31 August 2012

Mr Sean Coley
Executive Officer
Economic Development and Infrastructure Committee
Parliament of Victoria
Parliament House, Spring Street
EAST MELBOURNE VIC 3002

Dear Mr Coley

Re: Inquiry into Local Economic Development Initiatives in Victoria

The Victorian Employers' Chamber of Commerce and Industry (VECCI) welcomes the opportunity to provide a submission to the Inquiry into Local Economic Development Initiatives in Victoria.

In making this submission, VECCI has focused on those issues in the Committee's Terms of Reference that we consider are most relevant to local government economic development. Specifically:

- The appropriate role of local government in generating economic development and the allocation of responsibility in this area with the State Government.
- Whether the role of local government in rural and regional areas has different economic development tasks to that of metropolitan based municipalities.
- The barriers to local economic development.
- Ways in which municipal councils and the Victorian Government can jointly support local economic development, employment and investment.

The Role of Local Government in Generating Economic Development

Both local and state governments play a key role in supporting economic development throughout Victoria. While the State Government's role consists largely of ensuring overarching economic policy settings, the regulatory framework and infrastructure (both hard and soft) are conducive to business and community growth, local government plays its role through the management of key business and community services, infrastructure, regulation (particularly in planning and building approvals) and the promotion of local economic strengths and opportunities. Together, these elements are vital to ensuring that Victoria remains economically strong and culturally vibrant.

Local government economic development initiatives can have a major impact on business development, particularly where they are responsive to local needs, can be delivered quickly to address specific issues, highlight barriers to local economic development (including infrastructure needs), encourage local business collaboration, and link closely to wider community development initiatives. Local government's role in the planning and building permit system is also vital to supporting business growth and investment, and an area where barriers and compliance costs (in terms of time and money) can have a major adverse impact on business growth.
The Economic Development Role of Local Government in Rural and Regional Areas

The economic performance of Victoria’s regional and rural communities over the past decade has been a standout feature of the state’s overall economic growth.

However, the challenges for regional and rural Victoria are significant and need to be addressed through cooperation between local and state governments.

While many of the activities that should be undertaken to support continuing economic development in Victoria’s regions are the responsibility of the State Government, key initiatives that should be undertaken in partnership with local governments include:

- An analysis of Victorian inter-regional comparative economic advantages and synergies in order to determine the allied infrastructure improvements that are needed to support increased region-to-region and region-Melbourne connectivity.
- Supporting the implementation of natural icon infrastructure projects in regional Victoria as identified by Parks Victoria (including the Twelve Apostles, Wilson’s Promontory and Phillip Island Nature Park).

Rural Council funding arrangements must also be reviewed, and options examined to improve infrastructure and service delivery standards while enhancing the longer term financial sustainability of rural councils.

VECCI takes this opportunity to highlight the economic development challenges faced by local government in interface areas (including the Cities of Casey, Hume, Whittlesea and Wyndham, and the Shires of Cardinia, Melton, Mitchell, Mornington Peninsula, Nillumbik and Yarra Ranges).

These areas already play and will continue to play a vital role in supporting outer metropolitan growth specifically, and Melbourne’s growth overall.

However, interface councils face particular challenges in supporting local economic development due to their role in accommodating significant population and labour force growth, managing green wedges, supporting agriculture production and managing a sizeable share of Melbourne’s local road network.

Interface areas are characterised by relatively low average incomes, poor educational and health outcomes, high unemployment rates and high levels of youth disengagement in regard to higher education and workforce participation.

Local employment prospects in interface areas are weak. Higher order services (TAFEs, courts, libraries, hospitals) are inadequate in many areas and public transport options are limited.

It has been estimated that $9.5 billion in new or upgraded infrastructure and services will be needed over the next 15 years in order to close the gap in existing service standards and accommodate the projected increases in population in interface areas.

A sizeable share of this investment will need to be made in public transport ($5.3 billion), with the remaining $4.2 billion devoted to kindergartens, schools, hospitals and libraries. It is estimated that this infrastructure spend would generate up to 40,000 new jobs, either directly, indirectly or through multiplier effects.

VECCI therefore recommends the following actions to enable the continuing economic growth of interface areas:
• Fast track the implementation of complementary interface area infrastructure (e.g. public transport, education, aged care, hospital, library and waste-management services) to support local area growth.
• Undertake a benchmarking study to determine the comparative cost of doing business in different interface areas in Melbourne in order to facilitate efficient investment and locational decision-making.
• Develop a Melbourne Interface Area Investment Profile that highlights the top 10 interface area ‘investment ready’ infrastructure projects, in order to highlight private investment opportunities.
• Undertake gap and opportunity analysis to identify priority ‘creative’ infrastructure investment opportunities (including cultural, recreational and arts-related infrastructure) in order to attract and retain creative and entrepreneurial residents, and support innovation, small business development, tourism and associated employment opportunities in our important interface areas.

**Barriers to Local Economic Development**

Improving and streamlining business regulation can play a key role in increasing business investment and improving productivity. The effects of numerous changes to regulations – or inefficient or inconsistent regulatory processes - can be damaging, leading to lost confidence, lost markets and a disincentive for risk-taking, productivity and entrepreneurship.

In order to support economic development throughout Victoria, it is necessary to ensure that the regulatory environment is conducive to providing confidence, certainty and clarity, while supporting innovation and investment.

While much of the regulatory burden on businesses lies within the remit of the Commonwealth and Victorian Governments, local government also plays a key role, particularly in relation to land-use and building permits.

In a recent survey of over 300 VECCI members, 81 per cent reported that regulatory compliance was impacting on their business in either a moderate or major way. Complying with regulatory requirements has also impacted on their willingness to invest, with 20 per cent deferring investment plans and 16 per cent changing investment plans as a result of the compliance burden. Hiring intentions were also affected, with 21 per cent reporting a deferral and 23 per cent changing hiring plans.

The areas of regulatory burden identified as ‘hot spots’, where an improvement would have a major impact on business competitiveness, include OH&S and WorkCover compliance costs, consumer protection laws and state taxation compliance.

Of particular significance to this inquiry, 26 per cent of respondents indicated that improvements to planning approvals processes would have a major positive impact on their business competitiveness over the next 12 months.

Improvements to ensure that standards and application requirements are better communicated, support for pro-active engagement between applicants and local governments, and a streamlined approvals processes would all deliver greater confidence and support business growth and investment, as well as minimising the administrative burden on local councils.
Supporting Local Economic Development, Employment and Investment

Victoria needs to streamline decision making processes associated with major project approvals throughout the state. VECCI has for some time advanced the importance of implementing a Major Projects Act that streamlines and fast-tracks planning approvals for major projects along the lines of the Major Transport Projects Facilitation Act. To give weight to the Act's operation in practice, it would fall within the responsibility of the Premier, ensuring a whole of government approach to major projects approval.

Accompanying institutional reform is also needed to speed up decision making, and deliver consistent and clear outcomes, and for this reason we support the creation of an inter-agency strategic approvals body with the authority to issue all relevant approvals relating to major projects. This approvals body would liaise closely with relevant local governments to ensure community needs are taken into consideration, but would deliver a consistent and streamlined approvals process.

The building approvals process must be made more efficient to allow multiple steps of the approvals process to take place concurrently, in order to reduce waiting times. Building Standards vary widely across Australia, not just state to state, but also region by region within each state. VECCI believes a review by COAG of cross-jurisdictional building standards would be timely.

Town planning control must be reviewed, particularly for smaller projects and small businesses, to introduce 'as-of-right' development where appropriate, to ensure regulatory oversight is appropriately allocated according to risk.

The cost of construction in Victoria is also a barrier to business investment across the State. VECCI supports the recent establishment of a national inquiry into construction costs and productivity.

There are considerable opportunities for tourism investment to support the economic growth of Victoria's regions. Very recent State Government proposals to reform the Commercial 1 and 2 zones are an important step towards facilitating new investment by the private sector. They recognise the ever-changing nature of business that requires flexibility around not only increased scale, but also the way in which available land and premises are used.

The removal of permit restrictions relating to tourism uses will benefit the sector. Regional Victoria will also benefit from changes to rural zones that are designed to minimise the requirement for planning permits for certain agricultural activities and remove the restrictions on complementary business uses in some zones.

VECCI recently welcomed the State Government's response to the Victorian Competition and Efficiency Commission's inquiry into the tourism industry which has lifted restrictions on private sector investment in national parks.

This will encourage further investment in appropriate, environmentally sensitive projects that will not only stimulate tourism, but act as an additional asset and point of pride for local communities in Victoria's regions. We urge local governments to work effectively with the State Government to ensure these changes are made swiftly and managed properly.

Of course, in practice regulations must also be effectively implemented and interpreted to ensure clarity, and this highlights the important interface between the role of state and local governments.
Local governments have an important role to play in highlighting the infrastructure needs of local communities – including needs that are ultimately the responsibility of state or federal governments.

Important infrastructure investment decisions should be determined on the basis of shared agreement between decision-makers, business and the wider community around short, medium and longer infrastructure priorities that support state economic, social and environmental objectives. Local governments play a vital role in bringing together key stakeholders to seek broad community endorsement.

Conclusion

Economic development initiatives that drive growth and sustainability across Victoria require a clear and cohesive relationship between state and local governments that ensure that:
- Regulatory burdens are minimized.
- Development is supported through a clear, consistent framework, with policy intent delivered through efficient implementation processes.
- Local needs, including challenges relevant to particular regions, are clearly identified, communicated and advocated.

We would welcome the opportunity to discuss these issues with you in further detail if required.

Yours sincerely

Mark Stone
Chief Executive