

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Dandenong — 27 February 2013

Members

Mr N. Burgess
Mr M. Foley
Mr B. Carroll

Mrs I. Peulich
Mr G. Shaw

Chair: Mr N. Burgess
Deputy Chair: Mr M. Foley

Staff

Executive Officer: Mr S. Coley
Research Officer: Dr K. Butler

Witnesses

Mr P. Patterson, President (affirmed), and
Ms C. Richards, member (affirmed), Greater Frankston Business Chamber.

The CHAIR — Welcome to the public hearings of the joint-party Economic Development and Infrastructure Committee's inquiry into local economic development initiatives in Victoria. The evidence you give today will be protected by parliamentary privilege, but any comments you make outside this meeting will not have that same protection. Your evidence will also become part of the public record. I now ask you to state your names and positions and indicate whether you are appearing on behalf of an organisation or on your own behalf.

Mr PATTERSON — My name is Peter Patterson. I am the President of the Greater — emphasis on 'greater' — Frankston Business Chamber. I am also the business development manager of a local plastic recycling company in Carrum Downs, or Frankston, and perhaps I should say Frankston, because I guess one of our bones of contention is about various precincts within the community. I have a great background in environmental businesses and green businesses, and as a consequence I am also the Chairperson of the Frankston Environmental Advisory Committee. I am one of these people who can balance between business and the environment, and it becomes an ongoing challenge. Christine, you will introduce yourself?

Ms RICHARDS — My name is Christine Holly Richards. At the time I made my submission to you in September last year I was a Frankston City Council councillor, a former mayor of Frankston and a sitting member of the Victorian Local Governance Association. I am no longer in those positions. I did not stand for re-election in 2012. I am a Frankston businesswoman and a member of the Greater Frankston Business Chamber, and I am speaking today in collaboration with the Business Chamber and as a member of the Chamber, but the views I am expressing are my own.

The CHAIR — Excellent. I invite you to make an oral presentation.

Mr PATTERSON — We had quite short notice about appearing here; nonetheless, we have been doing some preliminary work on it. We saw it as an opportunity, certainly from my point of view as the Chairperson or president of the Frankston Business Chamber, to be part of the debate and the discussion about economic development within the broader community, but in particular within the city of Frankston. Previously the Chamber had been somewhat subservient. It had been more or less a networking organisation for businesses. We have somewhere in the order of 250 businesses as members. We have a robust and active organisation, but is more about networking. I think to attract further members and to be a true representative of business within the community we need to be participants in forums such as these.

I am here representing the business community. I hope that I can speak on behalf of the broader community; I certainly speak on behalf of our membership, and I believe our membership is a representative sample. Business within Frankston is largely service based. We have a small number of manufacturing organisations, but they are rather small in number. It is probably somewhere around 80 per cent or 90 per cent of our businesses — this may have been quoted previously by the council — have less than five people as employees. While Dandenong has the big smoky stacks and so on, Frankston tends to be very much supporting a residential, dormitory-type suburb.

In addition to that, we have only limited opportunities in some senses to expand our businesses, so we have to be somewhat selective in what businesses we can bring to Frankston. We certainly do not have the scope to get the large industrial plants that are here in the city of Dandenong. We have to look at what opportunities there are to link business with the lifestyle, characteristics and attributes that we have in Frankston. I was listening to the council submit before us. We are about a package, we are about a lifestyle and we are about a broad community-based effort to get the right sort of mix between working in Frankston, living in Frankston and enjoying the attributes of Frankston.

There are a couple of things we are going to talk about today. We will talk a little bit about business development and where we see things going. In a sense we are here to seek your engagement in some things that we have been actively involved in for the last 18 months or so. I will come back to that in a minute.

Christine is going to talk about the issue of differential rating. We have been talking to your brothers and sisters in other forums about that sort of thing. It is certainly a bone of contention for us that the Frankston City Council last financial year introduced at the very last minute a differential rating scheme for commercial and industrial properties. To our way of thinking there was no real rationale for it; it was just lumped there as a means of gaining some extra revenue.

We believe if you are going to introduce this sort of scheme, there needs to be some link between services provided and fees charged. For people in the industrial area of Frankston where I work the council, to my mind, is almost invisible. We do not get rubbish collections. There is very little in the way of street sweeping and so on. From a business point of view, you say, 'I am now paying 25 per cent more, and I pay a premium anyway. Excuse the language, but what the hell am I getting for my dollars? If you can come out and demonstrate that there is a link between the rates I pay and the services I get, then I think I can be engaged, but if there is no link, then I think you have lost us.' Christine is going to talk in much more detail about that.

The other thing is that Christine and I have been working on the concept of a round table for business development in the south-east sector. We have engagement by a number of parties, but really it is about connecting the dots. We have worked with people within local government. I have had discussions with several federal government ministers who have happened to come to our premises to have a look at the operation that we have. We have buy-in from a whole lot of folk, I certainly have some buy-in from businesses and so on. I think it is about time that we stopped talking about things and started doing a few things. At Frankston we had an economic development committee that was formed about 18 months or two years ago; they have abandoned it because it just became a talkfest. I think business people were brought together to — —

The CHAIR — Who put that together?

Mr PATTERSON — The council did, as a reference point I think. We came along with an expectation of being involved in decision making, but in the end it became, 'I am a bit concerned about the median strip down on the freeway. The grass is not being mowed often enough', and that sort of thing. It got off track.

We as a community are passionate about developing Frankston. We have fantastic attributes. People keep saying it. We have our social issues and so on, but we have the raw materials to turn something into something fantastic. We have got to a point now where we have to do something. We have to take that material and turn it into some actions. It is not only about us; it is about the broader community here in the south-east sector. We are not necessarily being selfish about this. It is not about Frankston; there is a broader sense. We have our interests and what we want to attract to Frankston in terms of business. As I said, we are not after the bigger bits of business that are here in Dandenong, but we are after some parts of it.

Our thrust was originally about green business, but I think green business has now become almost passé. It is really about smart businesses. Green has now become mainstream. It is about smart businesses, businesses that are going to help us survive into the future and that save us bucks. The light globes that we thought were really good to put in, by God — excuse my language again — they have now become the thing that you buy because it saves us a dollar. They are the sorts of things that we monitor. You have a lot of embryonic businesses and so on that would suit the Frankston environment, the space down there, and they are the sort of thing that we want to attract.

We are here today in a sense for your help as much as to give you a sense of what we are trying to do as a business community. We have been working extremely closely with the Frankston City Council. We have had some issues, one of which is this differential rating, but we have been working hand in glove on growing the business community in Frankston. That is something that we have worked very hard to do. We will have our differences, and we will bump heads from time to time, but I guess that is all part of the robustness of relationships.

We have a business community, as I said, with about 250 members. Geoff was privy to a get-together of ours a few weeks ago, and I think we have some vigorous, robust, energetic folk within our community who want to go places. We want to drag them kicking and screaming into tomorrow's world. We cannot do that on our own. It is about getting the various parties and levels of government together. Enough of me for the moment.

Ms RICHARDS — Thank you very much for the opportunity of speaking with you today. I was very interested to hear the previous presentation on behalf of Frankston City Council. There were some very wonderful words spoken. I suppose our frustration is in action — how those words actually translate into getting a better deal on the ground for jobs in Frankston and also for businesses in Frankston. Peter mentioned briefly the smart technology round table that we have tried to get up in Frankston. It has been an uphill battle for us to do that for about 18 months. We have tried working very closely with the council. Now with a different CEO in place I am confident that we will be able to very productively work with Frankston City Council.

However, having said that, it should not have taken 18 months to do what we were trying to do, which was essentially to link up the wonderful work the State Government is doing in this sector at the moment. The Industry Sustainability Working Committee has experts who are advising the State Government on how to get not just businesses that are doing business sustainably but also trying to attract businesses that are technologically savvy to allow businesses and homes around Victoria to operate more sustainably into the future to save money, to live and work more within a changing climate — which some people I know do not agree is happening but others of us do, and I happen to be one who does.

The idea is to get smart industry into Frankston. Your state government departments have set up special committees to do that, have taken evidence, have sent with Premier Baillieu delegations to India and China to explore these. You have very well-developed perspectives now on what will work for Victoria, but we are not seeing that information at a local level. I suppose to operate in the best possible way to form the connections so that we can collaborate together, the sharing of the information is, we think, vital, so we have asked the State Government — the Department of Business and Innovation — to work with us in setting up a round table to share that information.

We will inform the Industry Sustainability Working Committee and the Department of Business and Innovation about what our advantages are on the ground. They are things like the development of the port of Hastings, the M3, the AA rating of water at the eastern treatment plant which may mean recycled water going into — for instance — the Carrum Downs industrial estate, if that infrastructure was put in. Then we hope that committee will share with us not just what its perspectives are on opportunities that might be enjoyed by the municipality of Frankston and the south-east metro region, but also what specific companies we might attract into the region. I had organised for that to happen in November but for a variety of reasons it has not happened yet. We are hopeful, and I think that it will happen within the next couple of months. Given the faces that we see at the table today and their interest in our region, we would love it if you were part of that round table as well to practically get those results on the ground.

Peter mentioned that I will be speaking about differential rates. I know that you will be tired — you have had a very full day — and I am going to try to be as brief as possible. I will mention that issue briefly at the end of my presentation. But Peter and I are also here today to submit a mechanism to you which we believe will act as a major incentive for councils across Victoria to work more closely with business to improve local economic development. It is to give business owners a vote in municipal elections, because at the moment business tenants pay property rates yet have no meaningful vote in council elections.

Mr FOLEY — Unless you are in the City of Melbourne.

Ms RICHARDS — Yes, that is a very interesting point, isn't it? On the ground here in Frankston this is unfair, undemocratic and in our submission unprincipled. 'No taxation without representation' was one of the rallying cries for the North American war of independence. Forty years later and half a world away the same cry went up here in Victoria at the Eureka Stockade when miners at Ballarat, discontented about the exorbitant licence fees demanded of them for gold, rebelled against the injustice of being effectively taxed without an accompanying right to vote for and be represented by state parliamentarians. Thirty-three miners died defending the stockade and its values. As a result, a raft of miners' rights were won. Within three years of the rebellion miners were able to vote.

Victorians are rightfully proud that their state was second only to South Australia in giving the right to vote to all men — except those who were Indigenous — irrespective of whether or not they owned property. It is now universally recognised as the foundation principle of modern democracy that all men and women are entitled to vote for those who represent them in government. Yet 160 years later this principle is flagrantly being undermined in local council elections.

Let me explain the problem and suggest a solution. The majority of businesses are tenants, not landowners, unlike residential tenants — and I stress that — unlike residential tenants, commercial and industrial tenants are not entitled to a vote in local council elections in their own right. They should be. Without a vote, councillors and councils have less incentive to work with and for local business needs and aspirations. This can be rectified by giving commercial and industrial tenants a clearer entitlement to vote through the Victorian *Local Government Act 1989*. Sections 11 to 20 of the Act outline who can vote in council elections. The right is given to all residents, whether tenants or landlords. The right is also given to owners of rateable property who are not

residents in any ward. In principle, this makes perfect sense. The owners of land are technically the ratepayers; the taxpayers, the ones who are liable to pay council rates that are assessed through the value of the land they own.

Whilst the owners of residential properties that are tenanted pay the rates on the properties they own, as a general rule the owners of commercial and industrial properties who have tenanted their properties do not. Although firm figures are not available — and I am sorry we cannot give them to you — according to the business community the overwhelming majority of businesses in Frankston are tenants, not landlords. In the Business Chamber when we asked, the estimated figure was around 75 per cent. Business tenants are normally signed up on standard-form REIV or law institute commercial and industrial leases and these standard forms make tenants liable to reimburse their landlord for the full cost of council rates imposed from year to year. Whilst residential tenants who get a vote do not pay rates, commercial and industrial tenants who do pay rates do not. Business tenants are the ones who pay the taxes, yet overwhelmingly they are not able to vote. They can only claim a right to vote through a very tortuous route at the moment. If they are signed up under their contract to pay the landlord's rates on a property that they occupy, they can claim a vote provided they seek and obtain the landlord's consent in writing — in Frankston that is through a special form. They can also claim the right if they are named on the council rate records to receive the rates notice.

Frankston council figures illustrate that these avenues are rarely used. In fact they are so rarely used they are virtually redundant. For the purposes of assessing rates Frankston City Council listed a total of 4484 properties as commercial and industrial for its budget for 2012–13, of which 3385 were located outside the central activities area. As previously submitted, the overwhelming majority of these properties are tenanted. Applications by occupier-ratepayers to go on the roll to vote in the council elections that were held in October last year needed to be submitted in Frankston by 31 August 2012. By then only two occupier-ratepayers had obtained their landlord's consent in writing to go on the roll to vote. According to a council officer, on 3 September 2012 — that is three days after the electoral roll closed — the number of businesses eligible under the second route — being present on the council's rate records to receive rates notices — was in the words of the officer 'Negligible, if any.'

Anecdotally, many business tenants in Frankston will still be able to vote as residents. They will be able to vote in the ward where they live, not where they work and do business. However, a very substantial number of business tenants live outside Frankston; for instance, in Mt Eliza, Mornington, Carrum, Chelsea, Mordialloc and Cranbourne. Even though they pay the rates, they will have no vote in future elections. This leaves council less accountable to Frankston businesses than it should be. Theoretically, councillors representing, say, the Carrum Downs industrial estate — which by the way is responsible for 40 per cent of the gross revenue of the municipality and employs 22 per cent of the employees within our area, and it is in the north-east ward — or the industrial areas around Hartnett Drive in the north-west ward, receive little incentive. The councillors who represent those wards receive little incentive through the ballot box to work hard for business people in those areas, many of whom may not live in their wards. Similarly, councils who arguably vote against the interests of businesses in their wards can do so knowing that they are unlikely to be markedly affected in the next election.

Every encouragement should be given to local decision-makers to support and work with local businesses. Indeed, that is squarely within your terms of reference. The current voting process does not provide this encouragement, and should be changed. Only one vote should be given to any single voter. However, commercial and industrial property owners and tenants who are also residents should be entitled to choose the ward in which they would like to vote — either where they do business or where they live. Business voters who are tenants under a commercial lease should be able to enrol to vote without going through the cumbersome process of obtaining their landlord's consent, which in fact is no right at all at the moment in a practical sense.

The law presently gives both residents who rent and their landlords a vote. The same laws should be extended to commercial and industrial tenants and landlords, and the Local Government Act should be amended accordingly.

That is our main submission. However, to put this submission into context — and I know you are wanting to wind down now — I am going to be as brief as possible. I will submit this in writing to you, so the broader reasons behind what I am about to say will be available to you through a tabled document.

I would like to briefly explain something that Peter flagged I would be talking about, which is the trigger through which we actually even looked at the item I have just talked about. It concerns the inequity of imposing differential rates for commercial and industrial properties in Frankston last year. It is an interesting case study, one that proves the point of what I am saying.

As most of you know Frankston City Council has resolved to build a \$46 million regional aquatic centre, which with the benefit of state and federal grants will cost the municipality more than \$20 million. That building has started and should be completed in 2014. I know that the Business Chamber applauds the decision. It will be of immeasurable benefit to the health and wellbeing of Frankston citizens. However, the challenge now facing the municipality is to find the funds.

The 2012–13 council budget was delivered during an election year in a difficult fiscal environment. The budget contained a \$316 000 economic resilience package — some of which you will have seen noted within Frankston City Council’s submission — that was strategically targeted to attract new businesses, to encourage more local businesses to tender for council contracts, to fund a major international sporting event and to build tourism. But the budget also introduced a 125 per cent differential rate for all commercial and industrial properties in Frankston. The stated aim of this differential was not to fund economic resilience. According to the council report, distributed publicly at a special meeting of council on 6 August 2012 — and I am limiting myself here to publicly available documents because as a councillor the remainder of what I said was in confidence behind closed doors — the differential was not even designed to increase the amount council raised through the budget. Rather, it was designed to shift the burden of who was to pay. That is spelt out explicitly on page 7 of the special meeting report.

This report delivered good news for Frankston residents who will be using the pool; rates on their residential properties were increased by a mere 1.49 per cent. According to the council’s special meeting report, if the differential had not been introduced, residential property owners would have faced a rate rise of nearly 4 per cent. Whilst the burden on residents fell, the burden on business rose sharply. Frankston’s 908 city centre commercial properties were already paying a 125 per cent differential. An additional 1351 Frankston commercial properties outside the city centre were handed rate rises averaging over 20 per cent, in a practical sense. Another 2225 industrial properties faced an average increase of 23.8 per cent in one of our most economically difficult years in decades.

Frankston’s local businesses in the Greater Frankston Business Chamber were not given an opportunity to comment on this proposal until the very end of this process, at a time when changes to the proposed differential would have meant re-advertising the entire budget to the Frankston community. Had the Chamber been able to comment it would have given a number of reasons, and they will be detailed in the document that I will give you.

I will wrap up by saying that during the debate about the differential last year, some Frankston councillors argued that businesses can write off the differential as a tax deduction, which they can. They also questioned whether any business that cannot afford the differential should remain in business. With the greatest respect, we believe that these arguments fail to take into account the current economic climate. A Dunn and Bradstreet media release dated 21 February 2012 reported that:

The number of small businesses going through bankrupt jumped by 48 per cent over the last 12 months, while small business start-ups fell by 95 per cent over the same period.

Analysis by Dunn and Bradstreet of business start-ups and failures for the December quarter in 2011 found that across the economy business failures were down 10 per cent on the September quarter in 2011 but up more than 40 per cent for the year.

These figures are alarming. They should be a clarion call to action. They would appear to indicate from a policy perspective governments need to provide better encouragement and support for small business. If the State Government were to remove the ability of councils to impose a commercial and industrial differential, it would help show business across the state that their government understands the current trading environment and wants to support businesses through it. If you are sympathetic to this idea, we ask you to make your views as a committee known to the Minister for Local Government and your colleagues, the Honourable David Morris and the Honourable David O’Brien, who are presently sitting as the differential rates ministerial committee advising the Minister for Local Government.

I would now like to table the document in which I discuss the differential argument I have raised with more clarity. I thank you for the opportunity to submit to you today and wish you all the best with your deliberations. We are open for any questions you would like to ask us.

Mr PATTERSON — Absolutely. I support these sentiments as well.

Mr FOLEY — After such a fantastic presentation I could not but ask a few questions. If I could, with your indulgence, just perhaps ask two.

Ms RICHARDS — Yes, please do.

Mr FOLEY — We heard earlier today and in other submissions of the benefits of differential rate arrangements, and we have seen the evidence of them not very far from where we are sitting now. I think the principle of differential rates and their application in different areas is perhaps a bit skew-whiff. I do not know the circumstances in Frankston, but the principle with which you have had difficulty others, including businesses that we have spoken to today, have found to have significant benefits, provided various things happen with income from that differential rate arrangements. So I am not sure that we are in a position to act on the recommendation that you put to us right at the end of your presentation about the government's broader review; I am not sure what their timetable or our timetable is, but I am sure we will address the issue in some way, shape or form. Are there any circumstances in which you would see a differential rate having benefits for economic development in Frankston and surrounding communities?

Ms RICHARDS — Absolutely, and I think that you have outlined them. One is expenditure. The business community is in favour of actually expending in a way that benefits all businesses across the municipality. I do not mean that in a philosophical way, but that really have obvious and tangible benefits to all business. For instance, Peter has mentioned — —

Mrs PEULICH — It cannot just be a grab for more money for no return.

Ms RICHARDS — And this was. The example we have given was clearly articulated in the budget papers as shifting the burden from residents to business. That is completely unfair. I would have thought that unless there is a clearer articulation of when councils can impose differential rates, then there would need to be some kind of protection for business from what can amount to thousands of dollars for small business.

The CHAIR — That is why we are conducting this inquiry.

Ms RICHARDS — That is exactly right.

Mr PATTERSON — In the Frankston instance, the businesses within what we call the CBD or the central activity area had a differential rate regime imposed about two or three years ago. It was quite clear that the rationale of that was for them to get a one-stop-shop, and a whole raft of other arrangements was put in place for the commercial district — additional cleaning, beautification and so on.

We do not have an issue about the differential rate if it is targeted to a particular regime about business development rather than the funds just going into the bigger pot. Certainly if we said, 'Look, we would like every business within Frankston to contribute — let us call it \$100 — towards a fund to attract additional businesses or to provide beautification', if it is something that is quite clear and we can go and market and promote it to our business community, then I do not have a great issue. But in this particular case it was just, 'We want additional funds. Where is a soft target?', as Christine has said, and the business community is a soft target. Because you do not have any comeback in terms of the ballot box, then let us rape and pillage the business community and take them for the money we are short on. If you came to the business community and said, 'Look, this is the rationale: we are increasing the range of services. We are going to develop a fund to grow and develop and improve the business community', then I think, yes, we would start to get on board with that sort of thing, but I think it is the approach rather than the principle per se.

Ms RICHARDS — Could I add that in the submission that has just been handed out you will see that we have asked colleagues of yours, who are working on differential rates, to set up some guidelines around differential rates that in fact allow councils to impose special rates for special projects. I would say that in terms of the one-stop-shop, which is absolutely fantastic and works so well on 23 neighbourhood trading strips in

Frankston, perhaps that should be the subject of a special charge scheme for the businesses on that strip rather than the subject of differential rates. Clearer guidelines actually establishing what type of charges should be applied and when would be very helpful.

The CHAIR — ‘Differential rates’ is a very broad category. Certainly the use of it in protecting agricultural circumstances is completely different. I think we understand where you are going with it.

Mr FOLEY — The other question I want to ask was on your proposal to add businesses who are not owners of rateable properties onto the local government electoral roll. You went through an enormous range of material there — and I apologise if you have actually answered this, but if you have, could you restate it? What number of potential added businesses would be added to the City of Frankston’s electoral roll in raw numbers, and what sort of percentage increase in the voter base would that give effect to, and would it make a difference?

Ms RICHARDS — I have to apologise to you, Mr Foley; I cannot provide you with that figure today. We know that there are roughly 4484 businesses in Frankston — commercial and industrial businesses. All of those businesses should be entitled to vote, but only a proportion of them would be tenants — in our view, about 75 per cent, so that would be 75 per cent of roughly 4500.

Mr FOLEY — Do they live in Frankston or do they not — and all those other qualifications?

Ms RICHARDS — That is right. That is the other component of it.

The CHAIR — What qualifies as a business?

Ms RICHARDS — If it is classifiable as a commercial and industrial property, then that is what —

The CHAIR — Is that based on the property?

Ms RICHARDS — Yes, that is right. The classification for actual rates is the property holding, and whereas the right to vote is given to residential properties where residents do not —

Mr SHAW — If there were a number of owners of the business, Christine, would you suggest — Replas has three directors, I think, don’t they, Peter? — would all three directors have a right to vote? Is that what you are putting forward?

Ms RICHARDS — No, they do not. The existing rules actually allow for, I think, one director of a company to vote on behalf of all the company.

Mr FOLEY — Melbourne City Council deals with the issue by the first named director. That is why a large number of Hong Kong-based directors mysteriously get ballot papers, so there are hurdles to be got over in the application of that system.

Mrs PEULICH — In Frankston they may not live in Hong Kong, but it might be Mount Eliza.

Ms RICHARDS — May I point out that that is already the law — that the owners already get a vote. What we are seeking is not to actually extend that net overseas. We are actually making the very practical suggestion that those who live and work and actually are responsible for the health of the economy in the area should have a say in local government, which has such an influence over the economic environment in which they work.

Mr SHAW — And would that be compulsory, Christine?

Ms RICHARDS — No. For the owners of residential properties — the existing laws do not place an onus on people to vote, they just give them the opportunity to vote.

Mrs PEULICH — Thank you very much for your submission and your attendance. Could I say that your decision not to contest the election is a huge loss for Frankston City Council and the Frankston community, and I am delighted to see that you are continuing to make a contribution and one that is in a leadership role. I would like to commend you on your submission. I think it is very exciting, and I look forward to this committee considering it in further detail.

Ms RICHARDS — Many thanks. Thank you very much for those kind words.

The CHAIR — I echo those sentiments. Thank you very much for being here today.

Mr PATTERSON — It was a pleasure.

The CHAIR — You will receive a copy of the transcript for today. Please look through it and see if you believe there are any mistakes in it — grammatical or punctuation — but no changes can be made to the substance of the document.

Ms RICHARDS — May I just ask one question myself, Chair? Would it help if I sent this text through?

Mrs PEULICH — Electronically?

Ms RICHARDS — Yes.

Mrs PEULICH — I think so.

The CHAIR — All the information we can have is good. Thank you very much.

Ms RICHARDS — Thank you very much. Good luck.

Committee adjourned.