

Submission No: 90  
Small Business Employment  
Received: 26 September 2002

**Office of the President**

Ref: CR:JK 561/02 (5.1.1)  
Contact: Chris Russell  
Tel: 08 8224 2030  
Email: [chris.russell@lga.sa.gov.au](mailto:chris.russell@lga.sa.gov.au)  
Ausdoc: DX 546 Adelaide



**Local  
Government  
Association**  
of South  
Australia

16 Hutt St  
GPO Box 2693  
Adelaide SA 5001

PH: 08 8224 2000  
FAX: 08 8232 6336  
[lgasa@lga.sa.gov.au](mailto:lgasa@lga.sa.gov.au)  
[www.lga.sa.gov.au](http://www.lga.sa.gov.au)

26 September 2002

The Chairman  
Senate Employment, Workplace Relations & Education References Committee  
The Senate  
Parliament House  
CANBERRA ACT 2600

Attention: Margaret Blood

Dear Senator

**Inquiry into Small Business Employment**

Your staff have encouraged us to make a submission in relation to the Committee's current enquiry into Small Business Employment. While we are pleased to do so, it is with limited resources given other pressures and in particular the number of Commonwealth Parliamentary Inquiries to which we are currently responding.

I understand that you are to hold hearings in Adelaide on October 10 which unfortunately clashes with our major, biennial conference, however given your interest in this area, we are investigating the possibility of our interests being represented by a member Council, should an opportunity to appear be available.

The Local Government Association of South Australia (LGA SA) represents all 68 Councils established under the Local Government Act 1999 and Anangu Pitjantjatjara. In addition, Gerard and Nepabunna Aboriginal Community Councils and the Outback Areas Community Development Trust are associate members. The Association is established pursuant to Schedule 1 of the SA Local Government Act 1999. LGA SA is a member of the Australian Local Government Association (ALGA).

Local Government impacts on small business in a variety of ways. The most fundamental impact is by way of infrastructure provision and services and it is reasonable to argue that most small business would not function were it not for the support provided by Local Government. Virtually all customers visiting small businesses in person travel on a local road. Another service to business not often viewed as such, for example, is the provision and regulation of onstreet carparking. The primary reason for the provision and regulation of onstreet carparking is to provide access for customers to businesses. In addition, Local Government supports important State regulatory arrangements for business in the areas such as food safety, building safety, land-use planning, environmental health, and fire safety. It also has limited by-law making powers which may impact on business, primarily around safety in public areas including moveable business signs, for example.

We recognise that there are areas in which Councils' performance can be improved and that Councils' performance is not uniform. In particular we recognise that many Councils have not communicated effectively to business and that there is a lower understanding and awareness of Local Government roles and responsibilities in the business sector compared to the wider community. In South Australia most Councils have a continuous improvement approach to their work and operate openly with significant public scrutiny. The LGA, both within its own programs, with support from the Local Government Research and Development Scheme and in conjunction with State agencies in particular encourages and supports improved performance in such areas.

The key issue affecting the level of performance of SA Councils in support of small business is the imbalance between Local Government responsibilities and its resourcing. For South Australia, this includes the grossly unfair share of identified local road funding allocated to SA Councils, and the distribution of Financial Assistance Grants based on population rather than on need. These issues have been outlined in some detail in the LGA's submission to the House of Representatives Inquiry into Local Government and Cost Shifting (Submission 228). This unfair distribution of funding to Local Government across Australia demonstrably places small business located within this State at a disadvantage to other States.

A key issue on which we do not believe there has been adequate research is the economic impact of the centralisation of government in this country. It would appear to us that the relatively narrow role of Local Government in Australia in comparison to almost all other Western economies must have a negative impact on small business as decisions by central governments are more likely – due to size and location - to favour larger businesses.

As described in Australia's chapter within the OECD publication 'Managing across Levels of Government' local government in Australia has "...a relatively narrow range of functions (on a world scale)." That report also highlights comparative employment by spheres of government in 15 participating countries (Table 1 on P.37) and at 12.1% of public sector employment in 1994 Australia is the lowest of all excepting New Zealand (10.3%). Comparative figures are: for the USA, 61.1%; the UK, 52.3%; Germany, 37.1%; Finland, 74.8% and Canada, 39%. Japan, it should be noted, is conducting a significant "decentralisation" program to further build local capacity as one response to its more recent economic stress (Refer for publication to: <http://www1.oecd.org/puma/malg/malg97/toc.htm>).

The following headings outline key issues and activities in more detail:

## **1. Infrastructure**

Local Government in South Australian manages \$8 Billion of Infrastructure. This has recently been the subject of a significant study "Wealth of Opportunities" (which can be found on [www.sainfrastructure.com](http://www.sainfrastructure.com)). This study identifies that Councils are currently funding renewal/maintenance of this infrastructure at \$55m per annum whereas were it all to be renewed we should be spending \$160m and this figure rises to \$240m over the next 20 years.

Councils do not have capacity to fund this renewal/maintenance costs and the highly transparent nature of rates means they are unlikely to be able to derive even a small portion of the required funding from rates. [This capacity is impacted on by the unfair distribution of Commonwealth grants however were that problem to be fixed the additional funding to SA would go nowhere near to making up the gap.]

Our submission to the House of Representatives Inquiry into Local Government and Cost Shifting identifies the likely outcomes of this situation if it is not addressed:

- Infrastructure will decay leading to economic inefficiency/failure;
- Services will decline leading to falling population/erosion of lifestyle;
- More decisions will be centralised to Canberra or North Terrace; and
- Property rates will rise very significantly.

The LGA has established an Asset Management Advisory Committee and is managing several projects to support Councils as they improve their asset management strategies.

If the issue of the long term funding of infrastructure funding is not addressed the ability of Councils will not be able to continue to provide the quality of infrastructure relied upon by business, and small business in particular.

## **2. Efficiency**

Local Government taxation amounts to less than 6% of total taxation revenues in Australia and as such is rarely cited as a significant issue for business. Generally however attitudes are determined more by whether expenditure is perceived as value for money. Community surveys demonstrate that the community perceives Local Government to be providing greater value for money than State or Commonwealth Governments (refer Attachment 1).

Council rates are reasonably comparable across Australian States and so the unfair distribution of Commonwealth funding is therefore impacting through the narrower service capacity of SA Councils and lower capacity to replace and maintain infrastructure rather than through higher rates.

SA Councils have been particularly active in State-level initiatives which essentially provide bulk savings – thereby reducing costs. These include single pooled schemes for public liability cover, workers compensation and general insurance, superannuation, finance (borrowing and investment) and library systems (book purchase, interlibrary loans, and central collections). At last estimation these arrangements represented approximately 15% of Local Government outlays and savings in excess of \$20m per annum. Councils have been increasingly willing to consider such initiatives and the LGA has just secured a contract for provision of after hours call centre services on behalf of a group of Councils.

The LGA has also been an active participant in supporting online service developments. It has supported via in-kind and cash contributions to: the Business Licence Information Service (BLIS); jointly funded research and development of the Electronic Development Application Lodgement and Assessment (EDALA) system now operating for land division applications; the online payment facility for Council rates and other payments in conjunction with the State Government's Bizgate system; establishing a company (eCouncils.com) to provide online purchasing services to Councils and their business customers which is showing strong growth; and application of Commonwealth Networking the Nation funding to spreading local call access to the internet, public access to the internet at libraries and regional development board offices and development and enhancement of online services by Councils (a current \$5.4m program).

The largest voluntary amalgamations in Australia's history in SA in 1997 (118 Councils down to the current 68) and other continuous improvement strategies have seen significant shifts in customer responsiveness and strategic management in SA Councils. The introduction of a new Local Government Act (1999) has recognised and supported this shift. The current Act requires Councils to adopt a number of policies to ensure greater accountability to communities and to consider business impacts when adopting a rating policy (Section 171).

.../4

## **3. Streamlining and Regulation Review**

As a result of regulation review processes in the late 1980s and early 1990s Councils relatively narrow by-law making powers in SA provide for each by-law to expire unless re-made every 7 years. In making by-laws Councils must not unreasonably burden the community, significantly restrict competition without reason, or duplicate or overlap other rules or legislation.

Councils have a significant role under the SA Development Act in both land use planning and building safety control. The SA system is one of the most streamlined in Australia with decisions taking an average 11 days, 90% of decisions delegated to officers and narrow third party appeal rights. More than 99% of all applications are approved and less than 1% are appealed with Councils decisions being reaffirmed in about 70% of these cases. Legislative approaches have seen a range of related regulation consolidated in the Development Act to streamline the process. Most recently SA has pioneered the introduction of Development Assessment Panels to assist in removing political influence from "judicial" decision-making processes.

The LGA has jointly worked with the SA Government over the past two years on a System Improvement Program including information resources to better explain systems to applicants. It has also participated actively in the Development Assessment Forum nationally which has begun a process of producing standard national definitions, documented parallel processes in each State/Territory planning system, identified a range of "good practices", has identified some 200 Commonwealth instruments which impact on planning systems and is currently undertaking a project on performance measurement and benchmarking. DAF is proving an important national mechanism for information sharing, networking and learning (refer [www.nolg.gov.au](http://www.nolg.gov.au)).

Most Councils have significantly improved the way they manage their involvement in the Planning system over the past decade and while some inconsistency and problems continue there is a high level of focus on improving processes to better facilitate appropriate development.

#### **4. Improved Business Liaison**

Studies undertaken by the LGA and by State Government in SA show that business has a lower understanding of Local Government (and other governments) than in the general community. Following the initiative of the SA Government requiring business charters for its own agencies, the LGA participated in a project in late 1999 to develop guidelines to assist Councils establish Business Charters. There are now 7 Councils with charters and a further 3 currently developing charters. The LGA and the State are currently re-publishing the guidelines in a booklet form (attached) to assist in promoting them and the LGA State Executive Committee has agreed to challenge all Councils to adopt a charter by mid-2004. Importantly, while business charters are not new or unique, the guidelines build on existing best practice, tailor approaches to the Local Government environment and support a flexible approach for individual Councils to adapt the process to meet local needs and circumstances.

Under the SA Local Government Act, SA Councils are required to have an internal grievance procedure. This forms the first step in a competition complaint as well as for a general service complaint. Should a business complainant remain unsatisfied following internal review they may take a complaint to the State Competition Complaints Commissioner or the State Ombudsman or seek judicial review as appropriate. SA Councils also have an excellent informal relationship with the SA Government Office of the Small Business Advocate while the advocate's jurisdiction does not extend to Local Government.

.../5

- 5 -

#### **5. Economic Development**

Local Government also plays a more direct role in stimulating employment and in support of economic development both directly and via its support for Business Enterprise Centres (in the metropolitan area) and Regional Development Boards (primarily in country SA). We estimate that there are approximately 40-50 professional staff employed by Councils with an explicit economic development or tourism focus.

Councils also remain an important sponsor for employment programs because of their public accountability, geographic distribution and the diversity of skill areas employed.

Many of the professional staff are involved in a variety of activities including fostering business networking; supporting incubators or other workspace/support arrangements; establishing/supporting clusters; providing information; assisting businesses to access State or Federal government programs/information; working with Council staff to better meet business needs; assisting business or investors to locate premises, other required resources or to work through approval processes; and related/similar activities.

Local Government in SA is estimated to provide in the order of \$5m per annum in funding to Regional Development Boards, Business Enterprise Centres and Regional Tourism Marketing Boards. Each of these structures also receive substantial State Government funding and provide a range of small business support services. Effective relationships on the whole mean there is no duplication between Local Government and these bodies however gaps do occur due to lack of resourcing. Commonwealth Area Consultative Committees also provide support services/funding, and while they are less well linked, a positive relationship exists between most of these bodies and including relevant SA Government agencies. There is room to improve both structures and relationships.

The LGA is currently undertaken two related projects looking at Local Government's role in Economic Development and in Tourism. A discussion paper on Local Government's role in Economic Development has been published (attached) and consultations are planned for later this year.

## Summary

This Association is highly conscious of the extent to which small business depends on Local Government infrastructure and services. It has been active in fostering "good" practice and more effective business liaison. Local Government in SA has supported an active approach to reviewing business regulation and streamlining such regulation and to information initiatives such as BLIS.

It is highly concerned about the potential impacts on SA Business of:

- the imbalance in responsibilities and resourcing of Local Government;
- the decline in Councils' capacity to fund vital infrastructure maintenance and renewal;
- the unfair distribution of Commonwealth funding though identified local roads grants and untied Financial Assistance Grants (FAGs);

In relation to the committee's terms of reference we would suggest:

- 1) The effect of government regulation on employment in small business, specifically including the areas of workplace relations, taxation, superannuation, occupational health and safety, local government, planning and tenancy laws.**

.../6

- 6 -

Some attention should be given nationally to how jurisdictions might better exchange best practice information in relation to small business support and de-regulation. We are not currently aware of any such mechanism which effectively involves Local Government. Such mechanisms require active support not simply a reference website. In our view the Development Assessment Forum is an effective model (in the planning field) which could achieve more if better resourced.

- 2) The special needs and circumstances of small business, and the key factors that have an effect on the capacity of small business to employ more people.**

It is our perception that many small businesses are not well equipped to manage growth and that sound advice and local support are vital when growth stresses emerge. Improved resourcing for

the work of Councils, Regional Development Boards and Business Enterprise Centres in providing generalist support services to assist small businesses would, we believe enhance the capacity of small business to employ more people. This represents a useful approach because the growth stresses for small business can expose problems in virtually any area of management: marketing weaknesses, human resource management weaknesses, accounting weaknesses, weaknesses in understanding regulatory requirements, etc.

**3) The extent to which the complexity and duplication of regulation by Commonwealth, state and territory governments inhibits growth or performance in the small business sector.**

There are circumstances, we are sure, in which unnecessary complexity and duplication of regulation occurs and inhibits growth or performance in small business. In some circumstances however apparently illogical arrangements are really only of nuisance value. Currently, for example, the SA Meat Hygiene Act and the SA Food Act require inspection of retail butchers by both the Meat Hygiene Authority and the local Council. Currently agencies are working to streamline this situation, however we are unaware of any evidence suggesting this is more than of nuisance value (this may change slightly in December when Council inspections will command fees for the first time). Governments need to remain vigilant and diligent in addressing such issues and any with more significant impacts. Equally, particularly where the purpose of regulation is ensuring public safety, business needs to understand the regulation process – inappropriate streamlining which potentially leads to short cuts or lack of attention to safety is not something communities will support.

**4) Measures that would enhance the capacity of small business to employ more people.**

Among other initiatives the committee may consider, this Association would urge it to give serious consideration to:

- Attacking inequitable Commonwealth funding to Local Government which results in small business in this State being disadvantaged over those in some other States;
- Undertaking research into the economic impact of the comparative centralisation of government responsibilities in Australia;
- Improved cross-jurisdictional networking of small business support and de-regulation information; and,
- Enhanced support for Council, Regional Development Board, and Business Enterprise Centre activities supporting small business growth.

I trust that this submission will assist the Committee's deliberations. Should your Committee want more information, do not hesitate to contact Mr Chris Russell on (08) 8224 2030 or [chris.russell@lga.sa.gov.au](mailto:chris.russell@lga.sa.gov.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. McLuskey', written in a cursive style.

Mayor Johanna McLuskey  
**President**  
**Local Government Association of South Australia**

## Attachment 1

As part of the July 2001 McGregor Tan Household Omnibus Survey, the following questions was asked of 400 Adelaide adults (aged 18+) for the Local Government Association in order to investigate peoples perception of value for money of the different spheres of politicians and government. The order of reference to each sphere of government was rotated to ensure unbiased results.

Thinking about the various taxes and rates that you pay to each of the three spheres of Government (Local, State and Federal), could you please rank these spheres of government in order of which provides you with the greatest value for money, where 1 equals the greatest value and 3 equals the least?

Full data tables on this survey can be found on: [www.lga.sa.gov.au](http://www.lga.sa.gov.au).