



Submission to Productivity Commission
Assessing Local Government Revenue Raising Capacity
Draft Research Report.
Presented By
The Tweed Economic Development Corporation Ltd

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Local Government Study
Productivity Commission
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Introduction

The following comments are made on behalf of the Tweed Economic Development Corporation Limited (TEDC), an Independent Company Limited by Guarantee, established by Tweed Shire Council (TSC) in 1997, "to give leadership and direction to sustainable economic growth", to "inform government policy processes" and to "facilitate and attract job-creating investment growth", in Tweed shire.

TEDC Structure

The TEDC model of economic development is somewhat unique in that it is a membership based organization which operates independent of the LGA even though it is funded in the main by the LGA. Most other models of economic development operate "in-house", and as such come under the direct influence and control of the LGA at both an administrative and elected representative level.

Governance

The TEDC model is controlled by a board of nine independent directors elected from business membership, and two council appointed directors. Three independent directors are elected each year for a three year term in rotation, and represent as far as is practical, a broad and diverse range of business backgrounds including, retailing, commercial, import/export, wholesale, manufacturing, planning, architecture, law, agriculture and construction/property development.

TEDC Approach to Sustainable Economic Growth

Over the last ten years the TEDC approach has been directed at achieving economic sustainability by understanding the drivers of the local and Northern Rivers Regional economies, and by being able to monitor, track and evaluate changes over time, as well as having the capacity to conduct “what If ” scenario analysis.

This local economic data when coupled with unemployment statistics, average disposable incomes, demographic changes including age demographics, provide a solid foundation on which to base long term visionary sustainable strategic planning giving direction at the local level.

The TEDC experience suggests that local government has focused for too long on social, environmental and cultural sustainability, with little or no focus on economic sustainability, at the local or regional economy level or at the local authority level itself, and that the decision making process is often made at the elected representative level, where future planning decisions are often based on ideological, philosophical, and or political opinions reflective to the experience of the elected representatives.

Again the TEDC experience suggests that local government is more focused on planning for control, rather than planning to facilitate sustainable measurable outcomes, across the broad spectrum of sustainability. Further, this approach is often influenced by elected representatives, who often respond and react to changes or influences from pressure groups, and as such make decisions more often than not, with a view to the short term gains rather than decisions based on understanding the economic implications of their decisions in the long term, as part of delivering sustainable visionary, strategic planning.

The TEDC comments are based on our experience and approach to giving leadership and direction to achieving sustainable economic growth, which is based on understanding the status and/or drivers of a local and/or regional economy, thoroughly researched and substantiated by robust economic data and facts, with the additional capacity to measure the impacts of change over time on a local and or regional economy.

The Evolving Role of Local Government

The role of local government, particularly in non-metropolitan regions, has, as increasingly recognised across Australia, changed and is changing. The traditional roles are now being strongly challenged by the need to respond to global economics and population demographics, particularly in regions with the high age demographic, high unemployment, high dependency on government assistance and low average disposable income - all factors that have a negative impact on the economic productivity and sustainability of a region.

The role of local government is also being impacted upon by state and federal government transferring some of their responsibilities to local government, in the areas of housing accommodation for the aged, as well as other areas associated with the growing aging demographic, such as transport infrastructure, health and home care services etc. The aging demographic has a direct impact on the economic sustainability of the local authority as well as an impact on the local economy.

In the case of the Tweed Shire in Northern NSW specifically, research confirms that the shire has a 92% serviced based economy. A serviced based economy that simply responds to the services and demands of a population, growth driven economy, with a heavy emphasis on providing needs to the aging demographic, including health and associated services.

ABS data confirms that the current Tweed population of 79,321 is made up of 34.9% or (27,683 people) over 55 years, and 22.2% or (17,609 people) over 65 years.

ABS also confirms that 36.2% or 28,714 people of Tweed population are on one form or another of government income support including pensioners, parenting and youth allowances, disability, new start etc. The average disposable income is also considerably less than both State and National level and at last census (2001) placed the Tweed at \$10,000 per person below the state average.

The Tweed is the fourth oldest local government area in Australia and in many ways is a microcosm of where Australia will be in 2021.

All of these factors impact on the whole issue of local government sustainability including revenue raising capacity.

History shows that the traditional political decision-making processes of local government have often had to rely on policy decisions guided by the ideology, philosophy and personal experience of its elected representatives, in the absence of any sophisticated economic planning tools. State Government, in its role of governance of local authorities, is increasingly challenged by policy decisions and directions of some local government authorities, where decisions are often made in the absence of an informed understanding of their potential impact, due to the lack of data relating to the state of the local economy.

Local government is increasingly responsible for providing economic direction to its local economy through its policies and initiatives. There is a growing need for local government to better understand its role in delivering economic direction, based on understanding the facts of the local economy, and leading change by being better informed and proactive, rather than reacting and responding to changes, events or political pressures.

Understanding the Local & Regional Economy

As part of the process of "Understanding the business before you can grow the business", in 2002-2003 TEDC developed a best practice "national award winning" economic modeling tool for the Tweed and Northern Rivers region.

The Tweed & Northern Rivers Economic Model

In 2002 TEDC commissioned a research team from the Centre for Economic Policy Modeling at the University of Queensland to undertake a study of the economic structure of the Tweed and Northern Rivers area for the financial year 2002/3. The project, which was completed in May 2005, included the local government authorities (LGAs) of Tweed, Byron, Ballina, Kyogle, Lismore, and Richmond Valley.

The project included the development of a modeling system, which included a set of accounts, or database, which identified the facts on the state of the Tweed and Northern River's regional economy. In addition the system includes computer based modeling software, capable of manipulating the database at the LGA level.

The original project undertook to update the databases of the six LGAs for the ensuing three years, so that not only does the Tool establish a "base level" of understanding of the local and regional economy, but by virtue of the annual updating process, is also able to monitor and track changes in the local and regional economy, which occur either as a result of national or global events, inherent economic growth or decline, or as a direct result of policy direction or changes at an LGA level.

The strength and point of difference of the system, is that it is built on local information at the local level (compared to other models, which are based on generic data derived from the national accounts), and with specific training can be managed at a local level, and the data base is updated annually, with a major update every 4 years coinciding with national census updates.

By providing a basis of fact and understanding, the system can be used as an instrument to justify and substantiate the need for change to the community, by informing the process through the presentation of facts, and thereby minimising potential conflict. The system has the capacity to underpin and influence policy directions of councils, by providing for a more informed policy decision-making process, through the creation of a better level of understanding, monitoring, measurement and assessment of the economic implications of their actions.

The system also has the capacity to conduct "what if" scenario modeling, to undertake specific industry or project analyses, and measure impacts of change in an economy, either positive or negative.

One of the direct outcomes of the modeling tool is that it often dispels the myths that are sometimes associated with the views expressed, promoted and sometimes genuinely believed by local elected representatives about the status of a local economy, or similarly views promoted by pressures groups based on their particularly ideology or views promoted by any other politically motivated groups or individuals.

It is interesting to note that the Planning Institute of Australia, through its Economic Development Chapter, also emphasises the importance and need to inform future planning decision by:

- Better understanding the structure of the local, regional and national economy
- Understanding land economics and what drives investment decisions, and
- Facilitating economic growth through appropriate planning controls and incentives.

In other words, to recognise:

- The importance of promoting the integration of economic research and strategies into all future planning consideration, and
- That planning is about facilitating outcomes rather than control, and
- Based on understanding the economic significance and impacts of their decisions

Applications of the Model

The Tweed & Northern Rivers Regional Economic Model has a significant number of applications for both the public and private sector.

The Modeling system will allow government authorities to:

- Improve planning and management of a range of issues through a better understanding of the local and regional economic structure;
- Provide detailed assessment of the industries that drive the local economy to identify optimal industry development initiatives;
- Identify existing economic strengths, weaknesses, opportunities and threats;
- Evaluate and compare alternative policy initiatives;
- Measure the significance of existing economic activities and industries on the socioeconomic fabric;
- Monitor, analyse and evaluate the structural changes that are occurring over time in the economy;
- Undertake “what-if” scenario projections; and
- Identify, evaluate and quantify the benefits of proposed development projects and business initiatives.

The Model will also allow private sector decision makers, on a cost-recovery basis, to:

- Analyse the regional economic impact of potential developments, strategic investment proposals or industry closure;
- Determine the size, contribution and economic relativity of any industry and quantify the direct and indirect economic impact of that industry in terms of its effects on the local economy;
- Analyse the impact of changes in economy policy, especially in taxes, tariffs, environmental regulations and competition;
- Undertake “what if” scenario projections;
- Add weight to feasibility studies, grant applications and lobbying; and
- Augment an industry’s financial reporting with information on the economic impact of that industry on the local/regional economy.

Some examples of the use and application of the modeling tool.

In 2005 the Kyogle-based plywood manufacturer, Norply, tragically closed due to a fire. Within hours TEDC was able to provide the estimates of the economic impacts of Norply’s closure on the Kyogle Shire economy, and interestingly enough, impacts on adjoining LGAs through tracking leakages.

Another more recent example of the Model’s use in informing local government decision-making processes was the economic impact analysis of the plans for expansion of the Southern Cross University Campus located at Tweed Heads.

The TEDC was contracted to assess the economic impact of the motorway bypass of Ballina/Byron on various agricultural activities in the region for Arup Consulting on behalf of the NSW Roads & Traffic Authority.

The TEDC has also been engaged as a consultant to undertake economic impact assessments of various other state significant development projects, for multi- million dollar private enterprise interests.

Other Uses

The Economic Model has assisted TEDC with the development of an Economic Vision and Strategy, by providing the facts and informing the process on the state of the local economy as part of the four staged approach of defining;

- **Where Are We Now** – A Statistical portrait of the state of the LGA economy.
- **Where Are We Going** – A summary of statistical projections of where the LGA Economy is heading in the medium term under a No- Change scenario.
- **Where Do We Want To Be** – Provides an overview of what the LGA might look and feel like in 2026, and
- **How Do We Get There** – The Action Plan for delivering sustainable economic growth where progress and achievements are measurable, using the economic modeling tool.

The Role of Technology in Achieving Improved Service Delivery

In the business/commercial world, bottom line profits can be improved by increased sales and or by increased efficiency/productivity.

Whilst local government is not a commercial operation in the real sense, there is none the less a need to adopt a more commercial approach in terms of efficiency of delivery of services. Technology can enable this to take place by enabling a more proactive, less labour intensive approach to the provision of information and planning services by adopting a self assessable, planning assessment approach, particularly in the minor development application approval processes.

The TEDC in partnership with Gold Coast City Council initiated the development of a project called Seamless Borders. The aim of the project was to break down barriers to business operating in the cross-border region of Northern NSW and SE Queensland. Businesses operating in this region were impacted upon financially by trying to comply with a range of differing business licensing, compliance and regulatory issues. Initial research identified the issues with the result that a web portal was developed www.seamlessborders.com.au which provides a range of information to businesses wishing to establish or expand in the cross-border region.

A computer system was developed called “Tool Box” which basically provides all of the information required by some small businesses (at this stage) in terms of licensing and compliance requirements in the cross border region.

The system will be expanded in time to cover a broader range of businesses and in the future will also provide for some DA (Development Application) lodgment and tracking on-line.

At this stage there are more than 100 local government authorities in SE Queensland using the system, with only the Tweed Shire on the NSW side of the border. The most interesting thing to come out of the project was that since all LGA'S are using the single portal, there has been a consistency in interpretation of licensing requirements. Clearly what has happened is that LGA'S have come to appreciate that in many instances the intent of legislation is the same but that the interpretation varied from LGA to LGA, hence creating confusion and additional costs to small businesses.

This project is about bringing technology to LGA'S and there by increased efficiency.

This project also lends itself to addressing the issue of "Code Assessable" Impact Assessable" & Self Assessable planning approaches for the future, which again is about efficiency.

Conclusion

Whilst the Productivity Commission Draft Research report is focused on the Revenue Raising Capacity of local government, it is our considered opinion that the revenue raising capacity is directly associated with and linked to, the sustainability of local authority itself and of the local economy it presides over, and is therefore influenced by, and dependent on the sustainability of the local economy itself.

Local economic sustainability is influenced by a range of factors which vary from region to region, but can include such factors as population growth or decline, population demographics – with particular reference to areas of high age demographics- average disposable incomes, population on various forms of government income support, unemployment levels and/or job participation rates, viability and sustainability of local economy.

Local government officers and the elected representatives are generally not equipped with skills or the tools which allow them to adequately understand the status of the local economy, either in terms of identifying the economic driver, or in terms of understanding the economic impacts of their decisions on the local economy.

Planning is often about control rather than being about planning for facilitating measurable outcomes as part of delivering the bigger picture of local and regional economic sustainability.

The policy development of local authorities is guided by its democratically elected representatives who can come from a range of backgrounds with no specific commercial or economic management skills and in many cases elected representatives see their role and commitment more as a career in terms of longevity, rather than a short term commitment to community development through the development of policies which reflect sustainability across the spectra of social, environmental, cultural and economic, (economic) which underpins sustainability in the broader sense.

Recommendations

1. That local government officers and elected representatives be equipped with the necessary skills and tools to better understand the local economy which they influence.
2. That local government planner's and elected representatives move from a position of control, to a position of facilitating measurable outcomes, by understand the structure of the local economy and the economic impact of their decisions.
3. That elected representatives be appointed for maximum terms so as to minimise the development of long term cultural trends based on individual or factional dominance of the local authority over time.
4. That local government understands the economic sustainability issues associated with demographics in terms of age cohorts, average disposable incomes, unemployment, job participation rates etc.

5. That planning delays impact on economic sustainability through increased holding costs and charges which in the end are passed onto the end consumer who is the future ratepayer of the local authority.
6. That local government embraces technology in terms of improved efficiency through better service delivery and practices, and therefore placing less reliance on revenue raising capacity through fees and charges which are ultimately passed on to the consumer.

Yours faithfully,

**TWEED ECONOMIC DEVELOPMENT
CORPORATION LTD**

A handwritten signature in blue ink, appearing to read 'T. Senti', is positioned above the printed name and title.

TOM SENTI
CHIEF EXECUTIVE OFFICER