Submission to the Inquiry
into
Local Economic Development Initiatives in Victoria

Dear Committee Members

Frankston City Council has made a submission to you. I endorse that submission. There is, however, two additional submissions I wish to make.

Summary

1. Your terms of reference include both the identification of barriers to local economic development in municipalities and the development of solutions to address these barriers. The majority of businesses are tenants, not landowners. Unlike residential tenants, commercial and industrial tenants are not entitled to a vote in local council elections in their own right. They should be. Without a vote, Councillors and Councils have less incentive to work with and for local business needs and aspirations. This can be rectified by giving commercial and industrial tenants a clearer entitlement to vote through the Victorian Local Government Act 1989.

2. Your terms of reference also include an examination of the ways in which municipal councils and the Victorian Government can jointly support local economic development, promote employment and attract investment, especially in localities with emerging economic potential. The Victorian Government is presently being given expert advice (nationally and internationally) about business opportunities in clean, green technology and industry. This information should be shared with local councils, so that strategies can be developed by both tiers of government working together to attract targeted industries and companies into the most appropriate localities in Victoria.

1. Businesses paying rates deserve a vote in council elections

Sections 11 to 20 of the Local Government Act 1989 outline who can vote in Council elections. The right is given to all residents, whether tenants or landlords. The right is also given to owners of rateable properties who are not residents in any ward. In principle this makes sense. The owners of land are technically the ratepayers – the ones who are liable to pay council rates that are assessed through the value of the land they own. However, this is not necessarily how it works in practice. Whilst the owners of residential properties that are tenanted pay the rates on the property they own, as a general rule the owners of commercial and industrial properties who have tenanted their properties do not. According to the business community, the overwhelming majority of businesses are tenants, not landlords. Business tenants are normally signed-up on standard-form REIV or Victorian Law Institute commercial and industrial leases. These standard forms make tenants liable to reimburse their landlord for the full cost of council rates imposed from year-to-year.
Despite the fact that they may be ratepayers, the ability of business tenants to vote can only be claimed through a tortuous route. If they are signed-up under their contract to pay the landlord’s rates on a property that they occupy, they can claim a vote provided that they seek and obtain the landlord’s consent in writing (in Frankston through a special form). They can also claim the right if they are named on the Council’s rate records to receive the rates notice. Frankston Council figures illustrate that these avenues are rarely used – in fact so rarely used that they are virtually redundant. For the purpose of assessing rates, Frankston City Council listed a total of 4,484 properties as commercial and industrial in its budget for 2012-13 – 3,585 of which were located outside the Central Activities Area. As previously submitted, the overwhelming majority of these properties are tenanted. Applications by occupier ratepayers to go on the role to vote in the Council elections to be held in October this year needed to be submitted in Frankston by 31 August 2012 (- last Friday). Only two occupier ratepayers have obtained their landlord’s consent in writing to go on the roll to vote. According to Council officers today, the amount of businesses eligible under the second route (– being present on the Council’s rate records to receive rates notices) was ‘negligible, if any’.

Although I do not have figures to give you, anecdotally many business tenants in Frankston will still be able to vote as residents. They will vote in the ward where they live, not where they work and do business. However a very substantial number of business tenants live outside Frankston (for instance in Mt Eliza, Mornington, Carrum, Chelsea, and Mordialloc). Even though they pay the rates, they will have no vote in the coming elections. This leaves Council less accountable to Frankston business than it should be. Theoretically, Councillors representing, say, the Carrum Downs Industrial Estate (in the East Ward) or the industrial areas around Hartnett Drive (in the North West Ward) receive little incentive through the ballot box to work hard for business people in those areas – many of whom may not live in their wards. Similarly Councillors who arguably vote against the interests of businesses in their wards can do so knowing that they are unlikely to be markedly affected at the next election.

Every encouragement should be given to local decision makers to support and work with local businesses. The current voting process does not provide this encouragement. It should be changed. Only one vote should be given to any single voter. However, commercial and industrial property owners and tenants who are also residents should be entitled to choose the ward in which they would like to vote – where they do business, or where they live. Business voters who are tenants under a commercial lease should be able to enrol to vote without going through the cumbersome process of obtaining their landlord’s consent. *The Local Government Act 1989* should be amended accordingly.

2. Government co-operation can create industry opportunities

I am a Frankston Councillor (since 2008 - Mayor in 2010), a Board member of the Victorian Local Governance Association, and a sitting member of the Victorian Local Sustainability Advisory Committee. I am making this submission as an individual, and
the views expressed here are my own. I only mention these associations because through them I have become aware of the significant knowledge and experience that is currently being developed in clean and green industries at a State Government level. I’m keen to turn this knowledge into results in my municipality.

My interest was first peaked when I learnt of the work of the Industry Sustainability Working Group (ISWG) operating out of the Department of Business and Innovation. It appeared to be a high-level advisory group made up of business CEOs/executives advising the Minister for Small Business on two very important levels – how Victorian industries can work more sustainably; and what green industries could be attracted to Victoria. Indeed, I understand that members of the ISWG accompanied Premier Baillieu on his recent trip to India to investigate clean industry opportunities for Victoria, with another trip planned to China. As a consequence, the ISWG could now offer State and local governments a national and international perspective. My initial idea was to try and tap into this knowledge and experience so that it could be shared with local governments. This would assist local government (which is generally short on such knowledge about but big on enthusiasm for clean and green industries) to both identify the type of industries that would be suited to their localities and focus local governments on which companies to attract. A regional grouping of councils such as the South East Metropolitan Councils (Frankston, Dandenong, Kingston, Casey, Cardinia, Bass Shire, and Mornington Peninsula Shire Councils) could host a round table bringing together relevant members of the ISWG, DBI and the CEOs of interested Councils in the South East region. This would allow for the exchange of knowledge by the experts that would help guide the CEOs and Economic Development Managers of local councils to be aware of and target appropriate opportunities for their municipalities. Incentives that would attract targeted businesses could also be considered.

I have now met with the South East Metropolitan Councils and the DBI to put this idea to them. As a result we are working together to refine, then deliver, the concept. The event is scheduled to take place in early November at the DBI, and is being driven collaboratively. However, this experience has made me wonder whether other business opportunities are being missed. The State Government is likely to be developing expert knowledge in a range of industries. This work will be maximized if it is shared with relevant local councils to help build practical outcomes on the ground.

****

Thank you for your consideration of these most important issues. I would appreciate the opportunity of giving evidence in person to your inquiry if that option is available to submitters.

All the very best with your work.

Cr Christine Richards
Frankston City Council
3 September 2012