development Strategic Plan**

The East Gippsland Economic Development Strategic Plan (East Gippsland EDSP) provides a long-term, strategic framework for economic development in East Gippsland.

The East Gippsland EDSP recognises a wide range of key stakeholders with respect to economic development of which the East Gippsland Shire Council is but one. The East Gippsland Shire Council provides leadership and services that support sustainable economic development as do a range of agencies, service providers and industry associations, businesses and the community.

The East Gippsland EDSP comes under the stewardship of the East Gippsland Shire Council Economic Development Advisory Board (EGSCEDAB). The EGSCEDAB's membership represents a range of industries and businesses as well as having Council representation.

The EGSCEDAB monitors the East Gippsland EDSP through ongoing engagement, consultation with key stakeholders and the use of key economic indicators. This revision to update the East Gippsland EDSP ensures that it reflects changes in the circumstances of the East Gippsland economy including developing issues and emerging opportunities.

The East Gippsland Economic Development Strategy Plan has been developed to foster:

- The attraction of investment in new, and existing, activities.
- The facilitation of appropriate and sustainable development.

- Planned and coordinated economic development.
- Partnerships between those involved in economic development
- The enhancement of East Gippsland's competitive capability and positioning

These are viewed as the role of local government in fostering local economic development.

By undertaking these roles local East Gippsland Shire Council is seeking to:

- increase economic outputs and exports across a range of economic sectors
- increase employment
- Increase investment – both private and public

The East Gippsland EDSP also recognises the inextricable link between tourism and economic development in East Gippsland. To this end the East Gippsland EDSP and has integrated actions that will support the implementation of the East Gippsland Strategic Tourism Plan.

When these plans are refreshed they will be amalgamated into one plan that recognises tourism as an industry.

## **Supporting Small Business**

In 2007 approximately 83% of businesses in East Gippsland employed 4 or less employees and 85% had a turnover of less than \$500k pa (ABS 2009). Therefore the region is very much a region of small businesses. EGSC has identified a gap in the offering of business support services to small and medium businesses in the region. At present there is no "shop front" facility, information depot or regular low-cost/free small business advisor to assist businesses starting up or growing their business.

There are currently no BECs located in the region east of Melbourne through to the NSW border. The Gippsland office (nearest office) of Small Business Victoria and Regional Development Victoria are located in Traralgon, which is 2 hours drive to the start of East Gippsland.

The East Gippsland Shire Council takes a leadership role in supporting business, investment and industry in the region. The Council supports a number of other organisations that also assist in this role, most notably East Gippsland Regional Business and Tourism Association and East Gippsland Marketing Inc. Council assisted with the establishment and continually supports both of these organisations to assist and give voice to our industry needs. Council also works closely with local skills education providers, East Gippsland TAFE and Bairnsdale Community College, as well as with the regions largest private and government employers to support industry growth in the region.

The East Gippsland Shire Council recommends that Small Business Victoria reintroduces a locally based, face-to-face Business Enterprise Centre style service for remote areas such as East Gippsland. These centres should be staffed with small business advisors and could be provided in partnership with Local Government and other regionally based business service providers to present businesses with accessible, comprehensive support. The BEC would provide business information, organise education and training, provide a link between all three levels of government and be the portal for all business related activities;

## **EXAMINE WHETHER THE ROLE OF LOCAL GOVERNMENT IN RURAL AND REGIONAL AREAS HAS DIFFERENT ECONOMIC DEVELOPMENT TASKS TO THAT OF METROPOLITAN BASED MUNICIPALITIES;**

Local government's economic development role in regional areas is considered to be significantly different from our metropolitan counterparts and needs recognising as such.

Often local government is the only agency working continuously in the region and it therefore becomes the first point of contact for most economic development issues. There is also a greater expectation of local government by businesses as the 'fix it' agency which places enormous pressure on local government resources and staff.

The size of localities and issues addressed are also significantly different as are the scale of businesses worked with.

Local economic development practitioners also work in the community they live in, providing them with great pride in their area and work; but also placing them in situations that are at times awkward. It is not uncommon for regional economic development practitioners to discuss work issues at social functions.

Given the difference between rural and metropolitan local economic development it is suggested that the Victorian Government reinstate economic development programs that are available to regional areas only. Traditionally the RIDIF fund was for regional areas only, which was considered to be an important recognition of the difference.

The role of all Local Government in regional Victoria is impacted by the environmental characteristics we operate in. The following characteristics describe our environment conditions and provide a clear indication of the importance the East Gippsland Shire's Economic Development Department.

### **Community Characteristics of East Gippsland**

- Small population spread across 40 scattered communities in East Gippsland with travel of up to two hours required to reach larger town centres (Bairnsdale)
- Smaller communities and population centres to support workforce participation and industry
- Spread across a larger area, we are the second largest Council area in the State with 10% of the State landmass.
- Local communities are often dependent on one major industry sector and in some cases one major employer i.e. agriculture, forestry or tourism
- Local communities are not able to absorb job losses. If one industry or employer cuts employment then there are little other opportunities for employment in the community.
- Many of our communities are greatly effected by State Government policy and decisions
- Local communities have a greater involvements with emergency services organisations and are impacted by natural disasters

## **Industry Characteristics of East Gippsland**

- Our industries are all further from major markets and population centres making transport issues and transport costs of greater significance
- Higher dependence on natural and primary resources for many industries i.e. Agricultural, Forestry and Tourism industries.
- Our Industries and more weather dependent and are significantly impacted by both long term and seasonal weather patterns.
- Many of our industries are significantly impacted by natural and environmental events i.e. flooding or storms blocking road and transport routes, droughts and floods impacting agriculture production, wet weather and blue-green algae impacting tourism.

## **Local Government Characteristics of East Gippsland**

- Lower income base per population and lower income base in comparison to the network of roads and infrastructure required to be maintained
- More reliant on Government Grants for a variety of services including roads and infrastructure, and economic development.
- Smaller numbers of staff and personal, across many locations servicing communities with greater reliance on local government.
- There is more travel required by staff between Council offices, to neighbouring Councils, and to Metropolitan centres.
- There is a great diversity of issues to deal for all staff with many Councils Offices and staff required to become multi skilled in order to work with Local Communities.
- Economic Development Staff :
  - Are required to work directly with industry and individual operators to support them.
  - Recognise the importance of each operator in their community and governments impact on their operations

## **IDENTIFY THE BARRIERS TO LOCAL ECONOMIC DEVELOPMENT, INCLUDING COMPLIANCE COSTS FOR BUSINESS AND PLANNING DELAYS, IN OPERATING IN LOCAL MUNICIPALITIES AND DEVELOP SOLUTIONS TO ADDRESS THESE BARRIERS;**

### **Regulatory Compliance and Cost**

The taxation, regulatory and compliance burdens do have an impact on businesses in East Gippsland. These include:

- Difficulty in keeping up to date on changes to taxation laws and regulations. This often results in additional stress on businesses as the owners incur additional costs (e.g. penalties), spend valuable time trying to resolve issues or finding solutions or attending to record keeping;
- The changing requirements of government agencies in relation to environmental impact studies, and the resultant cost to comply with regulations, has major impacts on developments. There are currently at least three developments in East Gippsland that are experiencing delay and significant cost in attempting to understand and comply with environmental regulations and directions by agencies;

- The impact of changes to policies and/or regulations can also affect industry sectors with an 'echo' effect on secondary industry. A good example is the changes to the policies and legislation that affects the timber industry. Whilst the changes have an impact on the industry participants (e.g. sawmills, cartage contractors), the wider business community is also affected, most notably in smaller rural towns. Examples of this include the mechanical workshops that service the contractors vehicles, the manufacturers that build specialist equipment for the industry and the impact on schools, retail businesses and local services as spouses/partners of timber industry workers move away from the area with their partner;
- Business has also noted the impact of compulsory superannuation on regional communities. Whilst each employee in regional and rural communities makes a contribution of nine percent (or greater) to compulsory superannuation, none of those contributions are invested back into the community by the superannuation funds. The common reason given is that there are not the investments that generate a significant return available in regional and rural areas (apart from the major regional centres). Effectively, this removes a significant amount of funds from the East Gippsland region with no reinvestment.

The most significant area that is controlled Federally but was controlled by the State is industrial relations legislation. The introduction of Work Choices and Fair Work Australia has impacted on some businesses. There are mixed reviews by business on the success of these changes, some believe the system is working whilst others believe there are significant restrictions or impositions on small business employers. One example often cited is the additional penalty rates payable to employees on weekends, public holidays or after hours – business owners have scaled back opening hours or the number of staff employed to counter the high pay rates. This has significant implications for East Gippsland which has a strong tourism sector, which is busiest on weekends and public holidays.

Local Governments including East Gippsland Shire are mindful of the 'red-tape' accusations levelled at all levels of government by business, and tries within its resources to improve processes and minimize the need for excessive compliance by business. However it is acknowledged that there is still room for improvement.

Some years ago the then Commonwealth Government introduced a successful 'reducing red tape' funding program aimed at local government. This funded pilot projects and major improvements to government legislative and policy requirements that would speed up application processes, reduce turn around time and reduce the number of approvals required by businesses.

It is recommended that Small Business Victoria consider a similar program to be rolled out on a State basis, to assist local government continue to meet business needs and reduce red tape for businesses.

## **Planning Controls**

Planning is a major area of business frustration. The State Government controls the planning framework and is responsible for delivering the required changes. The current uncertainty about planning controls for areas subject to coastal climate change effects is having a significant negative impact on the region's continued development and investor confidence. New interim planning controls are required.

The State's native vegetation legislation frustrates sound economic and community development; the cost of native vegetation off-sets prohibits growth. Given that East Gippsland has an abundance of native vegetation in public ownership these requirements are onerous and counter-productive.

## **Improving Access to Information and Advice**

It can be very difficult for small businesses to access information and advice that can assist their enterprises. Historically, Small Business Victoria provided advice and support via a Regional Manager that visited the Shire on a monthly basis (more often if necessary). The manager had a range of tools and booklets available that could be used to assist businesses.

In recent times, a comprehensive online range of information and tools and an annual visit by a mobile support centre, together with the Small Business Mentoring Service, has replaced the in field presence. The feedback from businesses is that this system is not always as effective for a range of reasons, including:

- Internet speeds are highly variable throughout the Shire and downloading booklets and information can be extremely time consuming and costly and, sometimes, not possible;
- Many small business owners do not know where to look for the information and give up searching after numerous attempts to access information;
- Often business owners are not sure of what they are researching and therefore have difficulty getting to the right information;
- A single visit via the mobile business centre is not sufficient to develop rapport with the business advisor;
- A face to face meeting can uncover a range of business issues/key issues to be addressed;
- Small Business Mentoring Service has a mixed success rate in the Shire.

The more difficult information to access includes:

- Information relating to licences and permits to operate a business;
- Workforce related issues (e.g. dismissal procedures);
- Business development tools.

A practical way to improve the services available to businesses would be the establishment of a shop front service. The Business Enterprise Centre model is a good example of a portal to provide the services and information required by businesses at a local level. The centre could be supported by Council activities (e.g. business permit requirements), Small Business Victoria information, services provided by industry organisations (e.g. VECCI) and training institutions and organisations. Whilst somewhat of a cliché, it would be a one-stop shop for services.

The feedback from businesses indicates that the use of services offered via the Victorian Business Centre (Traralgon is the closest) or Small Business Information Centre is extremely limited, with many unaware that the services existed.

The introduction of a Business Enterprise Centre model has been identified as a priority for Gippsland by the Committee For Gippsland that represents industry across the region. This is a model that has run with great success in other regional areas of other States and it is recommended that Small Business Victoria investigates the reintroduction of this face to face service for regional and remote from major centre locations such as Bairnsdale in East Gippsland.

## **Small Business Victoria Program and Services**

The East Gippsland Shire Council is supportive of Small Business Victoria programs and is prepared to proactively support greater promotion and access to the programs. The centralisation of Small Business Victoria services has resulted in a reliance on email and telephone discussions for communication with Department Officers. Whilst satisfactory from a communication perspective, the lack of face to face contact can result in programs and services being given less emphasis within Council's priorities.

## **Barriers to Accessing Finance**

The Global Financial Crisis has impacted many businesses within the Shire. Businesses have reported a tightening on lending criteria and equity requirements for their business loans, with a number of businesses having difficulty servicing their loans. A Bank Manager in Bairnsdale reported that there currently limited new business finance being sought but a significant rise in business refinancing. The Manager also reported a number of businesses suffering cash-flow management issues.

A business finance issue that needs to be addressed is the availability of finance for micro businesses and start-ups. Banks have traditionally avoided this group of businesses, often referring them to credit cards as a means of financing. One way to address this issue would be the development of a 'Revolving Loan Fund' for micro businesses – the fund could be established with a mix of Federal, State and Local Government funding together with private sector investment and venture capital organisations

Council is not aware of the Business Loan Finder so provides no comment on this service.

## **Workforce and Business Management**

As exists in many other regions, the workforce in East Gippsland is ageing and there is an exodus of younger people who leave the region for higher education or initial employment. Some of these age impacts are reflected in labour force participation rates. Compared with Victoria overall, the Shire has a higher percentage of the population aged 15 years and above who are not in the workforce (Victoria 33%, East Gippsland LGA 43%). The share of employed persons in full time employment is lower in the Shire (Victoria 60%, East Gippsland LGA 53%) and part- time employment is higher in the region.

An industrial workforce strategy was prepared for the Shire<sup>1</sup>in 2010 wherein an analysis of the age structure of persons employed persons in key sectors indicates that retirement issues will become increasingly important over the next decade.

For example, in agriculture, 48% of employed persons in East Gippsland were 45 or over, with almost one quarter aged between 55-65 years (this data largely reflects farmers, rather than farm employees, and there is a tendency for many farmers to continue on their farms beyond 65 years of age).In manufacturing around 40% of employed persons were aged 45-54 years in the Shire and 13% were 55-64. Any early retirements from the much larger cohort of persons aged 45-54 years would add to this number.

In construction, the age structure of persons employed in this sector was younger than agriculture and manufacturing. Potential retirements over the period 2006-2015

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<sup>1</sup>Buchan Consulting :Eastern Gippsland Industrial Workforce Strategy, May 2010.

were a total of 363 persons. Transport has the oldest age structure of any of the four sectors examined in this study. In East Gippsland this share was 56%. Potential retirees over the period to 2015 were 272 persons. Any early retirements from the much larger cohort of persons aged 45-54 years would add substantially to this number.

Unemployment rates are an indicator of the state of the economy and represent a potential labour pool. Unemployment rates and the number of persons unemployed have fallen in East Gippsland since reaching a peak in 2005. In 2009 the rate had fallen to under 5% (from peaks of 7%-8% in 2005). This fall indicates the tightness of the current local labour market.

There are some differences in workforce issues between the four key sectors along with some similarities.

- Common factors across the sectors include: recruitment difficulties, skill shortages and the expectation that these problems will continue. While recessions may reduce the pressures on skills they do not eliminate underlying skill shortages.
- There were some occupation differences with the food sector having problems in recruiting semi-skilled workers for seasonal peaks, and growers experiencing difficulties with harvest labour.
- The transport sector was having problems with drivers.
- In construction and civil construction there were several concerns: an inability to recruit plant operators;
- Loss of skilled tradespersons to other sectors; and
- Difficulties in recruiting professionals to the services segment of the industry.

There are several underlying themes that cross the industries and these include: concerns that the pool of experienced and skilled labour in the region is diminishing; a narrowing availability of casual employees; losing workers to the resources sector and the sectors no longer being attractive to younger people (e.g. food, horticulture, civil construction). Each of these sectors is concerned about the ageing of their workforce and the need to replace employees in a regional market, which has an ageing population.

Programs such as those previously offered via Skills Victoria play an important part in supporting regional businesses to source, train and retain employees. It is hoped that this review will identify the need to continue and enhance this suite of programs.

While businesses face recruitment problems, turnover is more limited, with most businesses retaining employees through having a reputation as a good regional employer. In some cases this involves paying above industry wage rates or providing career pathways and training and development. The combination of limited turnover and problems in recruiting at an entry level or mid level is contributing to the ageing workforce in several sectors (e.g. food, horticulture, civil construction). Longer term there are some significant concerns about the need to replace older workers, who are retiring and this would be felt over the next 10 years, particularly in the agriculture and health care sectors.

Businesses report an increasing amount of time being allocated to ensuring compliance with Fair Work Australia requirements and OH&S issues. A recent visit by Workcover revealed a significant range of problems in businesses across the Shire, ranging from incorrect award payments to issues relating to workplace safety. This demonstrates a need for greater business education of workplace requirements.

## **Research and Development Support**

As industry sectors are continually required to adapt and respond to macro changes including changes in global markets, global competition and changing climatic conditions, it is imperative that regional businesses (including agribusiness) is armed with the latest thinking and technology to support their adaptability. This includes access to good information and considerable R&D support. In recent years funding to CSIRO and other State based research to support business adaptation has fallen away dramatically. This has then seen a decline in the research and development support provided directly to the farming sector.

For food and fibre production businesses in particular to remain a viable regional business sector, funds to support R&D and the reshaping of the industry from Government must be brought back to past levels.

## **Government Purchasing Policy**

In many instances it can be very difficult for small business to be able to comply with the terms and conditions required by large purchasers, including government. These include:

- Extremely high insurance requirements;
- Difficult to attain quality assurance requirements (e.g. ISO accreditation);
- Significant cost imposts (e.g. holding stock for purchaser that enables them to be able to operate on a just in time basis to the detriment of the small business that carries the holding cost) and
- Expectation of a discount.

In recent times the process for the awarding of contracts for large Government contracts has resulted in local businesses not being able to submit expressions of interest and contracts being given to businesses and organisations from out of the region. A good example cited by business was the *Building the Education Revolution* program implemented by the Federal Government. Most of the contracts for projects were given to contractors from outside the region.

The Victorian Industry Participation Program (VIPP) whilst important recognizes businesses within Australasia as eligible to be considered local content. This does not provide regional businesses applying for regionally based government contracts with any local preference legislation. It is therefore recommended that a finer grad is applied to the VIPP legislation and it is complemented by local content legislation that will support the use of local businesses by government agencies operating in regional Victoria – for example in Western Australia legislation exists that supports local business preference within a 10% additional cost parameter.

## **Resolving Business Disputes**

Council is aware of only one visit to the East Gippsland Shire by the Small Business Commissioner in the past nine years. If the services of the Commissioners office are provided more often, they are not promoted widely and Council Officers do not promote the services.

Businesses consulted for this submission are aware of VCAT and believe this is the appropriate government authority to resolve disputes. Advice and support to educate businesses on how to avoid disputes would be welcomed and Council would support the promotion of this education and information service.

## **Online Business Management**

It is difficult for Council to estimate the numbers of businesses engaged in online business activities, however, anecdotal evidence would suggest that businesses are extensively using the internet for business related activities across the Shire. Businesses are engaged in a range of activities, including research, trading, purchasing and communicating with suppliers/customers.

Issues still exist in relation to access to a reliable service in parts of the Shire, particularly download and upload speeds. It is envisaged this will be addressed with the rollout of the NBN and Council has established an in-house committee to develop strategies to maximize the benefits that can be gained from the NBN and is actively working with NBN Co.

Support is required to facilitate better use of social media and e-commerce tools by small business. In many parts of the Shire, the use of social media is extremely limited. The reasons for this include:

- An older workforce that is not interested/struggles to understand new technologies;
- A fear of the impact of introducing or adopting new technology
- The cost of adopting new technology (more a perception than reality) and
- Poor telecommunication infrastructure and speeds.

The NBN rollouts provides Small Business Victoria with a good opportunity to ensure that small business and especially regionally based small business, are equipped to take advantage of this infrastructure to access markets and reduce the tyranny of distance and difficulties of doing business in regional areas

## **Supporting Exporters**

There are a number of businesses in the Shire that operate in export markets. These businesses do access government information and, in some cases, government assistance.

There is a need for greater integration of services that are provided by the State Government and Austrade. Businesses have to seek information from both and often express confusion as to who provides the services they are seeking. Council can be an important portal for the dissemination of information to local businesses and should be briefed by export assistance agencies as to the services that are available.

There is minimal promotion of services that are available and there could be a greater emphasis on regional visits and seminars by agencies to promote the development of export businesses. There are a number of strong businesses in East Gippsland that could build to be export businesses but lack the information and support.

## **Supporting Franchisees**

There are a limited number of franchisors resident in the East Gippsland Shire. Almost all of the franchisees that operate businesses in the Shire are part of major national and international franchises. Apart from general business related issues (e.g. licences and permits, promotion), Council has limited interaction with franchisees and finds them particularly difficult to engage in business programs as most can only attend training and programs offered through the head office.

## **Best Practice Services for Small Businesses**

Small Business Victoria previously conducted the StreetLife program. This program was extremely successful and achieved some significant outcomes in East Gippsland, particularly in the smaller outlying communities (e.g. Cann River). The recent announcement of the program's re-introduction of this program is welcomed, and EGSC encourages the Victorian Government to ensure that the program is adequately funded and supported on an on-going basis, so that its benefits can be fully reaped.

Other successful programs such as Main Street have the ability to activate small centres and support the growth of small business in such centres. At present these programs are not funded as a program, but could be supported via the RDV Putting Locals First program

Another program with demonstrated success is the *New Enterprise Incentive Scheme (NEIS)*. Whilst this program is a federal program, the State Government should explore the potential for a joint program or a similar program independently. The program provided unemployed people with business ideas the opportunity to access business training mentoring and, if approved, Newstart allowance support for 12 months. Many small businesses were established under this scheme across the Shire.

As mentioned earlier in this submission, access to small amounts of finance by small and micro businesses continues to be an issue. There are many examples of small funds and venture capital being operated by communities to assist the development of new and existing businesses that are achieving good results.

A principal role for State Government should be the re-introduction of regional small business support officers that can provide the face to face contact with small business owners in their towns. Online information and tools cannot replace the support and guidance that is provided through personal interaction. A visiting small business service once every six months and small business mentoring counsellors who can provide limited support should support a regional officer, not replace this position.

Council also believes there are opportunities for greater interaction with Small Business Victoria to promote existing products and services. However, it is difficult for Council Officers to be always travelling to Melbourne for meetings and SBV staff should visit the regions more often for meetings. At the very least, there should be greater use of online technology (e.g. video conferencing) to minimise the need for travel.

## **Planning Regulations including the Environmental Effects Statement Process**

For most major economic investment in Victoria a planning permit is required for, except in the circumstances where it has been determined that an environment effects statement (EES) is to be prepared and approved under the relevant requirements of the *Environment Effects Act 1978*. It is anticipated that most large scale new business operations are likely to trigger a requirement to undertake the preparation of an environment effects statement given the potential scale and complexity of approvals required to be addressed.

The purpose of the *Environment Effects Act 1978* (EE Act) is to provide for a comprehensive and coordinated approach to assessment and approval of projects where it is determined that there may be a significant impact to the environment.

East Gippsland Shire is currently involved in the development of an EES for a very significant mining proposal at Benambra for the Stockman Project by Independence Group as detailed above. Council is involved as a member of the Technical Reference Group and as the Planning and Responsible Authority under the relevant provisions of the *Planning and Environment Act 1987*. Council also has a broader interest in the proposal given the potential impacts and benefits to the East Gippsland community.

The Stockman Project is a very large and complex project from an approval perspective with approvals required for both on site mining and ore processing activities as well as a range of off site approvals for ancillary facilities including the development of a large workers village.

The range of approvals required is extensive and complex and questionably able to be effectively coordinated. The nature of the process is that it is more strongly focused on the environmental impacts as these are perhaps more easily measured and in some cases have the potential to take primacy from an approvals perspective. While there is examination of social and economic impacts, these are less well defined and are not a clear focus of any Government agency represented on the Technical Reference Group. The Guidelines for this EES which specify the range of matters to be considered do require environmental, social and economic impacts to be assessed, but it is questionably a balanced approach to decision making as while there are requirements for a range of specific environmental approvals to be met, there are no approvals required in respect to social and economic impacts, and so these aspects tend to become secondary considerations.

The focus is on the mitigation of impacts rather than sustainable outcomes that might be achieved.

Processes associated with the preparation of an EES, while subject to broad guidelines and processes contains a significant degree of uncertainty in respect to likely timeframes and expectations of requirements to address matters required by the process. There are few actual timeframes attached to the various stages of the process, and the proponent may be asked to address additional questions or provide additional information as the process proceeds. The levels of uncertainty may not be reduced as the process proceeds, and so proponents are required to continue to invest without any increased understanding of the likely challenges as the process proceeds.

East Gippsland Shire notes that the need to review the EE Act has previously been identified and that a review was undertaken and completed by the Victorian Competition and Efficiency Committee (VCEC) in July 2009, where similar issues were identified as a result of a rigorous assessment of the legislation. Recommendations were made at that time to:

- Requiring a more specific assessment process and guidelines by incorporating risk based assessment criteria;
- Establishing negotiated, project specific time frames for the various EES stages;

- Improving the integration of the EES with other environmental approvals;
- Providing a much stronger focus on a “Whole of Government” approach through the establishment of a Coordinator General Major Projects to ensure that technical reference groups function more efficiently; and
- Promoting the use of strategic assessments to improve accountability and certainty associated with the process.

East Gippsland Shire supports these recommendations and considers that there is a need for the identified improvements and that this is particularly evident for mining projects where the Government is also a major stakeholder in the process.

A broad thrust of the VCEC review of Environmental Legislation was that the environmental legislative framework needs to focus on synthesizing rather than balancing the range of potential environmental, social and economic factors allowing a focus on outcomes rather than focusing on impacts. The context of the current environmental legislative framework does not easily allow for a “balancing” approach to decision making.

It is noted that the *Inquiry into the Environment Effects Statement processes in Victoria* by the Environment and Natural Resources Joint Investigatory Committee of the Victorian Parliament was partially undertaken, but subsequently lapsed at the expiration of the 56<sup>th</sup> Parliament in November 2010. It is considered that this process may provide important information that might inform the review of the EES process and associated legislation.

## **The Differing Roles of Government**

East Gippsland Shire understands that the Victorian Government does not have a formal process for identifying, supporting and facilitating investments or projects considered a major project by the State and there had been no allocation of high level cross-department project management expertise to the project. This has led to EGSC recently finding itself in the position of making introductions for companies with a range of State agencies and advocating for the project to have a ‘go-to’ person allocated to the project that could work across departments to remove any barriers and interpret requirements for the project proponents.

It is therefore EGCS's view that if the State is to proactively investment, this must be accompanied by necessary support across a range of agencies. Processes and activity that EGSC would encourage the State to adopt include:

1. Developing a threshold for project assessment to determine those considered of State significance. Based on this threshold develop a complementary process for engaging with and developing support processes for the project including:
  - a. Allocation of a senior officer to act as the project liaison point for the proponent company to provide general advice on government processes; contact points and introductions across a range of agencies; and regular updates to relevant Ministers and decision makers on the progress of the project;

- b. Coordination of a range of agencies (outside the planning and other regulatory processes) to identify major barriers to the project's success and opportunities that should be exploited by the State. The priority barriers and opportunities can then be addressed in a whole of government manner.
  - c. Development of agreements (outside the Tender scope) to work with mining venture proponents to generate legacy benefits to the State from the project that can be supported with infrastructure investment and other offsets.
2. Developing a whole of government approach to tendering of major works and opportunities to:
- a. Ensure that there are not major barriers to the project's potential success from other areas of government (necessary infrastructure; land use conflict, vegetation off-set requirements etc); and
  - b. Build requirements into the tender process that will assist to maximize the benefits to the State from the project in areas including but not limited to investment in local communities impacted on by the project; generation of local training and employment; local content clauses etc. These appear at present to be outside the scope of consideration as they are not statutory requirements.

There is also a need for clarity in decision making frameworks between levels of government. By way of example Gippsland Lakes tourism investment is stifled by a lack of a positive investment prospectus supported by both local government and State Government. Often there is are multiple agencies with competing objectives for an area that often confuse and obfuscate investment.

## **Education and Training**

East Gippsland Shire Council understands that economic development in the region is underpinned by the role of education, especially at post-school level. A learning and knowledge culture and the ability to offer attractive education offerings in the region will impact directly on the retention of students, their level of education attainment and potential for them to move into local employment. Collaborative relationships between TAFE, universities and local industry sectors are critical to driving these pathways and sustainable economic growth. The establishment of cooperative research partnerships between universities and the industries that drive the development of the region also provides a significant and developing opportunity.

Vocational Education is viewed by EGSC as education and training that is locally delivered, affordable and attainable. It is for many the first step into post-compulsory education and therefore needs to be provided in an easy to access manner, if locals are to take this first step on their educational journey.

Given East Gippsland's relatively low levels of vocational education take up and the dearth of positive education role models in many families, it is extremely important that vocational education and training is delivered locally; and is affordable. It is also important that the education is delivered with some face-to-face contact, and with sufficient mentoring and support to ensure the students complete their courses.

The Victorian Government's delivery of vocational education and training needs therefore to deliver economic development benefits.

## **Meaningful Regional Planning**

Many local governments don't have the resources to plan in detail for their local economies and instead rely on regional planning. Therefore effective regional and sub regional development plans supported by all levels of Government would be helpful. This is often a requirement of funding for private enterprise and local government projects alike, yet is not always at the level required.

## **EXAMINE WAYS IN WHICH MUNICIPAL COUNCILS AND THE VICTORIAN GOVERNMENT CAN JOINTLY SUPPORT LOCAL ECONOMIC DEVELOPMENT, ENHANCE AND PROMOTE EMPLOYMENT AND ATTRACT NEW INVESTMENT, ESPECIALLY IN LOCALITIES WITH EMERGING ECONOMIC POTENTIAL**

The following lists are those already described in our submission, including:

- Supporting and Working with local funding programs
- Reducing barriers

The East Gippsland East Gippsland Shire Council makes the following suggestions and recommendations:

1. Small Business Victoria reintroduces a locally based, face-to-face Business Enterprise Centre style service for remote areas such as East Gippsland. These centres should be staffed with small business advisors and could be provided in partnership with Local Government and other regionally based business service providers to present businesses with accessible, comprehensive support. The BEC would provide business information, organise education and training, provide a link between all three levels of government and be the portal for all business related activities;
2. Local Government be supported to continually strive to make their policies and requirements business friendly through the introduction of a 'Reducing Red Tape' style funding program aims to support local government reengineer and improve policies and practices to support their local small business.
3. Programs such as the recently reintroduced *StreetLife Main Street* and the *New Enterprise Incentive Scheme* be supported and sufficiently funded on an ongoing basis, so that they can generate real benefits for Regional Victoria;
4. Programs and support be extended to regional Victoria to support businesses to attract , train and retain a suitable workforce;
5. State Government work towards removing the imposts that industrial relations legislation imposes on tourism businesses that predominantly operate during hours that incur penalty rates;

6. State legislation such as Native Vegetation Offsets and other planning overlays be investigated where these lead to time delays and excessive additional costs to meet;
7. Models to support small businesses accessing small loans and venture capital be investigated;
8. That the State Government embraces the opportunities that NBN rollout will bring to regionally based businesses to access new markets and reduce the barriers that distance often presents by developing a suite of support programs to improve access to and uptake of new technology by these businesses;
9. That wherever possible State Government works with local government and local business networks to present the seamless delivery of joined up programs that reflect the needs and characteristics of the local area.
10. Supporting the recommendations made by the Victorian Competition and Efficiency Commission respect to improvements to the Environment Effects Act 1978 detailed in the July 2009 Report titled "*A Sustainable Future for Victoria: Getting Environmental Regulation Right*" to improve the current operation of the Environment Effects Statement process for approving major projects in Victoria.
11. Using policy to ensuring that the State focuses equally on the environmental, social and economic aspects of mining projects, with equal emphasis placed on minimizing risk and maximizing opportunity.
12. Developing a major projects process for significant investment opportunities, that allocates a senior State public servant as the project champion and go-to person, who will work with the mining company across government agencies to facilitate positive outcomes for both the project and the State; and
13. Using government investment and projects to build requirements into the tender process that will assist to maximize the benefits to the State from the project in areas including but not limited to investment in local communities impacted on by the project; generation of local training and employment; local content clauses etc. These appear at present to be outside the scope of consideration as they are not statutory requirements.
14. Reviews the onerous native vegetation controls required by the Victorian Native Vegetation Framework to address the unintended effects on development in some parts of regional Victoria.
15. Plan vocational education and training delivery to deliver economic development outcomes.
16. Facilitate local business transition processes. This acknowledges that major positive transformation does not occur by itself. It needs to be designed and facilitated, which in turn requires adequate resourcing, including resourcing R&D. This also needs to drive alignment across all the key stakeholder and support groups,
17. Facilitating transition also needs extend to innovation and research and development and extension services which can in turn provide opportunities for

alternative career pathways for young people as well as support hubs of excellence.

## **INVESTIGATE BEST PRACTICE LOCAL ECONOMIC DEVELOPMENT INITIATIVES RELEVANT TO THE TERMS OF REFERENCE.**

EGSC believes that there are a range of Councils across Victoria and interstate operating innovative and effective economic development programs. These programs are responsive to local conditions and demonstrate 'best practice' for that locality.

From a local perspective EGSC believes that its Economic Development Discretionary Fund and differential rate system can be viewed as best practice. The use of an Economic Development Advisory Board that formally reports to Council could also be considered best practice.

EGSC would be happy to discuss these programs with the Economic Development and Infrastructure Committee at an enquiry hearing if deemed appropriate.

## **CONCLUSIONS**

EGSC is committed to the sustainable development industry East Gippsland and is confident that it has a bright future. East Gippsland Shire Council is delighted that the Economic Development and Infrastructure Committee is reviewing local economic development as this is a vital component of a healthy sustainable region.

Given the difference between rural and metropolitan local economic development it is suggested that the Victorian Government reinstate economic development programs that are available to regional areas only. Traditionally there were funds and programs available to regional areas only, which was considered to be an important recognition of the specific economic development needs of regional Victoria,.

It is also recommended that the Victorian Government strengthen the range of programs delivered physically in regional Victoria and augment this with the policy changes recommended in this submission.

With the many agencies with an influence on the economic development it is important that policies are coordinated so that there is a clear and supportive environment for business to operate within.

EGSC trusts that the Committee will find the comments provided in this submission useful and looks forward to the findings and recommendations of the committee following its deliberations.

Further information and consultation is available through Ms Fiona Weigall, Manager Major Projects and Economic Development, East Gippsland Shire Council at [REDACTED]