Submission to Parliament of Victoria’s Economic Development Infrastructure Committee

The Surf Coast Shire takes this opportunity to respond to the Terms of Reference provided for this inquiry. As such Council responds in the following manner:

1. Local Government Development Programs in the Victorian Municipality

Local government generally has an extremely important role to play in economic development as it has the ability to influence and coordinate many and various drivers of economic growth.

Local government has the opportunity to act as an advocate, facilitator, investigator, planner and service provider that supports local business development to operate in an environment which is considered appropriate for the needs and desires of local business and citizens.

In the case of the Surf Coast Shire, the economic development program has an added key responsibility of tourism and the economic development associated with tourism development and operations.

The economic development initiatives associated with the Surf Coast Shire therefore have a strong association with remaining clean and green in order to ensure its main driver – tourism – remains the focus of the economic development program and business development associated with this municipality. Whilst there are other drivers in the community associated with construction and other key indicators such as the “surf culture”, the response to developing these initiatives does not always easily fit into an economic development program.

The sector specific economic development strategies associated with tourism and economic development associated with construction and business development in tourism enabled the Surf Coast Shire to have significant growth as the visitor numbers from tourism to the Great Ocean Road in 2011 was 7.73 million expanding to 10.5 million in the next fifteen years. In the case of the Surf Coast Shire, tourism and the economic growth associated with this sector is unique, the Surf Coast Shire contends specific municipalities with specific sector competitive advantages should ensure the economic development support from State and Federal governments should reflect local drivers and forge programs that suit individual municipalities. In this case, one size does not fit all.

The economic development program in the Surf Coast Shire also relies on strongly on the G21 Geelong Regional Plan and the Surf Coast Shire is a strong supporter of regional development initiatives and regional coordination. There are significant benefits from regional cooperation in promoting programs.

In the case of the Surf Coast Shire, there are significant business growth opportunities but in the case of visitors of the numbers indicated above, the Surf Coast Shire simply struggles to accommodate the public infrastructure expenditure that is necessary to support Victoria’s most important tourism asset – the Great Ocean Road and Bells Beach Surfing Recreation Reserve – the home of Australian surfing. With broad benefits from international and national tourism bringing significant expenditure to the state, increased consideration for
public infrastructure should be a special consideration for the Surf Coast Shire in order to maintain the competitive advantage for the State of Victoria.

In addition, the Surf Coast Shire believes the competitive advantages associated with the surf culture (estimated at well over $150m) require significant state government support in determining a surf strategy for the State in order to be able to compete with the Gold Coast which is steadily making inroads into the strength of surfing in Victoria. Already the Gold Coast has attracted many firms and has a stated policy of attracting more firms mainly from the Surf Coast Shire and Victoria.

The capacity for the Surf Coast Shire to be able to undertake programs of this size and capacity is beyond its resources.

2. The appropriate role of local and state government in generating economic development

The following are considered appropriate to support local government in a joint venture to continue to generate economic development:

2.1 Loss of Rural Development Victoria (RDV)

Rural Development Victoria was an outstanding department that had direct links with local government working closely with local government in generating economic development initiatives. The functions now with another department has severely stifled economic development initiatives as the new department is not equipped with experience or knowledge of local economic development initiatives. In addition, the new department has a much stronger community focus which is not in keeping with how business operates and will eventually complicate any development initiatives if the community is involved.

Rural Development Victoria was an outstanding department in that it provided close liaison and assistance to support local development initiatives in a confidential manner responding quickly to the needs of business – which is how business operates. Its lack of capacity has been a major blow to effective generation of local economic development initiatives.

In addition, Rural Development Victoria played a vital role in coordinating various government departments and agencies to be brought to the table in any economic development initiative. This proved to be outstandingly successful and reduced the times for approvals considerably.

2.2 Reduction in education leading to loss of innovation

The reduction in training programs through TAFE is considered a major blow to small business growth and reduces the opportunity for business to train employees, especially in an age of innovation and technology. A stronger focus on education is necessary, not only for employees but also for business owners who frequently work “in their business and not on their business” in developing new initiatives.
2.3 Support for economic infrastructure

The continued support for economic infrastructure is a major need for local government. The costs of providing roads, water, sewerage, power, drainage etc. are major costs in establishing locations for business development.

The government support for infrastructure grants must continue to extend to retail / CBD / commercial areas and be available for rural development initiatives - not only in industrial estates and any clusters of business enterprise. It is necessary for both local and State governments to provide the infrastructure which in turn leads to the opportunities for business to invest and the support for these programs needs to reflect the current costs and be based on a range of key criteria such as jobs created, investment estimated and benefit to the region – especially taking into account the unique nature of the locality / region.

2.4 Small business growth

Local government has a role in supporting small business but is not equipped to provide substantial support for business initiatives. It is necessary for both local and State government to identify a process where small business can continue to gain support and provide the necessary direction for small business. In the case of the Surf Coast Shire, our Economic Development & Tourism Unit comprises of four people, yet we have almost 3,000 businesses. Supporting businesses is beyond the capacity of Council to be effective in any way, shape or form.

2.5 New planning laws

The Surf Coast Shire understands currently is assessing the proposed new planning laws and its impact on rural development. While the proposed new planning laws are likely to provide economic development, it is of concern to the Surf Coast Shire that if there is unrestricted growth in rural areas then the provision of infrastructure to support those business initiatives is also going to increase. It is therefore necessary to control any development to already “existing infrastructure corridors” so as to reduce the drag on funds and resources required for new infrastructure for singular business developments.

2.6 Private investment on public land

In relation to the opportunity for private investment on public land which would assist economic development initiatives, the Surf Coast Shire concerned about the cost of any infrastructure that may be necessary to support these new initiatives.

2.7 Encouraging entrepreneurship which entails innovation

There is no doubt that small business and entrepreneurship is a key focus for growth, business investment and job creation. However, encouraging entrepreneurship and small business development is often restricted by planning laws, access to capital and sound fiscal planning. Consideration should be given to identifying those business opportunities that may receive some assistance to undertake new investment opportunities, subject to there being criteria associated with the outcomes of the development.
2.8 Consideration of the United States system to support business loans (access to credit)

The issues surrounding access to credit remains a difficult issue even though this topic appears to be more of a Commonwealth issue. This has worsened in recent times due to international conditions despite some efforts in early 2012 by the Commonwealth to address some concerns.

Access to credit remains one of the major issues for small business development.

It is the understanding of the Surf Coast Shire that in the United States, system banks, government and business work together to create loans for small business to a level or limit agreed to by the United States Government that is then in turn guaranteed by the United States Government. It is the Surf Coast Shire’s understanding that rate of default in such loans is miniscule. This is because the process of assessing the loans remains a rigorous process conducted through the banking system in conjunction with the Government. With access to capital growth, a major barrier for small business – investigation of a similar process in Victoria would be enormous assistance to generate new economic initiatives.

2.9 The development of long term programs between state and local government

The state and local government need to review its approach to economic development in terms of time frames. Both levels of government have perspectives that emphasis the bureaucratic and political imperatives that require rapid returns or results which deliver quick or visible programs. Economic development initiatives generally are long term programs with the larger, more complex programs taking up to two to three years to achieve significant progress. State and local government need to resolve more strategic initiatives which means the goals of the economic development program and the support for these programs can be resourced over a longer period to achieve economic investment, growth and jobs.

3. The difference between economic development roles between rural and metropolitan municipalities

The difference between rural and metropolitan areas is generally not well understood, either in terms of economic growth, population or other indicators.

What is certain is the perceived growth is not uniform among the regions, whether they are rural or metropolitan and consequently to compare the two, would require a whole range of indicators and research.

However, the Surf Coast Shire has interdependency on Geelong, not only to provide opportunities for jobs but also to provide a wide range of other goods and services, not readily available in the Surf Coast Shire. In addition, the opportunities for certain businesses to be established in a major regional centre such as Geelong, has a greater likelihood of success compared to a smaller area away from the general marketplace provided in larger centres.

Economic development in the Surf Coast Shire does not have the access to the major national or international resources associated with banks or markets, distribution services or
enterprises. In the Surf Coast Shire, what is necessary is to provide those services appropriate to the needs of its business community and supporting the key industry sectors of tourism. This however also brings a level of high connectedness. Daily migration of workers between two towns, the associated linkages and inters relationships that this builds up which generate an economic vitality more essential in a regional perspective.

In this case, it is more important to consider the development of those industry sectors that are going to provide real and measurable significance that benefit not only the immediate municipality but also the rural businesses and populations from both the rural and nearby urban centres.

It is also clear from research that any development of investments will not have identical impact and it is important to determine a range of “formulas” that benefit the businesses and jobs creation in a locality relevant to its size and relevant to its specific industry clusters that form the main drivers of that community.

From a rural perspective, encouraging growth in rural areas is paramount, especially in towns where there already are significant infrastructures (sewerage, water, power, etc.) that can cope with a significant increase in population numbers – currently the general thrust of the regional programs of the State.

It is considered important by the Surf Coast Shire that the differences of levels of economic activity needs to be considered relevant to each rural community compared to metropolitan areas. This difference is because of the different economic circumstances, general economic growth and vitality relevant in different regions in the state. In order to ensure assistance for any initiative a process that meets the requirements of general fiscal analysis or input/output frameworks needs to be developed to ensure programs benefit the community as a whole despite there often relative smaller size compared to metropolitan areas.

4. Barriers to local government development including but not limited to compliance, costs, planning delays and solutions to address these

The following are considered issues which need to be addressed:

4.1 Compliance costs
Small business has significant issues relating to compliance costs and not understanding compliance, particularly in relation to the many awards, changes in legislation and the implications that may affect their business. Despite much of this information being available on websites associated with both State and Federal Government, local business does not consider investigation of these issues and meeting the compliance.

Consequently many businesses are at risk and the lack of understanding by businesses, in particular small business, is quite alarming.

Solution – that the State Government together with Federal Government continue to provide opportunities at local level on compliance issues which has been undertaken in the past which is undertaken as part of the government program but should be extended to include more opportunity or partnerships with such industry organisations as VECCI.
4.2 Planning

Planning delays are very common in relation to economic development initiatives. In the case of the Surf Coast Shire, the Economic Development & Tourism Unit is aware of one attempt for development that has been waiting for seven years. The delay is not only due to the planning requirements but also the various changes of government policy and planning regulation which has contributed to the delay.

The process of economic development is dominated by planning which is considered paramount in obtaining the approvals for developments to proceed. Planning is only one of the steps albeit an important step.

In order for development to occur, a process must be developed that allows an early assessment process for significant developments that allows Council and communities to avoid the immediate reaction of “will the development be able to get a planning approval”. Planners too often second guess what might be objections rather than use the planning process to assist a development obtain an approval.

The whole planning process and its preponderance in the approvals process can be seen in numbers of staff in the Surf Coast Shire – Economic Development and Tourism staff – 4, Planning staff – 22.

Solution – that consideration be given to local government and state government establishing a “local economic review committees” to assist major initiatives and to help to smooth the way for any development. Planning would be one of those assessments along with the economic benefit to the community.

4.3 New planning laws

Of concern to the Surf Coast Shire will be the opening up of development in rural areas that may not have sufficient infrastructure to support access or the services necessary for that development. This means the public purse will be called upon to contribute to economic growth by way of infrastructure provision.

Consideration should be given to development corridors or clusters of development where infrastructure is more readily available thereby focussing developments in areas and leaving the rural character in other areas where there is less access to infrastructure.

Solution – In developing the unrestricted use for rural zones for development, more consideration be given to developments occurring nearer access to infrastructure.

5. Ways in which municipal councils and the State of Victoria can jointly support local economic development, create new employment and investment

The following is the suggestion from the Surf Coast Shire to support new development and investment together with job opportunities:

5.1 Developing a sense of development surety

Most successful economic development initiatives, whether they are private investment or otherwise, rely on a sense of having a degree of support and surety in the initial stages.
Already mentioned in the Surf Coast Shire comments relate to a broader sense of coordination very much like what was undertaken through the approach to developing the “Economic Development Plan” undertaken by the Department of Economic Development, Tourism & Arts in Tasmania. This approach identified a process and gave business a sense of assistance by developing a vision and setting out the criteria that would encourage economic development based on good governance.

This approach is also considered in recommendations undertaken by the OECD in various publications on initiatives for investment and economic development and the principles associated with the publication “Policy Frameworks for Investment 2012”.

The Economic Development Plan set out by the State of Tasmania took a whole of government approach to economic development, much like what was being undertaken by Rural Development Victoria, before its general reduction in status that provided outstanding process and support to local growth.

The governance principles for economic development planning indicates setting a long term vision and developing guidelines for decision making and resource allocation that ensures a consistent development approach based on the strengths of the local or regional economy – over a period of many years as major development initiatives often take more than two years to evolve.

5.2 Continue supporting infrastructure and feasibility planning

The high cost of infrastructure and feasibility planning would be a burden for local government without the support of State support. Without this support many economic developments would not proceed.

5.3 Rebuild State capacity for effective economic development with local government

The loss of an effective RDV was a severe loss to supporting economic development in rural areas.

The State Government must consider an effective economic development department dedicated to a whole of government approach to support growth in the state. This department must have local officers in local government areas working closely with local government.

In addition this department and local government should also be the first step in supporting new initiatives – not an application to the planning department in a local council as this immediately starts a legal process set in the planning laws and regulations.

The role of the department officers and local government is to work with developers and business to prepare their development proposals more effectively in order to increase their chances of success and reducing the time for approvals.

The earlier intervention process would allow development to be more effectively addressed. Thus, ensuring the development proposals when submitted for any approvals process have a greater chance of success and includes all necessary information or assessments making the approvals process smoother.