

ATTACHMENT



**HELP US HELP YOU
BUILD A STRONGER
REGIONAL BUSINESS
ENVIRONMENT**

A “*Stronger Regions, A Stronger Australia*” Initiative

RESPONSE FROM IPSWICH & REGIONAL ACC BUSINESS COMMUNITY

THE AREAS OF INTEREST TO THE PANEL

1. *Encouraging New Industries/Businesses to Regions*

1.1. Are there any factors that you believe act as barriers to new industries/businesses starting up in regional areas, and if so, what are they and why do you believe they are barriers?

- Local Govt town planning, too many by-laws and restrictions that impede progress of new business.
- There is a need for pro-rata fees and timelines for implementation, so that as a business becomes viable, it can progress into a full commercial activity.
- Tax breaks are required in early set up of new business.
- There is a lack of available seed capital to provide initial cash flow.
- There is a gap in Govt assistance for small business from when they finish New Enterprise Incentive Scheme (NEIS) and growing small business to operate successfully. Ongoing mentoring during establishment phase is required.
- There is no assistance or mentoring for business to get through the planning applications and establishment processes.

1.1.1. How significant are these barriers in preventing new industries/businesses starting up in regional areas?

- Very significant

1.1.2. What are the costs imposed by these barriers if they are to be overcome in the current operating environment?

- All available capital for a start up business is consumed with set up costs (red tape). There is a rebate or tax benefit required, to encourage businesses to set up in regional areas.

1.1.3. **How do you think these barriers can be overcome in a sustainable fashion?**

- Pro rata payment for set up costs.
- Low interest rate Govt loans or Govt guarantee on business loans by commercial lenders, for new or expanding business ventures.
- Pay back grants schemes where fees are paid back as business grows.
- Grant assistance should be considered for growing business (private enterprise) in regional areas that will create additional employment. Once the economy grows it can become self sustainable.

1.2. Are there any factors that you believe act as incentives for new industries/businesses to locate in regional areas, particularly with a view to long-term growth and success, and if so what are they?

- New Enterprise Incentive Scheme (NEIS) acts as a catalyst however there is no ongoing assistance or incentives to encourage them to establish their business in a regional area.
- There is limited access to the NEIS program which is only for longer term unemployed. It is not open to all potential businesses in regional areas.
- Local Govt in regional areas are not in a financial position to provide any incentives therefore there needs to be set up benefits through loan assistance or tax rebates to encourage them.
- Encourage local government to put their \$'s into incentives for business to move to regional areas such as offering cost free housing etc, reduced rates and establishment costs etc.

1.2.1. Why do you believe that these factors act as incentives?

- There is more money needed in local Govt rural and regional areas, which could be utilised as incentives for business. The community then needs to have the freedom to have input into where the incentives are directed to grow business in industry gap areas that are relevant to that region.

1.2.2. How effective are these incentives?

- There are none at present that are having any impact other than grant assistance such as Dairy Regional Assistance Program which has attracted new and expanding business, however it has been too restrictive. A similar incentive grant assistance program could be introduced to any business that meets the industry needs of regional areas.

1.2.3. **How do you think these incentives could be made more effective, on a national, regional and local level?**

- Local Govt in regional areas need to lower the barriers for small business and be compensated for lack of financial capabilities through Govt assistance and allow lower costs to be introduced as incentives.
- Alleviate local Govt red tape. Reduce set up costs by assisting small business to get going.
- Provide tax breaks for small business.
- Provide assistance for infrastructure establishment costs.

1.3. How could established regional industries, such as tourism, mining and agriculture, be more active in attracting new support industries?

- By spending money in their own local areas to boost their economy, establish cluster groups to alleviate fragmentation and lack of confidence and assistance to boost business potential as a group so that together they can attract the required support industries.

1.4. Are you aware of any regions where established industries/businesses, either in partnership with government or educational facilities such as Universities, TAFES and Agriculture Colleges, or alone, have taken a lead role in attracting support industries/businesses into their region?

- The established educational facilities in regional centres are a major factor in supporting established industries/businesses ie. Ballarat, Scone.
- There is a need for these educational facilities to be accountable for a commercial interface and incentives for them to interact and support the community.
- Encouragement of business cluster groups and support networks to grow their business together ie. Winning and growing business together.

1.4.1. How did these established industries take the lead in attracting support industries in their region?

- Through community commitment and determination, overcoming public and Government apathy.
- Establishing business and industry community working groups to progress their ideas and lobby for assistance.

1.4.2. Where did they meet resistance and how effective were they in overcoming this resistance and meeting their goals?

- Local apathy from local community and lack of Government interest in the community.

1.4.3. Could they have been more effective and if so, how?

- By securing support from business professionals in the early stages to present a more economically viable business plan. Facilitation of local mentoring assistance is required to achieve this.

1.5. Do you believe educational facilities such as Universities, TAFEs and Agriculture Colleges, through both educational and research services, have a role to play in attracting new industries to regional areas, and if so, what is that role?

Yes.

- There must be courses delivered that are relevant to the local economy and it must be commercially viable.
- They must play a key role in establishing courses that meet the industry needs through ongoing consultation.

- Marketing career opportunities in regional industries/businesses for agriculture etc. Educational facilities should be showcasing local industry/business opportunities.
- 1.6. How does each level of government (local, state, federal) attract new industries to regional areas and do you consider this is effective, and if not, how could this be improved?
- A program such as Dairy Regional Assistance Program has been incredibly successful in attracting business to regional areas that would otherwise have gone to more metro areas. It has attracted additional private investment by providing Govt grant assistance as seed capital. Ie grants for private enterprise is the most successful way to generate employment and economic growth in regional areas, with the most viable outcomes for sustainability and success.
 - Assistance is required to identify a major catalyst industry in consultation with local communities that could be established and would then encourage new support businesses to the region.
 - A marketing plan is required to promote the benefits for business to be attracted to regional areas.
- 1.7. What are your feelings about contributing towards the cost of infrastructure essential to industry establishment?
- If government assistance was provided to those regional communities that are willing to contribute and are given some say in their own destiny ie. Community ownership of where investment is made and where they are prepared to contribute. Community driven growth in partnership with Govt. eg sustainable regions funding which is allowing the community to partner in what their needs are.

2. Growing existing regional businesses

- 2.1. What factors act as barriers to existing businesses in regional areas innovating, growing and diversifying?
- Lack of transport and distance from major infrastructure is a barrier.
 - Cost of fuel for regional areas.
 - There is a lack of support businesses to attract larger businesses. If support were available to entice a major industry, support business would have the confidence to establish and grow.
- 2.1.1. Why do you believe these factors act as barriers?
- They provide economic barriers. Costs make regional business not viable in the competitive market.
- 2.1.2. How significant are these barriers and what costs do they impose on businesses trying to innovate, grow and diversify?

- If overhead costs can be minimised in areas such as transport, business can provide greater infrastructure in their own towns.
- Rail links to major centres from regional areas is the major need for this region. There are minimal transport links to rail. Services of transport carriers have diminished as costs are too high to be viable. Business in regional areas cannot afford to pay increasing carrier costs, and so assistance is required to bring these services back to country areas.
- Rail links would provide greater incentive for new business, as it would be a more cost-effective method for getting product out of the region.

2.1.3. **How do you think these barriers can be overcome in a sustainable fashion?**

- Better rail links into regional centres at an affordable rate for small business.

2.2. Do you feel that there is a lack of incentive/motivation for existing regional businesses to grow and diversify their operations, and if so, why do you have this feeling and how could it be overcome?

- The set up of business is so difficult, that business is lucky if it can survive let alone grow. Incentives for existing businesses whom have demonstrated success to invest in growth and to diversify is needed using existing skills that have been developed.
- There is no assistance or incentives for existing businesses to grow.

2.3. What factors do you believe act as incentives for existing businesses in regional areas to innovate and grow?

- There are minimal incentives that are flexible enough to make a difference. What is needed is population growth, a stronger economy, overcoming barriers from drought.
- There is a lack of flexibility in accessing incentives such as New Industry Development Program, Pilot Commercialisation Program. It should not be limited to something that hasn't been done before, but something that is new to that area. Greater knowledge of how to access assistance. If government assistance was provided for similar innovative farm business in more than one region, they could be linked and be more competitive in the global market ie. Exports.

2.3.1. Why do you believe that these factors act as incentives?

- There is limited assistance for an extremely small percentage of businesses.

2.3.2. How effective are these incentives in assisting existing regional businesses to grow and diversify?

- Marginally.

2.3.3. How do you think these incentives could be made more effective, on a national, regional and local level?

- By introducing regional assistance for private enterprise and broadening the guidelines to ensure there is flexibility for regional businesses to establish and grow.
- 2.4. What do you believe would cause an existing regional business to migrate to a metropolitan area rather than remain and grow in regional Australia?
- The cost of doing business in rural Australia and lack of services/facilities. Banks, telecommunication, transport costs and access to skilled labour etc.
- 2.5. Do you believe educational facilities such as Universities, TAFES and Agriculture Colleges, through both educational and research services, have a role to play in assisting existing regional business to grow and diversify, and if so, what is that role?
- They should have a responsibility in building community capacity and research of new or growing industry opportunities. It is required that they must ensure research is implemented by advising and integrating outcomes into the local community.
 - Many research projects are not known by local community members in order for them to benefit from them. There is insufficient involvement in research data by the community, such as university students undertaking study etc. Sharing of information is required at the local level.
- 2.6. How does each level of government (local, state and federal) support business development in regional areas and is this support effective?
- The small business assistance officers put into regional areas through the ACC's play an important role in facilitating all levels of Govt assistance. Having EDO's in local govt and business assistance officers in State Development Centres will not work if someone is not put into place to facilitate the whole of Govt approach.
 - Without a whole of govt facilitator for small business it will continue to be fragmented, overlap of services will continue and value of services will not be achieved. Business will not take up assistance without a whole of Govt approach and someone in local regional areas to facilitate this.
- 2.6.1. If it were possible to de-centralise State and Federal Governments (that is, move Departments into relevant regions) without adversely impacting on the economy of the areas they are currently located in, what positive outcomes for private business growth and development do you think this could have?
- If decentralisation occurred, they must allow decisions to be made at that local level. Currently wherever this has happened, there is still a state office that retain ownership of regional decisions. People, who would operate the regional service centres, must be operated by people in that local regional area.
- 2.7. What are your feelings about contributing towards the cost of infrastructure essential to business expansion?

- Joint partnerships with Government would be accepted to improve infrastructure. If the community small business did not contribute, it would not encourage local ownership and will not be sustainable.
- Partnership in funding infrastructure in a regional centre would be essential, but incentives must be available to private enterprise to do so.

2.8. What do you believe would cause an existing metropolitan-based business to migrate to a regional location?

- Access to transport.
- Cheaper operating costs.
- Access to an educated available workforce in the local area.
- Better housing assistance, suitable accommodation and incentives in regional areas to encourage people to live in rural areas that they work.
- Relevant infrastructure must be available, services to support that business and incentives by local Govt with reduced red tape.
- Assistance for marketing the benefits of regional areas to metro businesses in order to promote themselves and encourage them to migrate.
- Majority of tourism dollars are targeted to metro areas. An incentive for rural services and small business to contribute to marketing their local areas is needed.

3. *Attracting and Retaining Skilled People, Executives and Professionals*¹

3.1. Do you think there are problems associated with **attracting** and **retaining** skilled people, executives and professionals to work in regional areas, and, if so, what are they?

Yes.

Regional areas struggle to offer the higher potential earnings and lifestyle with all services that executives and professionals are seeking, including access to professional training.

3.1.1. Do you think these problems are a significant and widespread barrier to **attracting** and **retaining** the right type of staff? Why?

- Transport costs are higher in regional areas.
- Access to transport, including rail, buses etc are limited and infrastructure is lacking.

¹ Skilled people may be those that work at any level of business and their skills relate to their ability to perform a wide range of particular tasks such as heavy machinery operation, people management or record keeping. Executives are those whose particular skills are related to business management and the like, whilst professionals are defined by their tertiary education and may or may not be executives (eg, doctors and educators).

- There are limited shopping opportunities and shops can only afford to open for limited hours to service their needs.
- There is limited access to professional training.
- All these factors are generally what professionals establishing in rural/regional areas expect to have on hand.

3.1.2. Does access to vocational education and training to upgrade existing, or acquire new skills significantly affect the ability of regional businesses to **attract** and **retain** appropriately skilled staff?

Yes.

Most of these positions involve trying to bring someone from outside the region rather than employing locally. If they are engaged and brought into the community they tend to move on if not satisfied with existing services and especially if there is no future opportunity for career advancement or ongoing support.

3.1.3. If so, how could access to such training assist regional businesses to **attract** and **retain** appropriate staff?

Cluster business industry groups and provide mentoring and training through subsidised support for the business groups.

3.2. What do you think currently attracts skilled employees, executives and professionals into regional areas, and why?

- In some cases professionals prefer a quieter quality lifestyle. A career path through regional growth with access to relevant professional training and development is required to attract and retain them.
- Many regional areas do not have sufficient major industries. Many of these aspects can only be achieved by building a stronger community, with support provided in such a way that communities, and small business can be the drivers of that support.

3.2.1. What do you believe the expectations of skilled employees, executives and professionals are when they consider moving into a regional area to work

- A career path opportunity, greater earning capacity, strong community outlook and business support networks, a competitive marketplace, good schooling, good housing, and access to further education. There is an expectation of a relaxed lifestyle and a job that will prevent them from work related 'burn out'. This is not available as many professionals end up working harder because there is a shortage of this level of service providers.

3.2.2. How do you think that these expectations could be met?

- Encourage community development and capacity building, especially from school age to embrace change. Provide incentives such as discount on HEC's fees for in rural areas.

Building a higher level of job prospects through industry development and expansion so that there are career path opportunities.

3.2.3. How could the attraction of suitably qualified staff be made easier for regional businesses?

- Provide subsidies/incentives to cluster professional services ie. A community professional centre, with administrative support.
- Assistance for professional mentoring for small business to help them grow. Improved funding for marketing of regional business and job opportunities. Whilst there might be funding already available, the guidelines are too defined and time consuming. Assistance is required in putting these proposals together.
- Incentives through local councils to provide subsidised housing for first five years with assistance for relocation costs.
- Allowances for rural zoned properties/businesses.

3.3. Do you feel that demographic changes (such as the growth or contraction, or ageing, of regional populations) has significantly impacted or will significantly impact on the skill base and business confidence in regional areas, and if so, in what ways?

Yes.

- There is a significant escalation of an aging population in regional areas, with many of the youth having left because rural business cannot sustain their employment. The aging population psychologically translates into stagnation, the contraction of business has created a sense of helplessness and everything has become 'too hard'.
- Programs need to be developed to utilise the skills base of the aging population into the enthusiasm of youth. We must track where the youth are going and keep in touch with them to encourage them to return, bringing with them their newfound life skills to put back into the community.

3.4. To what extent do you think regional businesses rely on skilled labour commuting from nearby communities?

- There is a significant portion (at least 50%) of people who do not live where they work because they prefer to live in metro areas with better housing, more support services and access to training in that region, at their fingertips. This is putting a lot of pressure on transport infrastructure requirements for commuters.
- Training is often not relevant to the regional centres industry sectors either existing or where there is potential for industry growth. There is no training mentality structured into company policy in rural industries.

3.4.1. What do you think the impact of this commuting is on both the communities where the businesses are located and the communities supplying the labour?

- Time and cost of getting to work
- Less time with families
- Expenditure out of the regional areas. Promotion and incentives are required to encourage 'work here, live here, spend here'.

4. *Attracting Investment*

4.1. Are there significant barriers associated with attracting business investment to regional areas and what do you think these barriers are?

Huge barriers exist.

- Water is unsustainable in the regional areas to give commercial lenders confidence to invest.
- Local Government interest is lacking and there is too much red tape.
- There is a lack of consultation happening between local Govt and business and they councils are not prepared to think outside the square to create change and growth in the region.
- There is less opportunity for commercial lending in regional areas.

4.1.1. Why do you think that these barriers arise?

- Lack of Whole of Government planning to address water issues for future generations. Planning is election driven, not generational driven.
- Many opportunities are lost for new business wanting to move to regional areas, when local councils make it harder by wanting too much up front re planning requirements, take too long to process applications etc. This leads to a significant loss of business potential for the region as they give up and go elsewhere where there are more staff and incentives available, which usually is more accessible in larger metro areas.
- Many local Govt agencies in regional areas feel they have to drive the community rather than work with them. It is often through bad management or lack of cash flow.
- Commercial lenders see bigger risk for lending in rural areas because return is slower. Lenders only provide capital on bricks and mortar, not on potential cash flow.

4.1.2. **How could these barriers be addressed to encourage regional business investment?**

- Improved planning for addressing water issues for future generations.

- Reduced red tape – pro-rata planning requirements for business to get started and allow them to implement requirements over time as the business grows. Provide incentives through reduced planning application fees and prioritise and improve service for key business opportunities to ensure they are not lost.
- Re-empower local communities to take decision-making and responsibility to build stronger and sustainable regions.
- To establish a Govt backed process of business planning assessment and recommendation for guarantee on commercial lending where the business shows evidence of potential profits and sustainability through cash flows. The idea would be to establish a shared risk system (between business, commercial lenders and the Govt) by backing the seed capital for business growth, rather than injecting \$'s from Govt to a small number of businesses through Govt funding programs.

4.1.3. How do you think potential investors view the returns to investment (eg capital gains) in regional areas and how do you think that these perceptions could be improved to attract more regional investment?

- Positives of rural business are not promoted – focus is always on the negatives.
- Need to reduce the loss of population to metro areas, in order to grow potential business and investment opportunities in rural areas.

4.2. What factors do you think currently attract investment into regional areas?

Incentives, or Government grants, lower local council rates and evidence of growth.

Eg: A project funded for \$495,000 by Dairy Regional Assistance Program that has since attracted in the first twelve months 10.2 Million dollars in associated commercial investment because:

- Council provided incentives through reduced planning fees to that industry sector
- Govt provided start up assistance through DRAP \$ for \$
- Outside investment was attracted to that business
- Other business and investment is now attracted to build on the potential through clustering

Therefore it is recommended that grant assistance for private enterprise can result in rural and regional business growth and employment generation.

4.2.1. How do regions go about promoting investment opportunities?

There is very little currently being done to attract investment. What is done is through self promotion and tourism associations and very little from local govt in regional areas.

4.2.2. Do some regions manage to attract more investment than others, and if so, what general factors give one region an edge over others?

- Progressive councils
- Stronger community involvement, communication & investment strategies developed.
- Economic Development Officers shared and managed by the community or business groups not the councils and they could represent a region.

4.2.3. What lessons can be learned from regions that attract more investment?

- Advertising/marketing themselves.
- Motivated community leaders, support from local government and activities being commercially driven.
- Forming Partnerships/clusters, develop community capacity and involvement. Build the community capacity, attract the investment and then expand, rather than “build it and they will come” mentality.
- Support for local business by encouraging the “work locally, shop locally and spend locally” mentality.

5. Improving Access to Finance for Small and Medium Enterprises

5.1. Do you feel there are barriers for small and medium sized enterprises in regional areas to gain finance, and if so, what are do you think these barriers are?

Yes.

- Financial institutions rate rural lending as a higher risk, so therefore imposes greater margins on lending. This in turn raises the cost of doing business and places the enterprise in a higher risk bracket and makes that business less viable (catch 22). The rural property/business valuations lowering in our region has impacted on the ability of the rural businesses/farmers borrowing capability.
- Financial institutions in rural sectors will only invest in bricks and mortar, not business capability ie. Cash flow.
- Banks aren't lending to siblings for them to buy out their parents business to ensure succession of that family business upon retirement.

5.1.1. Why do you think these barriers exist?

- Low population growth.

- Aging population.
- Commercial lenders have backed away from supporting rural communities in favour of higher profit margins for shareholders.
- Lack of water. and long term planning with Government to prevent water shortage problems, which has resulted in the need to inject emergency assistance into establishing solutions for water.
- There is not enough business clustering/links developed to provide capabilities to meet supply demands for export opportunities in various industry sectors.

5.1.2. How can these barriers be overcome, in a fashion that is not short-term (quick fix), but has real long-term and sustainable potential?

- Better transport infrastructure.
- Mentoring and training to assist in improved planning in small business.
- Professional bodies engaged to improve business strategies for respective industries.
- Create community venture capital centres in regions with a predetermined pool to be made available to business enterprises. The investment pool whereby profits are reinvested back into the local business community without depleting the initial seed capital.
- Development of clustered business contracts to secure export markets for continued growth in rural regions.
- The government could assist with local skills audits to ascertain a priority list of best market potential for growth in the region then assist with the local business and community groups in the long term planning to achieve the goals. Often this is no more than a facilitating role and providing funding to the community on an allocated amount rather than competing for basic planning funding to achieve those goals.

5.2. Is there a role for government policy to assist enterprises gain finance, and, if so, how can this be achieved without increasing current expenditures?

Yes, this could be achieved by:

- Low interest loans for areas of business shortage that are relevant to the industry sector growth for that region.
- Assistance from the Government for community capacity building by encouraging clustering of enterprises to gain the best outcomes for the region. Stengthening and supporting business groups through mentoring assistance.
- For business expansion or start up of new business there is a need for a partnership and assistance in providing a financial guarantee for commercial lenders. This could be

achieved by a Government program that assesses the viability and sustainability of the business development proposal and facilitated by an independent group comprising of community, business, and government representatives. Once assessed and deemed viable, the government program would provide a financial guarantee to ensure the business can access commercial lending.

6. *Accelerating New Business and Investment Proposals*

6.1. Assuming that new business and investment proposals can be attracted to regional areas, what strategies and support would be useful in having these proposals implemented more quickly?

- Flexibility of rules and regulations for business in rural areas. A business in the centre of a major town or city does not need the same planning requirements as those in more rural or country areas where the cost of doing business is already higher.
- A Government initiative to provide assistance and mentoring for rural sectors to develop and implement their own marketing strategies that promote the advantages/strengths of setting up business in a particular rural region that are relevant and are growth potential industries. Every region has its own jewel to attract business development and maybe if the opportunities were marketed to target audiences the jewels would be exposed. These resources may be from a vast array of attributes including people themselves. The financial support identifying the jewels and then marketing it, for these communities to achieve this is essential for new business and growth of their present enterprises. It is much easier and more sustainable to progress what you have rather than try to re-invent the wheel. Neighbouring areas often do not know what is available next door or the next area when looking to expand or develop a project. A marketing strategy of the benefits to business would encourage business development.
- Currently there is no financial assistance identified specifically for business marketing of regional business potential. A financial contribution between a partnership from Australian Tourism Council and Australian Chamber of Commerce and Industry could be implemented through a policy for greater injection of fund distribution by state authorities that is targeted for regional marketing. Currently there appears no policy intervention to ensure regional authorities obtain sufficient funds to help in marketing regional initiatives.

6.2. Do you feel that intervention of this type is necessary, or should business/investment proposals be allowed to develop at their own pace?

Yes, essential

- Intervention would accelerate growth however everything needs to grow together and be driven by the local communities in each area at the pace they require in partnership with Government.
- Financial assistance in skills auditing of communities to provide quality mentoring of the business sector for growth, increasing their knowledge of when to develop projects as to maintain a sustainable future.
- Assist in the facilitation and encouragement of networking of the business communities and support local commerce groups.