Creating a more dynamic and resilient economy inquiry

Questionnaire response 17

Name: National Growth Areas Alliance

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1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

Local governments are pivotal in shaping business environments and can influence whether investment is encouraged or restrained and subsequent economic outcomes that can have implications at the local, regional and national scale. Australian businesses cannot be established or expanded without the involvement of local government. Local governments are responsible for land-use planning, zoning, development approvals, rates, and the provision of local infrastructure, all of which directly influence private sector investment decisions.

Economic resilience is foundational to creating resilient, liveable, thriving communities. Research has demonstrated that investment in local economic development has benefits beyond the local economy, including improved outcomes for employment, networking, health, community cohesion, and social equity. However, studies highlight that local governments often face challenges such as limited resources, fragmented institutional frameworks, and short-term planning horizons that can impede their effectiveness in supporting economic development . A 2018 report by the Victorian Auditor-General (VAGO 2018) found that a wide range of variables influence economic development in municipalities. Many of these are beyond the direct control or influence of local governments.

Growth areas councils are particularly constrained in their ability to support economic development in their areas when simultaneously dealing with pressures of residential development and population growth at rates at twice the national average. As a result, a high proportion of the resident workforce in growth areas need to travel outside their area for work, leading to congestion, long commute times and diminishing productivity. In 2021, there were around 810,000 less jobs than employed residents in growth areas, an increase of 18 percent from 2016, and 33 percent from 2011. This reliance on jobs outside of the local area is trending upwards and has knock on effects of worsening daily congestion across and a range of detrimental environmental, social, and economic impacts. NGAA research indicates the annual cost for long distance commuting paid by workers in the outer growth suburbs is $5.6 billion. Compounding this, avoidable congestion costs in Melbourne alone were estimated at $4.6 billion in 2015.

However, local governments can and do play an important role in facilitating better conditions for economic development within their municipalities. Councils' roles include devising long-term economic development strategies, and creating suitable conditions for economic development. For example, business investment has been a key goal for the City of Playford, in Adelaide's north. On the one hand, Council has supported this growth through the reduction of rates for the business sector by up to 40 percent over 13 years, following the adoption of its new Commercial Rate Strategy in June 2014. Over the same period, Council has been facilitating the development of the Lyell McEwin Health Precinct (LMHP) which is a high-tech, smart health hub on land surrounding the Lyell McEwin Hospital in Elizabeth South. The objective is to create an interconnected health precinct featuring tertiary training, research capability, allied health facilities and residential accommodation designed to serve the needs of northern Adelaide and the regional areas beyond. After developing the LMHP masterplan Council has been unlocking key Council-owned sites in the precinct for private and state investment to support expansion of the Lyell McEwin Hospital. To date, this has included Fluid Solar House, Elizabeth Vale Centre Northwest development and ACH Healthia, an aged care complex and university training centre. Growth areas councils require greater support and financial resources and state and federal investment to help improve economic development and encourage business development.

The economic contribution of growth areas nationwide is significant. Combined, they account for over 12.2 percent of GDP (despite representing around 5.5 percent of Australia's 545 Local Government Areas) and 13.7 percent of jobs. The local economies of Australia's growth areas are currently underpinned by specialised manufacturing, transport, warehousing, and wholesale trade industries. Recent research highlighted the favourable macroeconomic outlook for these industries which will support continued growth.

Sustainable economic growth relies on expanding the local economies. The economic potential of Australia's growth areas is substantial. They account for a large proportion of capital city future employment lands. Development of these lands requires investment in enabling road, transport and utilities infrastructure to attract and grow businesses in these areas. Growth areas require targeted investment to support sustainable economic growth aligned with population growth to create more employment opportunities within the growth area municipalities. This investment needs to be focused on creating long-term viable economic activity rather than short-term construction jobs, and target industries where there are obvious gaps such as professional and financial services. Key elements of a longer-term investment strategy include developing land zoned for industrial and employment precincts, and protecting it from encroachment by sensitive uses, improving the public and private transport infrastructure both within growth areas, and connecting growth areas to other employment hubs, higher education, and major centres.

The NGAA welcomes this Productivity Commission consultation on improving productivity by creating a dynamic and resilient economy. However, the NGAA believes the focus on corporate tax reform is only one limited feature of Australian business environment that encourages or restrains investment. The NGAA believes that creating a dynamic and resilient economy requires a holistic reform of revenue and expenditure related to business and industry. If corporate taxes are to be reduced for example, the government should consider other sources of revenue, such as reform of capital gains tax or land tax where funds can be directed to long term strategic government investment in infrastructure in growth areas enabling businesses to be established and grow and generating economic development that supports thriving resilient communities.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

   See above

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

   See Above

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

Home based and micro businesses are also key elements of the growth areas' local economies. Small businesses in growth areas are booming, with many thriving home-based and micro-businesses set up by women. In 2018, the Victorian local government areas with the largest growth in small businesses were Wyndham (17.7 percent increase), Melton (13.1 percent), and Hume (11.8 percent).

Recent NGAA research found that the most effective tool for improving labour productivity, reducing unemployment, and improving underemployment is working at, or close to, home. For the benefit of commuters and growth area economies, encouraging local jobs close to where people live must be a focus for all levels of government.

Of the residents of growth areas who switched to working from home during COVID-19, 45 percent reported a positive impact on their productivity, and all were saving up to three hours per day commuting. This additional time was being used to exercise, spend time with family or for study or professional development. There were also significant financial savings from working from home given the average daily cost to get to and from work in outer growth suburbs is $36 by car.

NGAA research found that residents not in the workforce would be likely to re-enter the workforce for jobs that provided the option to work from home or at a local coworking hub. In growth areas, under 40s not currently in the workforce were significantly more likely to seek part-time employment if they were able to work from home some of the time (64 percent), and those with children aged under five in the household were also more likely to seek part-time work (65 percent).

Research shows that women in growth areas are educated, underemployed, and constrained by barriers to employment. Women in growth areas are more likely than men to be tertiary educated, but almost twice as many men as women are working full time, representing a significant loss to the economy as a whole. A key barrier to employment for women is access to appropriate, affordable childcare as well as the travel required to reach the places of employment. Across capital cities, between 53 and 58 percent of part time workers who live in the outer suburbs have long commutes over 10 kilometres. This is a significant financial and time burden on people working part-time who may also have caring responsibilities or other commitments.

Councils can play an important role in supporting the success of small businesses in local communities. Local government programs provide support to home based and micro businesses and help the community to grow local jobs. For example, the City of Kwinana, in Perth, with Small Business WA, has focused on reducing the regulatory burden on home-based business to support their development. Additionally, Federal Government financial support for Local Government programs for micro and small businesses means those programs can be tailored for local characteristics.

A key element of this investment is supporting work and study closer to home through grants for community hubs that include business and study hubs. Growth area LGAs have developed different co-working hub models. Our research shows that the most successful are those supported by a hub host generally employed by the local council. Community hubs are also trialling innovative ways to progress digital equity for growth area students, with dedicated study spaces. For example, the City of Casey in Melbourne's eastern growth region established the Cranbourne West Community and Business Hub which opened in early 2021 and is a multi-use community space which supports and offers programs and services for the community, and includes a local business hub. The hub is run by council with programs offered by council and community service providers. Construction of the hub was jointly funded by state government and the local council. The City of Casey has found that the demand for the business spaces is high and council is considering how further community centres with integrated business hubs could be provided.

Councils play an important role in creating and nurturing vibrant communities and making their local area a great place to live and work. Activations and place-making can help improve existing business centres and high streets by increasing the vibrancy of public spaces and making main streets and other local places an attractive retail option for locals and visitors. Councils can also leverage their ability to approve businesses, run events, manage land use permissions and provide services to help reinvigorate areas and generate commercial and investment opportunities. Joint Federal and state investment with local government in commercial centre precincts, multipurpose community facilities and business hubs, co-working spaces and integrated community facilities will support micro and small business and provide local jobs for growth area communities.

Councils have a critical role in supporting economic development and activity in their regions by ensuring efficient administration of their planning functions. This includes ensuring timely and professional Development Application (DA) processing and ensuring best-practice systems and processes are used for DAs and other activities that require Council's consent. For growth areas councils the rate and volume of development occurring in their areas can impact on efficiency and streamline approvals, licencing and permits for small businesses.

While the NGAA welcomes this Productivity Commission consultation on improving productivity by creating a dynamic and resilient economy, the NGAA believes the focus on regulatory reform is only one aspect of the broader Australian business environment. While local government regulations play a crucial role in maintaining community standards and orderly development, reforms can enhance their efficiency and reduce the burden on businesses. However, the NGAA emphasises that it will be important for the government to consider of the resource implications that any regulatory reforms may have on local governments in growth areas.

2. How has your regulatory burden changed over time?

   See above

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

   See above

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

   See above