Regional Development Australia Gippsland Submission
July 2026

Submission 78- Regional Development Australia Gippsland (RDA Gippsland) - Reducing barriers to business dynamism- Public inquiry

Background/Reason for Inquiry

The Productivity Commission has been asked to complete an inquiry into reducing barriers to business dynamism in Australia. Regulatory and administrative burdens faced by businesses and insolvency frameworks for both corporations and individuals will be key topics covered. The processes of businesses setting up, expanding and closing, business dynamism, are an important contributor to productivity growth. When unnecessary barriers get in the way, we miss out on potential productivity gains and the economic growth that flows from them. Reducing these barriers could help address Australia's recent poor productivity performance.

Scope of the Inquiry

The Commission is to investigate regulatory barriers to business dynamism and recommend actionable reform options that increase productivity, the entry of new firms and the expansion of existing firms. In particular, the Commission should:

1. Identify and evaluate key processes and barriers to business entry, expansion and exit, including but not limited to:
    a. regulatory and administrative burdens, including access to capital markets, business registration and industry-specific licensing;
    b. the design, operation and integrity of corporate and personal insolvency frameworks, encompassing consideration of:
        - – whether there are net benefits of greater harmonisation, particularly for small business owners who may need to navigate both systems simultaneously; and

   - – whether they support the efficient allocation of resources across the economy in a manner that preserves system integrity and deters corporate misconduct.

2. Examine the economic impacts of these processes and barriers, including effects on productivity, innovation, investment, and employment. Where possible, the Commission should support its analysis with economic modelling.

About Regional Development Australia Gippsland (RDA Gippsland)

Regional Development Australia Gippsland is one of over 50 RDAs established by the Australian Government. RDA has a ministerially appointed membership who share a commitment to improving regional economic development, capability and growth. RDA's advance economic development, attract investment and create jobs across Australia. They identify economic opportunities and leverage private and public sector investment into regions; they engage across government, business and community organisations to develop confident regional economies that harness their competitive advantages. In Victoria, RDAs are also supported by the Victorian Government.

RDA Gippsland Feedback

RDA Gippsland welcomes the opportunity to contribute to the Australian Government's understanding of greatest barriers for operating a business in Australia. RDA Gippsland hopes its contributions will support improved operating environments for business, resulting in improved productivity performance nationally.

Part 1 – Five Priority Areas for Investigation into Barriers to Business Entry, Expansion and Exit

RDA Gippsland has provided specific responses under each of the five identified priority areas for investigation into barriers to business entry, expansion and exit below. The responses cover the key issues, impacts and suggestions for improvement under each priority area.

1. Administrative and regulatory costs of starting a business.

These include the requirements a firm must meet to start or grow a business, such as employee set-up regulations (setting up pay as you go, for example) or administrative obligations (like obtaining an ABN).

Key issues:

1) Gippsland has a skewed profile of businesses that have developed over the 100-year period of servicing the coal fired power and forestry industries – leading to a large number of specialised small to medium - size businesses, delivering highly skilled, niche services.
2) Regional businesses are faced with additional enabling infrastructure costs to their metropolitan counterparts including high-speed internet and technological advancements.
3) Regional businesses have limited freight options for bringing in stock and export delivery.

Impacts:

1) Large clusters of specialised businesses that are geographically placed, suffer disproportionately and are under strain when significant government policy results in changed operating conditions and substantial loss of income.
2) Business efficiencies are diminished, limiting profitability. Automation, robotics and digital technologies are needed to stay competitive.

3) Increased costs to access limited freight lines and often less frequent freight options, impacting on business timeframes and reliability of operations.

Suggestions:

1) Incentivise business to pivot into new industry sectors, in a staged and planned manner, to provide adequate time for orderly transition to enable business to 're-tool' and maintain a viable operation.
2) Fund improvements to internet and telecommunications infrastructure in rural and regional locations for equitable access to metropolitan levels. Support for business upgrades to automation and robotics where efficiencies can be achieved.
3) Improve freight connectivity across key corridors, including last-mile upgrades, heavy vehicle routes and stronger links to ports and export supply chains. Develop regional transport and logistic hubs linked to key assets such as ports, airports, rail terminals and intermodal freight facilities.

2. *Australia's innovation ecosystem.*

This includes support and incentives for innovation and entrepreneurs, rules and stigma regarding business failure and risk protection systems to support entrepreneurs.

Key issues:

1) Gippsland has historically low levels of innovation, evidenced through work commissioned by RDA Gippsland. This is driven, in part, by an economy built on traditional industry sectors eg. coal-fired power. In recognition of the disadvantage associated with low levels of innovation, the RDA supported a business case to assess how to address the lack of concentration of innovation and effort across small business.
2) Lack of high-speed internet continues to serve as a barrier to business.
3) A recent report from South-East Melbourne Manufacturers Alliance (SEMMA) on business performance, revealed that in 2025/26, 318 Victorian manufacturers closed their doors – inability to keep pace with innovation and to remain competitive, would feature as a major contributor to their failure.

Impacts:

1) Low levels of innovation create challenges for businesses in rural areas, restricting growth, compounded by tyranny of distance and lack of suitable mechanisms with which small business can connect with similar businesses, to drive research and development.
2) Business efficiencies are not able to be achieved, limiting profitability.
3) Manufacturing businesses exiting the market which has supply chain impacts across all industries.

Suggestions:

1) Collaboration and partnership opportunities for businesses in remote areas to increase innovative solutions to business operations.
2) Fund improvements to internet and telecommunications infrastructure in rural and regional locations for equitable access to metropolitan levels. Support for business upgrades to automation and robotics where efficiencies can be achieved.
3) Better support systems in place for manufacturing businesses with rising costs to ensure closures are a last resort.

3. Human capital and management capability.

This includes managers' and owners' abilities to start and grow a business, covering things such as skills and risk appetite.

Key issues:

1) Building a viable and resilient small business is a complex and challenging task, often realised at the point of operationalising. Given the isolation of regional and remote communities, approaches which prioritise mentoring hubs, small business innovation clusters and start up initiatives could provide initial and ongoing support.
2) Regional businesses have reduced access to a skilled workforce due to smaller populations and fewer education and training opportunities.
3) Limited staff accommodation in regional and rural areas is a significant barrier to accessing workforce.

Impacts:

1) High percentage of business failures within the first five years.
2) Inability to fill vacancies for required business operations; Expensive and time-consuming on-the-job training for workers who are not appropriately qualified.
3) Inability to fill vacancies for required businesses operations.

Suggestions:

1) Subsidise sessions with local business advisers to critically appraise business plans and assist aspiring business owners in setting up the systems and procedures they will need to be successful.
2) Subsidise training for regional workers, including travel and accommodation costs for those who have far to commute to undertake training.
3) Further subsidies for regional businesses to build custom staff housing in close proximity to work locations.

4. *Capital markets.*

This includes firms' ability to use bond and equity markets, private equity, venture capital and angel investment to access finance. We will also consider firms' ability to access capital outside of capital markets, including through bank finance.

Key issues:

1) Regional food and fibre businesses are faced with additional barriers to taking the next step in expanding business capital due to access and limited professional services in some locations.

Impacts:

1) Gippsland exports a large quantity of raw products across its renowned dairy, beef and horticulture sectors, but these agricultural exporters are limited in their ability to produce value-added products for export which could contribute even greater economic value to the region.

Suggestions:

1) Professional services support for regional agriculture producers to better understand and identify value-add market opportunities.

5. *Transfer of successful businesses.*

This relates to the ease with which successful, profitable and liquid businesses can be restructured, acquired, transferred to families or employees, or wound up.

Key issues:

1) Building a viable and resilient small business is a complex and challenging task, often realised at the point of operationalising.
2) Family grievances due to the stress, overwhelm and complexity of transferring businesses.

Impacts:

1) High percentage of business failures within the first five years.
2) Breakdown of family networks and sometimes business successes.

Suggestions:

1) Approaches which prioritise mentoring hubs, small business innovation clusters and start up initiatives could provide initial and ongoing support.
2) Improved support systems and access to professional services for families in the process of transferring business.

General comments on barriers to business entry, expansion and exit:

In regard to seeking feedback to this Inquiry, we suggest the language used to articulate the topic 'Reducing barriers to business dynamism' may not be accessible for all relevant stakeholders to respond to. Perhaps a more simplistic approach and understanding of the inquiry topic could be adopted such as 'Reducing the barriers for Australian businesses to enter, expand into and exit markets'.

Part 2 – The Design, Operation and Integrity of Insolvency Frameworks

In regional communities, businesses are embedded in long-standing social, economic, and community networks. An insolvency can, therefore, have consequences far beyond any individual business.

Regional businesses often:

- Employ a significant proportion of the local workforce.
- Act as major purchasers from local suppliers.
- Sponsor sporting clubs, community events, and charities.
- Have owners and managers who are deeply connected to local institutions and leadership networks.
- Contribute to the identity and reputation of a town or region.

As a result, insolvency can represent not only an economic event but also a social and community disruption.

Insolvency frameworks must seek to balance place-based sensitivities in connected regional communities with a sense of economic renewal. Business failure in regional communities is rarely private multiple layers of distress and hardship throughout community.

Unfortunately, the sense of connection and community that keeps many regions strong can also be the barrier to business owners seeking financial and restructuring assistance early. Reputations in regional communities can keep businesses operating to the point of collapse due to a range of factors including a lack of knowledge, a desire to keep the details of a faltering business private, pride, a lack of access to timely, experienced and well credentialled confidential support.

Traditional insolvency frameworks focus on maximising creditor returns and reallocating resources efficiently. In regional contexts, policymakers may also need to consider:

- Preservation of local employment
- Retention of critical skills and capabilities
- Maintenance of local supply chains

The closure of a large regional employer can trigger:

- Worker outmigration
- Increased unemployment and non-participation
- Reduced demand for local businesses
- Falling investor confidence
- Loss of community leadership and volunteer capacity
- Community anger and fracture
- Supply chain contraction

These effects can persist long after the insolvency process have concluded.

A place-based approach recognises that while insolvency may be economically necessary in some circumstances, the way it is managed can significantly influence the long-term resilience and prosperity of regional communities.

Insolvency frameworks designed primarily around economic efficiency risk overlooking the unique characteristics of regional communities. Effective policy should acknowledge the role of reputation, social capital, and place-based relationships in shaping business behaviour, while ensuring that restructuring and insolvency processes contribute not only to economic renewal but also to community resilience and regional development.

Any questions regarding this submission can be directed to Sara Rhodes-Ward, Director Regional Development, RDA Gippsland. We welcome opportunities to discuss or engage on these points further.

Yours sincerely,

Kellie O'Callaghan
Chair
Regional Development Australia
Gippsland