SUBMISSION TO
PARLIAMENTARY INQUIRY INTO LOCAL ECONOMIC DEVELOPMENT INITIATIVES IN VICTORIA ON BEHALF OF CITY OF KINGSTON

27TH AUGUST 2012
Inquiry into Local Economic Development Initiatives in Victoria

Introduction

The City of Kingston welcomes the opportunity to contribute to the State parliament's "Inquiry into Local Economic Development Initiatives in Victoria".

The City of Kingston recognises that the prosperity of the Kingston community and its neighbouring municipalities is integrally tied to the ability of local companies to prosper and generate high value employment. Kingston values the contribution that our businesses make to the well-being of the community.

The global economic landscape is being rapidly reordered with significant implications for the Australian economy as a whole and therefore the Kingston economy. The industrial and retail environments are undergoing major structural change. The challenge at the national, state and local level is to seize the opportunities that will ultimately shape the economic well-being of the community.

The City of Kingston accepts that it has a leadership role to play in working with the State and Federal Governments to assist local companies adapt and prosper in the new economic environment.

This submission provides an overview of the Kingston economy in order to put some context around the types of economic development activities that Kingston engages in and the rationale for that involvement. It outlines the major programs and activities being delivered by Kingston and makes some suggestions on how the delivery of economic development services in Victoria could be enhanced.

Economic Context

Local Economy
The City of Kingston is one of Victoria's major employment centres and its industrial sector is one of the largest and most concentrated in the State. Kingston also has a principal activity centre at Southland; a number of designated major activity centres and numerous smaller local and neighbourhood shopping precincts.

Kingston is a major employment destination for local residents and those of neighbouring municipalities. Of the 67,500 jobs within the municipality, over 30% are held by local residents with a further 37% held by residents in the council areas immediately abutting Kingston. From a social and an environmental sustainability perspective, this employment self containment reduces travel times, road congestion and carbon emissions and provides an opportunity for a better work / life balance.

The manufacturing sector continues to be the largest employer with 19,500 jobs (29%), followed by retail trade 9,200 (13.6%) and wholesale trade with 7,250 (10.7%) making these three sectors fundamentally important to the economic well being of the community.
However, there has been a shift in the industries in which Kingston residents work. In 2001, 19% of Kingston's resident labour force worked in manufacturing (both within the City of Kingston and its neighbouring municipalities) but this had fallen to 16% by 2006. This is reflective of the changing demographics and education levels of the Kingston community as well as the reduction of manufacturing jobs in general.

The total Kingston economy has an output* of around $25 billion. While the manufacturing sector has 29% of the local jobs, with an output of $13.1 billion, it generates over 52% of total output within the municipality making it an invaluable sector for local prosperity. In contrast, retail trade provides 13.6% of the jobs but only 3.5% of output. Manufacturing also has a relatively high multiplier effect meaning that for every new job created in manufacturing a further 2.1 jobs are created in other parts of the economy.

(*Output data represents the gross revenue generated by businesses/organisations in a defined sector or defined region. Gross revenue is also referred to as total sales or total income.)

Regional Economy
The City of Kingston is fortunate to be located within one of Australia's most important economic regions. There is no other region in Australia that can boast the innovation strengths of this precinct. South East Melbourne has:

- Victoria's premier location for advanced manufacturing, complemented by a strong business services sector and firms along the entire value chain.
- Australia's largest university, Monash (~26,000 students and ~4,500 staff on the Clayton campus): comprehensive research and teaching portfolio, including prestigious Medicine, Chemistry, Engineering and Business & Economics faculties and international connections.
- CSIRO's largest site in Australia (~700 staff, growing to ~1100 by 2012): materials science and engineering, mineral processing, and medical and health technologies.
- The Australian Synchrotron: unique capabilities including materials characterisation and medical imaging.
- Australia's largest health services network, Southern Health, including a prestigious teaching hospital (Monash Medical Centre).
- Melbourne Centre for Nanofabrication: state-of-the-art instrumentation for nano and micro-scale fabrication.
- An educated and skilled workforce and a diverse multicultural population.
- Quality residential, recreational and educational facilities.

The City of Kingston’s role in Economic Development

The City of Kingston is operating in a rapidly changing economic landscape. Population growth through in-fill development and medium density housing projects, rapid technology advances, the ageing workforce, globalisation and a low carbon future presents both challenges and opportunities for the municipality.

The City of Kingston accepts its leadership responsibilities in local economic development acknowledging its role in formulating broad economic aims and strategies for the benefit of its business and residential communities. These include:
• establishing the City of Kingston as the best place to live in, work in, and visit; and
• fostering environmental, economic, social and physical well-being so that Kingston continues to develop as an integrated, balanced, sustainable and prosperous municipality.

Criteria for Local Government Participation

Council’s role in economic development is multi-faceted with clearly defined parameters governing the circumstances under which the City of Kingston will become involved in strategies and actions associated with economic development. In other circumstances, responsibility may rest with the State or Federal government, the private sector or non-government organisations.

Kingston’s participation in economic development activities is guided by the following:

**Maximise economic outcomes**
Strategies and actions must demonstrate value-added benefits from Council involvement.

**Achievable and realistic**
Strategies and actions must be achievable and realistic within a specified time period, and within the resource constraints of the City of Kingston.

**Active partnerships**
The City of Kingston will seek to collaborate with industry groups, regional partners, research institutions and other government agencies where appropriate.

**Capability**
The specialised Economic Development Unit will work in conjunction with other Council departments with specialised skills in planning, infrastructure and environmental management to deliver a seamless service to the business community.

**Priority Areas For A Prosperous Kingston**

The City of Kingston focuses its economic development resources on eight priority areas.

1. Strategic Economic Planning
2. Regional Collaboration and Partnerships
3. Fostering Innovation and Technology Adoption
4. Retail Precincts
5. Business Education and Skill Development
6. Networking – Making Connections
7. Business Sustainability
8. Advocacy
1. Strategic Economic Planning

Rationale
Businesses within the City of Kingston are operating in a rapidly changing economic landscape. Population growth through in-fill development and medium density housing projects, rapid technology advances, the ageing workforce, globalisation and a low carbon future presents both challenges and opportunities. The City of Kingston also has a number of older industrial precincts requiring renewal. Forward planning, taking account of emerging trends and issues, is necessary for a sustainable local economy.

Integrated Approach to Planning: Kingston takes a holistic approach to all of its strategic planning processes recognising that the economic viability of both retail and industrial precincts is fundamental to their successful operation.

Activity Centre Structure Plans: Kingston has developed structure plans for the major activity centres of Moorabbin, Cheltenham, Mentone and Mordialloc. Council is currently doing background work on a potential structure plan for the Southland precinct. Each of these plans has integrated the economic prosperity of the respective centre into the future prospective land uses recognising that the economic viability of a centre will drive private sector investment.

Freight Strategy: Kingston is currently developing a Heavy Vehicle Strategy to determine the most appropriate heavy vehicle routes within Kingston including consideration of the “last kilometre”. The outcomes of this work will be used to inform a future industrial land use strategy and to guide infrastructure investment, particularly in industrial precincts and their connecting arterial roads.

2. Regional Collaboration and Partnerships

Rationale
A paradox of the global economy is that it reinforces the importance of local “place” where firms cluster, jobs are located, infrastructure facilities and networks are concentrated and where people visit and live. In this context, the role of local government has become much more significant in economic development but to be effective, local government must adopt innovative and achievable goals in partnership with other tiers of government, business and the community.

The City of Kingston takes a very active approach to regional collaboration because, in an international context, it is regions that drive economic prosperity. Some of Kingston’s key regional collaborations include:

South East Melbourne Innovation Precinct (SEMIP)
The City of Kingston has taken a leadership role in the implementation of the South East Melbourne Innovation Precinct (SEMIP) initiative.

International research demonstrates that highly successful regions have a very strong culture of collaboration between research institutions and the business
community. This is currently not done very well in Australia. The SEMIP partnership is attempting to address this problem but there is no denying the challenge.

Melbourne’s south east is one of the most important economic regions in Australia. Geographically defined by the municipalities of Greater Dandenong, Kingston, Knox and Monash, the south east region has some of Victoria’s best publicly-funded research organisations coupled with technology and knowledge-based businesses.

The four Councils came together with Monash University, the Australian Synchrotron, CSIRO, and the Small Technologies Cluster to capitalise on the natural attributes of the region for the benefit of the community and the broader Australian economy.

These partners have been joined by some of the region’s leading innovative companies including Invetech, Siemens Australia, Minifab, Nulab Professional Imaging and many others. The SEMIP initiative was formalised by way of a Memorandum of Understanding in October 2009.

South East Melbourne’s strength lies in the high value-added transformative output of its globally focused advanced manufacturers that deliver thousands of jobs and billions of dollars of productive output and export income to the nation. Through the SEMIP initiative, businesses are being provided with access to cutting edge research and the opportunities to build collaborative business to business and business to researcher relationships.

**Prosperity for the Next Generation – a Regional Economic Strategy for Melbourne’s South East**

Over a period of 10 years the City of Kingston led the development of the *Regional Economic Strategy for Melbourne’s South East* which provided a long-term framework for the economic and strategic development of the region defined by the East Link corridor. The City of Kingston actively contributes to the implementation of identified projects where these projects have a benefit to Kingston and the broader region.

**Partnerships with relevant industry associations such as the Australian Industry Group (AIG), Victorian Chamber of Commerce and Industry (VECCI) and others.**

The City of Kingston has a long history of collaborating and partnering with relevant organisations, particularly industry associations, to provide local businesses with access to a wide range of business development opportunities in their local area.

Specific examples of this approach include environmental forums conducted jointly with AIG to assist companies reduce costs associated with energy, water and waste. Additional forums have focused on technology adoption to improve efficiency. The City of Kingston is also exploring a potential pilot project aimed at further supporting manufacturing in the region.

**Partnerships and collaboration with Victorian and Federal Government departments and agencies:**

The City of Kingston has a strong history of working with relevant government agencies to deliver programs and services to local businesses. In particular, Kingston delivers 8-10 Small Business Victoria workshops each year; provides
companies with access to Business Victoria's *Grow Your Business* program through the facilitation of a Business Sustainability group program; maintains a strong relationship with the regional office of the Department of Business and Innovation and with the Federal Government agencies of Enterprise Connect, Austrade and AusIndustry. These relationships ensure that the City of Kingston is able to refer local businesses to the most appropriate agency to support their needs.

3. Fostering Innovation and Technology Adoption

*Rationale*

There are major changes occurring within the manufacturing industry, which forms the heart of the City of Kingston's industrial areas. Manufacturing is continuing to be transformed by a series of technological innovations such as the integration of mechanical engineering with electronics and computer-aided engineering into the design, prototyping and manufacture of products and processes.

These are also forces such as the rise of China, which has become the factory to the world and is driving the price of manufactured goods down; the high exchange rate which impacts the competitiveness of local companies operating in a global market place; the blurring of production and service work as businesses seek to find niches in which they can operate; the rise of advanced business services as manufacturers seek the best advice to improve their efficiency; the growth in "knowledge jobs" rather than traditional production line jobs; the introduction of new manufacturing materials and techniques such as nanotechnology and the development of industry clusters which is seeing regions build on their local advantages to specialise in certain industries.

**National Broadband Network:** Businesses in Kingston have made it clear that early access to the National Broadband Network is vital for both their local and international competitiveness. For this reason, the City of Kingston has actively lobbied to be included in the early stages of the roll-out of this major infrastructure project. While significant areas of Kingston are now included in the 12 month and three year schedules, the major manufacturing areas of Braeside and Moorabbin are not yet on the program. Kingston will continue to advocate on this issue.

Kingston has also directed internal resources to ensure a seamless delivery of NBN services within the municipality. A part time project officer has been employed to manage the internal processes associated with the NBN and to develop strategies to ensure that the business community and Kingston's residents are equipped to derive maximum benefit from new and emerging technologies.

**Exposure to Emerging Technologies:** A primary driver for the City of Kingston's participation in the SEMIP initiative is to ensure that local companies are exposed to the latest emerging technologies emanating from the local research institutions.

**Technology focused workshops:** Over the past two years, Kingston has facilitated numerous workshops aimed at supporting businesses in adopting new technologies. Many have focused not only on using the web to support sales growth, but also on
ways of using new technologies to drive business efficiencies and process change. The use of social media has also been a focus.

Leading by Example: Within Council, the City of Kingston has adopted a very proactive approach to the utilisation of new communication tools as a way of demonstrating the benefits and encouraging businesses to adopt these practices for their own purposes.

4. Retail precincts

Rationale
Shopping precincts provide more than just a place to buy the weekly groceries. They provide a meeting place for the community. However, economic conditions and changing trends have led to dramatic drop in sales for many traditional retail outlets. There is clearly a structural change occurring in the retail sector as consumers change their shopping habits. The viability of many small retailers will be challenged unless they adapt to the multi-channel retailing concept. Retail precincts are also likely to see an increase in food, entertainment and services businesses.

Dedicated support. The City of Kingston has a dedicated resource to support local retailers. The role of Retail Liaison and Business Development Officer provides small businesses, particularly those in the many small shopping strips, with a seamless access point into council for all their enquiries.

Capital Investment: The City of Kingston has an extensive capital program to upgrade and enhance the amenity of its shopping centres. In 2011/12 financial year Kingston invested $845,000 in its shopping centres and has allocated over $2,100,000 for the 2012/13 period.

Retail specific training program: Recognising the structural change that is occurring in retail, the City of Kingston is delivering a comprehensive series of workshops aimed at assisting small retailers adapt to the new environment.

5. Business Education and Skill Development

Rationale
The rapidly changing economic and regulatory environment makes it imperative that business operators are able to access affordable and timely advice and business development opportunities. Small business operators in particular are often disadvantaged when it comes to updating their skills due to a lack of time and resources. To remain viable, businesses need to quickly understand the implications of emerging trends such as the impact of social media and the broader internet on buyer behaviour or the impact of a carbon price on their cost base.

The City of Kingston delivers over 20 business education workshops and seminars each year. A number of these are part of the Small Business Victoria program

In the 2011/12 financial year the following workshops were delivered:
Mentor Partners Program
In partnership with the City of Glen Eira, the City of Kingston runs the highly successful Mentor Partners Program which provides experienced volunteer business mentors to support small businesses. Since inception 10 years ago, this program has assisted over 300 small business operators.

A small business is matched with a mentor for a period of six months which allows for a strong relationship to be built and for the mentor to guide the small business operator over a period of time. This extended mentoring makes the Mentor Partners Program significantly different from the Victorian Government’s Small Business Mentoring Program.

6. Networking – Making Connections

Rationale
Business networking is the process of establishing a mutually beneficial relationship with other business people and potential clients and/or customers. Networks provide the opportunity for the exchange of business information, ideas and support.

CEO Roundtable
A monthly CEO Roundtable has been established to meet the needs of CEOs and Managing Directors of small to medium enterprises by facilitating meaningful knowledge exchange and peer-to-peer mentoring for leaders of non-competing organisations with frank, objective and confidential discussions.

The CEO Roundtable offers participants:

- The opportunity to enhance understanding of relevant economic and business issues.
- A professionally facilitated sounding board of peers, encouraging open discussion on initiatives, opportunities and challenges facing member companies.
• The creation of a fraternity of business leaders where insights and experiences are pooled, assisting in the development of corporate leaders and their businesses.
• The ability to compare and benchmark business practices across industries.

Rising Stars Roundtable
The Rising Stars Roundtable is a monthly forum providing emerging leaders with a confidential peer-to-peer support network in which to share, debate and discuss current business issues and challenges. The members of the Rising Stars are the CEOs of small businesses who may be relatively inexperienced or the next generation of a family business.

This group complements the highly successful CEO Roundtable that has been running in the local area for the past six years.

The Rising Stars Roundtable offers participants an opportunity to:
• Enhance understanding of relevant economic and business issues
• Learn and develop in the role of a business leader
• Sound out peers on specific initiatives, opportunities and challenges
• Compare and develop business practices

Both the CEO Roundtable and the Rising Stars Roundtable are run on a cost recovery basis.

Kingston Business Women’s Network
The Kingston Business Women’s Network (KBWN) has been established to support the many women running small businesses, particularly those who run their business from home. The network runs bi-monthly meetings in the early afternoon to allow women with school aged children to participate and still meet their family responsibilities. These meetings have a business development and education focus as well as providing a networking opportunity in a supportive environment.

In addition, KBWN run bi-annual lunches with high profile guest speakers on topics of relevance to a broad range of women in business.

7. Business Sustainability

Rationale
Two decades ago sustainability was introduced on the global scene as a viable means of meeting the challenges and threats faced by current and future generations. Increasingly, it is recognised that regional, national and international pressures from industry impact on local resources. The challenges for businesses in a low carbon economy will include rising production costs, rising operating costs and managing supply chain risks.

Business Sustainability Framework: The City of Kingston’s Business Sustainability Framework outlines a process for Council to work with local businesses and strategic
partners to increase the number of businesses participating in environmental management programs and initiating sustainable practices into their operations.

**Business Sustainability Group Program:** Utilising Department of Business and Innovation funding, in 2011 Kingston conducted a Business Sustainability Group Program to assist local manufacturers reduce costs associated with energy, waste disposal and water usage. The successful program will be repeated in 2012.

**Carbon Pricing:** Local businesses need to take account of changes expected from the implementation of carbon pricing. This is especially relevant to those involved in the manufacturing sector with a high energy usage. Kingston's approach focused firstly on ensuring businesses had the knowledge they required to understand the potential impact on their own pricing and to also recognise the opportunities this changing environment presented for them.

8. Advocacy

*Rationale*

*Businesses often find it difficult to have their individual voices heard by Government.* By listening to the concerns of local companies, the City of Kingston can put their case to the appropriate Minister.

The City of Kingston has advocated to both State and Federal Governments on a number of important economic and business related issues. Most recently, Kingston has vigorously pursued the early roll-out of the National Broadband Network for Kingston and the broader south east region of Melbourne recognising the importance of this infrastructure for the international competitiveness of local companies.

The City of Kingston has also made submissions to government in relation to 'Shaping Melbourne's Freight Future'; 'Parliamentary Inquiry into Manufacturing in Victoria'; the impact of payroll tax on employment intentions; the impact of land tax on manufacturers; inquiries into the automotive industry and the textile, clothing and footwear industry.

The City of Kingston will continue to advocate for the interests of local businesses whenever Council deems it appropriate. Any advocacy is informed by genuine consultation with businesses.

**LOCAL GOVERNMENT’S FUTURE ROLE IN ECONOMIC DEVELOPMENT**

In determining the respective economic development roles for each of the three tiers of government in Australia, there firstly needs to be a shared understanding of what constitutes economic development.

The City of Kingston adheres to the World Bank view that in simple terms the purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work
collectively to create better conditions for economic growth and employment generation.

Role for the Victorian Government

The City of Kingston accepts that there is an important role for Council to play in creating a local environment that is conducive to business investment and that supports local companies to grow and prosper. It is the success of these companies that will drive local employment opportunities.

However, it is clear that companies make investment decisions based on a range of criteria. Local government can influence some of these criteria but there are others which are the responsibility of either the state or federal government.

**Infrastructure provision:** Fundamental to the economic success of any municipality or region is its access to competitive infrastructure. This includes transport infrastructure, ports infrastructure, and telecommunications infrastructure. Those areas that are endowed with the best infrastructure will surpass other regions regardless of any local actions directed at economic development. Rational companies will make investment decisions based on the competitive advantage that they can derive from the respective locations.

Inefficiencies in the local transport system must be addressed, particularly the costs associated with movement of containers through the Port of Melbourne as logistical costs are a major determinant of competitiveness and therefore manufacturing location. Congestion on the Monash Freeway, which is the main arterial route to the port, adds significant costs to local companies. The establishment of inland container ports, including in metropolitan southeast Melbourne, should be fast tracked. A decision around the Port of Hastings, as the second container port for Melbourne, also needs to be progressed because of the significant lead time required to build the supporting infrastructure.

**Labour force skills:** The perennial problem of skill shortages is seen as a major constraint on the competitiveness of local manufacturers. Local government can provide opportunities for business owners to improve their business skills but the broader education and skill development of the workforce is clearly the responsibility of the Victorian Government. It is imperative that the changes to funding of the TAFE sector do not impact on the skill development of the Victorian workforce.

Furthermore, there is a need to develop better programs to integrate skilled migrants into the labour force in positions that are relevant to their skills and qualifications.

**Fostering innovation and collaboration**

As stated previously, the City of Kingston is actively involved in the SEMIP initiative to connect local companies with the publicly funded research institutions. There is an opportunity for the Victorian Government to work with the SEMIP partners and focus resources on supporting innovation and collaboration in a business to business sense and business to research institution.
The Victorian economy would also benefit from a comprehensive State Government strategy and additional programs to support and encourage businesses to embrace the opportunities associated with the National Broadband Network. As this major infrastructure project is rolled out across Australia, it will provide significant competitive advantages to those companies that are ready to adopt the new technologies that will be enabled.

Conclusion

The City of Kingston welcomes the Economic Development and Infrastructure Committee’s inquiry into local economic development and in particular, Kingston looks forward to the Committee’s findings on ways in which municipal councils and the Victorian Government can jointly support local economic development, enhance and promote employment and attract new investment.

The City of Kingston would be happy to provide further information to the Committee on any aspect of Kingston’s economic development activities.