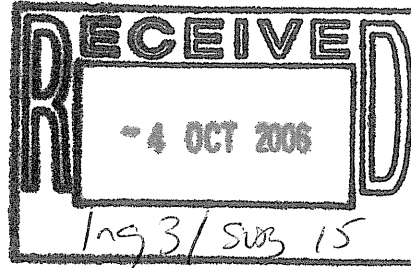


22<sup>nd</sup> September, 2006



Mr. Don Nardella,  
MP, Chair  
Outer Suburban/Interface Services  
& Development Committee  
Level 3, 157 Spring Street  
Melbourne VIC 3000

Dear Mr. Nardella,

**Re: Inquiry into Local Economic Development in Outer Suburban Areas**

Please find attached my submission for the Inquiry into Local Economic Development in Outer Suburban Areas.

If you require further information please contact me.

Thank you for the opportunity to provide a submission.

**Dr. Gayle Morris**  
Director,  
Office for Research

# INQUIRY INTO LOCAL ECONOMIC DEVELOPMENT IN OUTER SUBURBAN AREAS: VICTORIA UNIVERSITY RESPONSE

This report highlights research findings of the Small Business Research Unit's (SBRU), Victoria University, that are relevant to terms of reference 4, 5 and 7 of the inquiry into local economic development in outer suburban areas. Specifically, it covers research undertaken on home-based businesses (HBBs) and the initiatives and challenges facing local Councils in addressing the HBB sector's needs.

HBBs are businesses characterised as having offices primarily at the operator's residence. These businesses constitute nearly two-thirds of all small businesses in Australia and have a significant impact on economic and social wellbeing. The June 2004 survey of the Australian Bureau of Statistics placed the number of HBBs throughout the country at 856,000 with 198,700 of these located in Victoria. These large numbers explain why HBBs account for the employment of a significant portion of the population. Apart from more than a million operators, 31% of home-based businesses employed additional staff. Further benefits brought about by HBBs relate to their stimulation of the local economy, as these businesses are themselves consumers of goods and services. The operation of HBBs also injects vitality and activity in residential areas that in turn, decrease the opportunity for crime and other undesirable activities in the neighbourhood.

## ***The Home Based Business and Local Government Report***

In 2005, the SBRU was contracted by the State Government's Department of Innovation, Industry and Regional Development (DIIRD) to investigate how municipal councils in Victoria view and engage their constituent HBBs. Salient findings discussed in the project report, *Home Based Business and Local Government*, are as follows:

1. Victorian municipal councils have not added further regulations to the State provisions on HBBs or 'home occupations' (Clause 52.11, State Planning Provisions 1998). These regulations essentially allow complying home businesses to operate without securing a planning permit. Councils see the State regulations as sufficient in balancing the needs of preserving the amenity of the residential community while allowing home businesses to operate and contribute to economic development.
2. Local councils report that the State planning regulations on HBBs are not a significant constraint on HBB operation. Complaints to councils about regulation breaches are also quite few, and those that do come to light are quickly and easily resolved. Some councils have reported as well that neighbours' tolerance for HBBs in their midst increase the further communities are from more concentrated metropolitan areas.
3. Telephone interviews and a survey of council websites identified the councils that were more interested in HBBs. These councils had a clear understanding of the role that HBBs can play in economic development. Interestingly, most of these councils were located in outer metropolitan dormitory suburbs with little other industry in their municipalities to provide local employment opportunities. (Indicators of interest in HBBs with each of the Victorian councils are provided in the Appendix of the project report).
4. Of councils that are supportive of HBBs, the more active ones are those with a large population base. Their revenues from homeowner rates allow these councils to provide the necessary staff, technology and expertise to engage and develop home based businesses.

5. Councils also reported that the lack of broadband Internet coverage is a significant impediment to HBB operations. While this is a common concern in regional/ rural areas, this constraint has also been observed in some metropolitan areas.

The research work on this project also revealed some information about HBBs and local councils that were elaborated on in two subsequent SBRU papers described below.

### ***Engaging the Invisible Home-Based Business (HBB) Sector: Challenges and Best Practices in Local Government***

This paper confirmed the existence of several factors that make engaging HBBs a difficult task for local government, however well-meaning their intentions are. These are their location, their non-listing in one sectoral business register, and their lack of a representative organisation. But the most significant factor is the hesitance of HBBs to interact with municipal councils, an attitude borne out of lack of trust with government involvement with their businesses.

HBB-supportive councils have pro-actively employed practical and creative measures to reach HBBs, such as brochures, mail-outs, networking events and visits. To draw out these “hidden businesses”, the principal theme of these measures is the deliberate building of HBBs’ trust with council efforts. Thus, the soft, non-direct and friendly approach is preferred. Playing a particularly important role is information and communication technology (principally the Web) in disseminating council information and support services to the majority computer-equipped HBBs. And those HBBs with poor broadband or Internet services can still benefit from informative CD-ROM compact disks prepared by some councils.

### ***Local Government Assistance for Home Based Businesses: Is it Working?***

This paper reported on assistance provided by Victorian local government for home-based businesses (HBBs). While there was general interest among the 79 municipal councils for this sector, some 28 percent of these councils have already been proactively providing assistance and support services. These services range from disseminating start-up and compliance information, offering business directory services, organising networking events and training seminars to providing more customised support. A more detailed list of these services is provided in the paper. The knowledge of what the leading councils are doing for HBBs may provide an impetus to their colleagues in other areas to increase their commitment to HBBs.

The small business life-cycle model enabled a conceptual understanding of the range of HBB assistance and support measures provided by councils. It was found that the observed council initiatives only cater to the requirements of the first three development stages of inception (or start-up), survival and growth of a business’ life cycle. A frequency distribution analysis of these services, however, revealed that they were predominantly skewed to the start-up and survival stages. There were minimal initiatives reported for the growth stage, which would involve specific or even firm-tailored support.

The analysis pointed out the apparent lack of strategic consideration in the design and provision of HBB assistance. In particular, there ought to be an articulation of council objectives after considering their local HBB sector. There is also a need for councils to pursue regular information-gathering research with the HBBs in their municipality in order to better inform the development of their assistance activities.

### **The HBB Growth Model Project**

The SBRU is currently undertaking a national study of HBBs in collaboration with Edith Cowan University in Perth. One of the objectives of the research is to develop a comprehensive profile of HBBs in Victoria and compare the findings with those in Western Australia. The study will also try to determine the factors influencing business growth in the HBB sector. Sustainability and growth are important issues with businesses, and in this study, the drivers and inhibitors of HBB growth as well as support needs will be identified. The effects of government regulation to HBBs will also be studied.

Our 2005 study pointed out the Victorian local councils that were more advanced than others in initiatives to develop HBBs. Most of these HBB active supporters were outer metropolitan councils. From the ongoing SBRU study, it is quite encouraging to learn that a few more councils have taken definite steps to develop their HBBs.

The research will be completed and a Final Report submitted by March 2007. The results should be useful to interested government bodies and other stakeholders and assist them in crafting effective programs designed to support HBBs at different stages of development.

In conclusion, the SBRU supports the notion of the economic and social importance of home-based businesses. Local councils in outer suburban locations, particularly those where medium to large industries that provide significant employment opportunities are absent, may want to consider setting up programs to encourage and nurture HBBs. They could learn from best practices of other councils who are more advanced in implementing these programs. Another key undertaking is obtaining up-to-date information on the profile and needs of their constituent home-based businesses.

The Small Business Research Unit is pleased to assist the Committee in its inquiry and if necessary, shed more light to aspects of this report. For further information, please contact Professor John Breen, Head, Small Business Research Unit, at Telephone (03) 9919 5324 or email [John.Breen@vu.edu.au](mailto:John.Breen@vu.edu.au).

The Small Business Research Unit (SBRU) operates at the Faculty of Business and Law of Victoria University. The SBRU was established in March 1993 to conduct small business-related studies at the regional, national and international level. The Unit promotes and supports the valuable contribution small business makes to the Australian economy by conducting industry-focused research, publicising research outcomes and participating in small business development activities.