



SUBMISSION ON:

**NSW Small Business
Strategy 2020**

Discussion Paper

CONTENTS

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2 INTRODUCTION

Cessnock City Council (CCC) welcomes the opportunity to provide a submission in response to the NSW Small Business Strategy 2020 Discussion Paper.

Cessnock LGA is in the Lower Hunter region along with Newcastle, Maitland, Port Stephens and Lake Macquarie LGAs and in the zone called Greater Newcastle. The Hunter Region is Australia's largest regional economy, with an economic output of over \$102.019 billion pa.¹ According to the NSW Government, the Hunter Region ranks above Tasmania, the Northern Territory and the Australian Capital Territory in terms of economic output.

Cessnock is home to Hunter Valley Wine Country, and is highly accessible by road from Sydney, Newcastle and the New England area. The LGA is within 35 minutes of the Port of Newcastle and 50 minutes of Newcastle Airport. The LGA has rail connections to both the Port of Newcastle and to Sydney, and is only 2 hours journey to Sydney by road.

Cessnock City is a lifestyle centre and attracts lifestyle businesses to leverage from the liveability attributes, the affordability of the region, the proximity of regional centres and Sydney, and the lure of tourism opportunity.

Cessnock LGA has a long history of coal mining, manufacturing, construction, agriculture (e.g. grazing, poultry), viticulture and related tourism activities, all of which are still its primary employment sectors. Cessnock town centre is the administrative, retail and service centre for the LGA with Kurri Kurri town centre being an important secondary retail node and the industrial heart of the LGA.

Cessnock City has a population of 59,101 (ABS 2018 ERP). In 2018 ABS reported 2,911 registered businesses. In 2019, Cessnock City Council identified 3017 businesses trading in our city. There are 15,494 jobs located in Cessnock City (2018), of which 61% are filled by residents. There are 20,501 employed residents in the city, of this 46% live and work in the LGA.

The Cessnock LGA's economic output (gross revenue by businesses) at 2018 was \$4,990.441 million, an increase of 2.5% in the last 12 months.

Gross revenue generated by Tourism in Cessnock City is valued at \$502.367 million or 10.1% of all economic output and the fourth largest contributing sector. Tourism is modelled to be the largest employing sector in Cessnock LGA, with 15.2% of the local workforce (2,354 jobs in Cessnock LGA alone). The flow on effect of tourism is estimated at \$227 million.

According to the Australian Bureau of Statistics (ABS), between June 2017 and June 2018 Cessnock Local Government area had the second largest growth (6.0%) in small sized business in Regional NSW. Cessnock City Council's Business Capability Study (2019) also identified that 86% of our businesses are micro and small (employing fewer than 20 employees).

In recognition of the importance of small business to local economies, the CCC provides the following submission for your consideration.

3 DISCUSSION QUESTIONS

A. 1.1. What other strategies could boost the NSW economy and provide an environment for small businesses to start, grow and invest?

Renewed Commitment to economic development in the regions

There is a need to renew a state-wide commitment for responsible regional economic development as a priority. Positive economic development initiatives must still promote growth and investment, assist in securing future economic diversity and aim for sustainability and social equity, but must target resilience and community liveability.

¹ ABS Australian Bureau of Statistics' (ABS) June 2018 Gross State Product, 2015 / 2016 National Input Output Tables and 2016 Census Place of Work Employment Data.

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Many local Councils have an economic development plan or approach which prescribes a mix overarching strategies around strengthening the business environment, supporting and nurturing existing businesses and attracting business investment. However, when macro or micro forces threaten to impact opportunities, efficiencies and future legacies; the traditional economic development strategy becomes surpassed and outdated.

Economic development is also a longer term strategy, which requires a three tiered government commitment to promoting the economy. CCC praises the NSW government's commitment to supporting small business, through the strategy. However CCC also advocate that a partnership approach needs to be adopted by NSW and local governments to remove duplication and best harness all the resources at each level of government. An economic development framework could ensure a standardised approaches based on best practice in the regions. It could set principles or foundations which support robust, resilient and self-sustainable economic and social growth to occur, sensitive to the needs of regional communities.

A partnership approach with all three levels of government in the longer term is vital, particularly the local government. This partnership would utilise:

- a. the local knowledge that would identify the infrastructure needed to support and further encourage growth in that particular economic zone;
- b. jointly improve the way existing infrastructure is managed; and
- c. provide an agreed pipeline of targeted investment to deliver infrastructure where and when it was needed.

Recognition of Local Government in the Small Business Ecosystem

Councils can take a strategic leadership role in facilitating outcomes that stimulate job creation, economic resilience and enable environment conducive to undertaking business. CCC recognise that a key asset to sustainable economic development is also in supporting a positive business environment. Local government can play an integral role in by facilitating, collaborating and enabling local economic outcomes and generating the business environment conducive to do positive commercial outcomes.

Damien Tudehope, NSW Minister for Finance and Small Business recognises "local Councils are an essential part of the small business ecosystem, offering a supportive environment to local entrepreneurs to enable them to start and grow"². Recognition of this role and introduction of a planning framework supported by all levels of government could instigate some very impactful economic development outcomes.

Regionally, economies are microcosms, dynamic and susceptible to change. Regional areas such as Cessnock City need to strategically manoeuvre their delicate business environments ready for long term sustainable prosperity and resilience. Regional cities offer excellent opportunities for economic diversification through support for existing businesses to grow, for new businesses to establish and for employment nodes to expand and establish. All three levels of government can encourage and stimulate growth in regional centres with a strategic approach to local economic development. This requires an understanding of the relationships between local needs, regional capacity and their importance to the nation as a whole.

Cessnock LGA has a high proportion of micro and small businesses who employ less than 20 people, as well as a high proportion of newer businesses that are less than 5 years operational. Micro and small businesses have the greatest capacity for employment growth, given the right economic conditions and business environment. Providing greater support for existing businesses may prove invaluable towards sustaining and stimulating more employment and economic growth in the region. It is also known that businesses with higher turnovers have greater survival rates³, thus it is critical programs to support these businesses be adopted and implemented.

Economic development programs, support for small regional businesses and breaking down barriers for small business is going to continue to be critical to supporting productivity and employment in the regions. Education programs and workshops to build capability and capacity within our industries, support and assistance relating to skills shortages and workshops which assist businesses to grow.

² <https://www.smallbusiness.nsw.gov.au/news/smallbiz-connect/meet-damien-tudehope>

³ Australian Bureau of Statistics (2016). Counts of Australian Businesses, Including Entries and Exits. Jun 2014 to Jun 2018, Online version accessed 23 August 2019, www.abs.gov.au/ausstats/abs@.nsf/mf/8165.0

Harnessing existing businesses for growth and innovation

A focus on supporting start-ups and new industries can realise benefits and excitement for regional communities. However, it may be more impactful to stimulate and supporting existing businesses to grow and innovate in the regions, than to pursue high risk, untested, resource intensive investments in new industries which have uncertain viability. Research⁴ also suggests that while start-ups and new industry development allow for quick adaptation to changing markets at that point in time, established companies with established networks and cash flow present a more likely source of sustainable innovation and more appropriate use of public investment: “the use of more traditional and rigorous support mechanisms, targeting later stage enterprises and innovations within existing, successful companies, would appear to be a better option in the allocation of public funds”.

Start-ups have been supported in recent strategies and programs supported by state governments, however it is important to note, new businesses may be more likely to fail in their first 18 months, from lacking resources, funds or facing no real market need. There is indeed little evidence to support that start-ups and new industries can effectively replace permanent jobs that are required to achieve longer term economic sustainability and stability in regions. There is also little evidence which demonstrates emergent industries might be more resilient to economic shocks and disruption.

Providing greater support for existing businesses may prove invaluable towards sustaining and stimulating more employment in the regions. In 2017-2018, 71.5% of employing businesses had between 1 and 4 employees only.⁷ These micro and small businesses have the greatest capacity for employment growth, given the right economic conditions. The contribution of regional small businesses is qualified by Hettihewa and Wright (2018) as crucial in contributing to their region’s socio-economic viability, and, thereby enhancing the quality of life by slowing or reversing labour migration to metropolitan areas.⁵ **Error! Bookmark not defined.** Accounting for 35% of Australia’s gross domestic profit and employing 44% of its workforce, small businesses are, as qualified by the Australian Small Business and Family Enterprise Ombudsman’s, vital to the health of the Australian economy. **Error! Bookmark not defined.**

Businesses with greater turnover proved to have higher survival rates. Of the 2,313,291 actively trading businesses operating at the end of 2017-18, 93.1% businesses had an annual turnover of less than \$2m. In 2017-18, businesses with a turnover of \$50k to less than \$200k had the smallest annual percentage increase (2.1%), whilst businesses with less than \$50k turnover had the highest exit rate (19.4%).⁶ Of those businesses operating in June 2014, survival rates at June 2018 generally increased with increasing annual turnover. ⁶ Thus, it is also important to renew focus on increasing productivity of existing businesses to support increasing turnover and capacity to employ.

Innovative solutions within existing industries and circular economies

Industrial ecology is an integral part of the notion of a circular economy. By definition, industrial ecology may aim to produce zero waste although essentially reduces, re-purposes or re-introduces any industrial by-products or waste products of an industry into economic outputs. Synonyms for these notions are also “Greening of Industry” and Industrial Symbiosis. It is a way for a businesses to maximize profits through processes which reduce waste and retaining value.

In Cessnock LGA, Weston Aluminium responded to the declining demand and prices of aluminium for the steel industry by diversifying their core production into processing and recycling aluminium dross and scrap in an environmentally efficient and responsible manner. They developed technologies to process all forms of aluminium by-products: the residual non-metallic particles are manufactured into various products including fluxes, desulphurising agents and slag conditioner for the steel industry and raw feed for the cement & building industries.

Weston Aluminium’s infrastructure also allow for the safe treatment of medical waste, further diversifying their current operations by environmentally burning hazardous material such as clinical waste, pathogenic substances, pharmaceutical waste, cytotoxic substances, quarantine wastes, and illicit materials, including drugs. Symbiotic companies near Weston Aluminium have established an Industrial Ecology Precinct at Kurri Kurri

⁴ Hefferan and Fern (2018). Questioning the Value of Government Support for Start-Up, Knowledge-Intensive Companies: Emerging Evidence and Future Options. *Australasian Journal of Regional Studies*, Vol. 24, No.1.

⁵ Hettihewa and Wright (2018). Nature and Importance of Small Business in Regional Australia, with a Contrast to Studies of Urban Small Businesses. *Australasian Journal of Regional Studies*, Vol. 24, No.1

⁶ Australian Bureau of Statistics (2016). Counts of Australian Businesses, Including Entries and Exits. Jun 2014 to Jun 2018, Online version accessed 23 August 2019, www.abs.gov.au/ausstats/abs@.nsf/mf/8165.0

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(NSW), to collectively cluster for reuse and recycling of materials which may have been intended for landfill or otherwise. Industrial ecology can mitigate an organisation's environmental impact, whilst simultaneously realising commercialisation of a waste product, and resulting in increased economic outputs through additional sales, reduced costs, and job creation.

While it may not increase their 36-full-time-people workforce, it will allow employment to continue in similar skilled jobs post closure of the Hydro Aluminium Smelter. Gas and electrical pricing are however major cost items that could threaten employment. Weston Aluminium is currently lobbying government for better pricing and has previously cited concerns and barriers with red tape in approvals of expanded enterprise. Policy in sustainable strategy development for circular economies including industrial ecology needs to be reinforced nationally, should the opportunities be maximised for regional jobs.

Other industries which may be pursued are specialised agriculture, aquaculture and solar-powered greenhouses or hydroponics which could prove to be emergent sectors in regions, particularly with and food security and displacement of these activities within proximal location to major cities. The demand for agri-tourism, and niche agricultural products is growing, particularly with growing regional populations, particularly in the Hunter Region, and a more informed market.

Challenges restricting the growth of these markets include issues with access to transport and freight, rail, access ports, and capacity of regional airports for distributing and exporting food products and value-adding to regional exports.

B. 1.2 What barriers do small businesses face when diversifying and growing their businesses?

Skills Shortages

Businesses are experiencing workforce issues as a result of a number of factors, one major regional issue being the decline of traditional industries including the resource sector. Strategies combatting employability and worker traits, and even preventing disengagement of young people through appealing immersive education such as a focus in STEM could have greater results in the regions. The aim is for a workforce that is sustainable for the regions in relation to any sector's growth or changes and, one which has skills and vocational aptitude to be transferrable to the changing needs of industries.

Wide stakeholder involvement (public, private, academic and community) is rather cited as "crucial in any planning and governance of regional futures because the ability of societies to adapt with climate change is determined [...] by the ability to act collectively."⁷ CCC took a consultative approach to training needs and skill shortages to plan for shorter term jobs of the future, by conducting a workforce skills audit survey in 2018⁸: local businesses were asked to inform Council about the skill shortages and employment issues they experienced in operating their business now and into the future. Over 1,000 businesses provided feedback to the survey which is considered a significant response.

Based on the results of the Cessnock Skills Audit 2018, not all skill deficits can be met from within the LGA. The local job agencies also identified that registering for TAFE was not an easy process for applicants and assisted with their enrolment, enabling the minimum numbers for the classes and courses to go ahead. They also assisted in engaging employers to conduct work experience programmes, giving them a prospective look at potential employees and giving employees "real work life" experience.

The consultative approach has been instrumental in determining the need and outcomes for:

- The development of a first of its kind STEM partnership between Cessnock City Council and the NSW Department of Education to test ideas in the development of a NSW STEM curriculum and focus on student engagement and retention (development of future talent).
- The development of a partnership between TAFE NSW and Cessnock City Council to program training to upskill existing workers, and job seekers in response to identified business skills needs.

⁷ Bosomworth et al (2017). Living in uncertain landscapes: an NRM lens on the implications of climate change for regional futures. *Australasian Journal of Regional Studies*, Vol. 23, No.3

⁸ Cessnock City Council (2018), Cessnock City Skills Audit 2018, <https://advancecessnock.com.au/cessnock-city-skills-audit/>

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Employers in regional areas often find it difficult to compete with the remuneration and career opportunities offered by employers in the metropolitan areas or by dominant sectors such as mining. In most small to medium businesses, by far the biggest cost item in their budget is wages.

Compounding this issue, some businesses, particularly micro and small businesses who have the greatest capacity to employ and create jobs in regional Australia, are struggling to navigate how to employ. Employers and potential employers are confused about what actions to take when employing staff, reported a perceived difficulty in superannuation and payroll or issues with casualisation. Cessnock City Council is also looking at workshops for business owners for them to know how to better recruit and employ.

Some businesses surveyed by CCC for the Cessnock City Skills Audit in 2018⁸ expressed they are opposed to recruiting from within the local pool of jobseekers and perceive that local recruitment in the regions can be challenging. These employers are looking outside the LGA to recruit staff and have an aversion to direct employing local people, citing issues with work ethic and attitude to work, applicants who break trust or become unreliable, and both technical and soft skills or just overall challenges with previous negative employing experiences and how to engage an employee in general.

Strategies combatting employability and worker traits, and even preventing disengagement through engaging immersive education such as a focus in STEM could have greater results in the regions.

Responses towards Cessnock City Council's Economic Development Jobs Portal however demonstrate businesses are open to and generally want to utilise local recruitment. Raising awareness of employment processes, highlighting positive case studies and re-education of businesses through local economic development initiatives at the Council level could prove to be a successful strategy towards reversing negative attitudes to employing locally or employing in general.

One key finding of the Cessnock City Skills Audit 2018 is the connection between businesses and the tertiary education sector as the missing link. This is not only a local matter, the separation of training outputs and business workforce needs is a nationally recognised issue.

To highlight some of the confusion and barriers experienced by small businesses in taking on new employees:

- Payroll tax can inhibit employment if a business knows they will incur a liability. Payroll tax thresholds also have no consistency around Australia and are not unified. Thresholds vary from \$650,000 in Victoria to \$2,000,000 in the Australian Capital Territory. The rate varies from as low as 2.50 per cent to as high as 6.85 per cent⁹. In NSW there have been recommendations for a metro vs regional zone with differing rates. Compliance with payroll tax obligations can consume significant time resource for businesses,¹⁰
- The differences between an "employee" and a "contractor" and employer obligations.
- Landmark decisions on casual employees and permanent entitlements adding to fear and confusion of small businesses¹¹.
- Perceived issues with meeting the correct Awards and Agreements, the difference in National industrial relations, vs state etc.
- Small businesses without policies or procedures in place may find it harder to manage employees, dismiss due to misconduct and meet their obligations.
- Crackdown on the black economy by the Australian Taxation Office (ATO). Some small businesses have expressed concerns that the ATO will be targeting those who hide, falsify or deliberately under-declare their income. They will also be looking at anyone who underpays staff superannuation and wages, particularly through cash-in-hand payments. Reports may incite fearmongering amongst smaller firms trying to do the right thing, but become resistant to employ in the case it might be too hard to comply.
- The risk and aversion to Fair Work issues incl unfair dismissals and harassment.
- An increase in reports in the media of employers not fulfilling their financial obligations to their staff. This is both in terms of underpayment of wages, and also non-payment of their superannuation guarantee contributions. Due to the effect of compound interest, delays or non-payment of these quarterly payments can quickly add up to a major loss of earnings in an employee's super account.
- Introduction of Single Touch Payroll and new laws has added a layer of confusion for small employers.

⁹ <https://www.payrolltax.gov.au/harmonisation/payroll-tax-rates-and-thresholds>

¹⁰ Office of the NSW Small Business Commissioner (2018)
https://www.smallbusiness.nsw.gov.au/_data/assets/pdf_file/0011/173981/Submission-to-the-Board-of-Taxations-Review-of-Small-Business-Tax-Concessions-2-August-2018.pdf

¹¹ <https://advancecessnock.com.au/landmark-decision-affecting-casual-employment-in-all-industries/>

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- Staff turnover costs can prove to be significant burdens for smaller businesses.

Harness disruption to enable economic participation

Technological advancement is a double-edged sword. For all the advancements in productivity it offers, it also has the potential to render five million Australian jobs redundant by 2030.

Entrepreneurialism and adaptive businesses can capitalise on disruption and generate jobs in new industries. While new business failure rates may be high as previously outlined, disruption is generating a Gig Economy or Sharing Economy where "short term" work engagements is normalised. Increased pressures, job volatility and cost of living has driven people to use entrepreneurial online platforms such as Airtasker and Air Bnb to find "work", supplement their income or enable some form of non-traditional economic participation.

Examples of emerging services growing at an exponential rate are virtual assistants. With the companies increasingly operating without a physical office location - many choosing for flexible, shared co-working spaces – the modern workplace has opened a wide array of remote opportunities. Virtual assistants can not only save money, but also boost productivity by enabling entrepreneurs to focus on their core business activities. By completing time consuming tasks such as making traveling arrangements, managing emails, entering data or doing online research, they allow business owners to focus on core activities, competition or expansion. Virtual assistants are usually paid on an hourly basis for specific tasks for which they are skilled, which can eliminate the cost of training a regular employee. Unlike regular employees, they work from home and communicate using collaborative software, via phone, e-mail or instant messaging.

This increasing reliance on technology will create substantial growth opportunities, both in the physical infrastructure sector and cybersecurity sector: data storage and server banks, optic fibre and copper wire network will require maintenance. Installing and servicing our smart homes is likely to remain local, and will require a mobile workforce with advanced level skills.

As economic pressures make it less feasible for people to stay home full time to look after children or the home, tasks like cleaning, ironing, mowing, dog walking and shopping can all be outsourced. Higher demand for these types of services will be realised in regions facing increased population growth.

Similarly, there is potential for our aging population to take greater advantage of these services; the more affluent in the population may be more likely to utilise these services as a stop-gap measure to enable them to stay in their homes longer after retirement.

A positive step would be a national commitment to reducing red tape for small business, hastening approvals and assisting small business to navigate requirements, approvals, taxation, employment and other challenges. One model that could be rolled out nationally is the Easy to Do Business program, where small business owners in NSW can access free online and phone support from Service NSW's Business Concierge. Ultimately it means small businesses can establish trading, open and grow much faster.

Targeted support in the regions should encourage entrepreneurialism, commercialisation, value adding to supply chains and innovative job creation. Strategies which support new businesses to grow can be delivered at the local level in conjunction with strategies for business retention and expansion.

Information Communication Technology Infrastructure

The NBN has not brought high speed internet access to all parts of Australia, and some regions such as Cessnock LGA still suffer mobile blackspots and lack of NBN access or high speed internet. NBN has been rolled out, yet in some cases, fails to deliver on its promise.

Regional centres in Australia including Cessnock LGA has many homes and businesses in existing service areas told they must wait for their NBN connection which has not yet been rolled out or continues to be extended, postponed or delayed. Other towns have such unreliable fibre connections to NBN they report more reliable internet access from more remote places with satellite. In Cessnock LGA, many homes and businesses would be grateful to have had the opportunity to have copper wire and an exchange with the correct number of nodes.

Regional areas support growing populations and can absorb more growth, and flexible work arrangements and home based businesses now make a satisfactory internet connection a requirement for liveable communities. Families are missing out on vital online connections which reinforce their engagement within their communities - to their local school, community groups, education and social networks.

The cost of accessing broadband in regional Australia is already higher than that in metropolitan centres. Mobile networks conflict with each other, and fail in peak periods. Some towers are not running at 4G let alone 5G capacity.

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Cessnock LGA post mining is very much reliant on the visitor economy to retain jobs, however, Hunter Valley Wine Country businesses report not being able to take EFTPOS transactions during high volume concerts and events due to the number of visitors accessing social networks putting strain on existing mobile internet. Satellite and mobile based internet solutions can sometimes be cost prohibitive, ineffective and not competitive with speeds offered by fixed broadband elsewhere.

Hettihewa and Wright (2018) further suggest that "support for regional small businesses Internet marketing is likely to be an appropriate government policy option [...] in that expanded internet use can dramatically enhance the scope, reach and competitiveness of regional small businesses".⁶ Research conducted by Deloitte confirms that businesses who are digitally engaged grow faster, employ on average two more people & earn more revenue per employee.

But, as cited in The Australian Small Business and Family Enterprise Ombudsman's *Small Business Counts* report, "there remains a reluctance for micro and small businesses to maximise the potential of the digital economy. While there is little difference between businesses' use of the internet, micro businesses do not appear to use online tools to grow their business".⁷ Cyber-security breaches are also a threat for small businesses, 43% of them being the target of all cybercrimes and 53% identify hacking as concern. **Error! Bookmark not defined.**

Cyber-attacks may target client and employee data, or may attack systems that interfere with the way a product or service works. They are potentially expensive, and can have a real effect on consumer trust and confidence in a business and its products.

It is vital for small businesses to understand what kind of threats they are facing, take steps to minimise the risk of cyber-breaches, and know how to respond to incidents and comply with legislative requirements.

Promising government initiatives in this sphere include the development of a best practice guide on cyber security, support for small businesses to access cybersecurity testing and funding to enable universities to provide the training of cyber-security experts.

Cessnock City Council however rates high in "bizruption", engaging with small businesses online and supporting business owners to develop their digital literacy and renew their digital strategies. Through the online platform and business engagement tool that is Advance Cessnock City, Council's economic development team members are more responsive and better engaged with businesses, promote digital innovation, and provide small and micro businesses owners with the knowledge and tools for growth.

The business community is also made aware of opportunities to up-skill through workshops and training promoted in a Fortnightly Newsletter.

C. 1.6. What key issues do regional small businesses face?

Challenge: Decline of mining and traditional industry

At 2016 Census, 2,065 (10.1%) of the 20,501 employed people living in Cessnock LGA were employed in the Mining sector. While mining was the principal industrial base and source of employment in the Cessnock area for the first half of this century, changes to the mining industry, including automation and the introduction of sophisticated computerised equipment, led to the closure of the vast majority of mines in the area. This continues with the announced pending shutdown and transitional phase of the significant Yancoal operation in Cessnock with an immediate proposed job loss of at least 100 personnel from March 2020.

A study undertaken by BHP Billiton in 2011 into mining impacts and community sustainability in the Hunter Region, reported that Singleton, our adjoining LGA neighbour was the least diverse local government area economy in the Hunter Region (based on ABS data). This is a threat to the sustainability of the Hunter Region economy as it is less resilient to change. So while mining is a major contributor to the local economy, the lack of industry diversity may reduce the economy's long-term resilience once mining ends.

Closures and retractions of major employers have a significant flow on affect to supply chains, and spending within the community.

Challenge: Jobs of the Future - Disruption

Increased pressures, job volatility and cost of living has driven people to use entrepreneurial online platforms such as Airtasker and Air Bnb to find "work", supplement their income or enable some form of non-traditional economic participation. This increasing reliance on technology will create substantial growth opportunities, both in the physical infrastructure sector and cybersecurity sector: data storage and server banks, optic fibre and copper wire network will require maintenance. Installing and servicing our smart homes is likely to remain local,

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and will require a mobile workforce with advanced level skills. Targeted support in the regions should encourage entrepreneurialism, commercialisation, value adding to supply chains and innovative job creation.

In regional areas where mining has been a significant employer, there can be lower levels of aspiration within children to pursue further education. This is because these children's social norms suggest that a high income can be achieved without a trade qualification or university education. As a consequence of accessible high paying jobs and exaggerated wages and salaries forms a culture that devalues any esteem linked to securing a higher education.

Emphasis should be placed on attracting young people into training that is relative to targeted projected jobs growth sectors. Health Care and Social Assistance, Education and Training and Professional, Scientific and Technical Services and Accommodation and Food Services are set to provide the largest numbers of Australian jobs.

Industries which may be pursued are specialised agriculture, aquaculture and solar-powered greenhouses or hydroponics which could prove to be emergent sectors in regions, particularly with and food security and displacement of these activities within proximal location to major cities. The demand for agri-tourism, and niche agricultural products is growing, particularly with growing regional populations, particularly in the Hunter Region, and a more informed market.

Challenges restricting the growth of these markets include issues with access to transport and freight, rail, access ports, and capacity of regional airports for distributing and exporting food products and value-adding to regional exports.

Industrial ecology is an integral part of the notion of a circular economy. By definition, industrial ecology may aim to produce zero waste although essentially reduces, re-purposes or re-introduces any industrial by-products or waste products of an industry into economic outputs. Synonyms for these notions are also "Greening of Industry" and Industrial Symbiosis. It is a way for a businesses to maximize profits through processes which reduce waste and retaining value.

Symbiotic companies near Weston Aluminium have established an Industrial Ecology Precinct at Kurri Kurri (NSW), to collectively cluster for reuse and recycling of materials which may have been intended for landfill or otherwise. Industrial ecology can mitigate an organisation's environmental impact, whilst simultaneously realising commercialisation of a waste product, and resulting in increased economic outputs through additional sales, reduced costs, and job creation.

Challenge: Workforce Volatility issue

Workers have been displaced from prominent employers within the region, with closures and contractions of local mines, as well as closures of significant employers such as Hydro Aluminium. The transition into other industries, particularly from blue collar jobs to service roles can be a challenging and incongruent process. Compounding this, is generational challenges associated with disadvantage and lack of foundation skills can mean some unemployed are harder to place in available jobs.

An Employment Facilitator been recruited by the Australia Government for the shutdown of Liddell Power Station. The outcome sought to address diversification in regional economies goes beyond dealing with the volatility challenge. The aim is for a workforce that is sustainable for the regions in relation to any sector's growth or changes and, one which has skills and vocational aptitude to be transferrable to the changing needs of industries.

The Australian labour market is moving away from the high labour intensive construction phase of the mining boom towards a less labour demanding production phase. The former dominance and reliance on mining is generally misleading for ongoing jobs growth in the Australian economy. The mining industry is projected to employ fewer people.¹²

The fastest growing and most prominent industry within the Cessnock LGA is currently the tourism sector. Jobs in the service economy creates a shift in the range and types of skills needed by the current and future workforce.

Youth unemployment is also a major issue nationally and locally. For the Hunter Region, outside of Newcastle, youth unemployment in 2015 had risen to 21.8% and was the highest in NSW, according to figures released by

¹² Labour market challenges and opportunities in the Cessnock Local Government Area – Mr. Ivan Neville, Department of Employment, November 2014

the Australia Bureau of Statistics. It has now been smoothed by other factors including seasonality and increasing under-employment (unmeasurable), causing what appears to be an under calculation of percentage.

Challenge: Going Green

For remote or regional areas where mines are the mono-industry, such as Cessnock LGA, transition to low-carbon pathways present a real economic and social challenge for their communities and workers. But, with over 100 years of mining in the Cessnock LGA, deeply held values on water and land use have emerged which do not prioritise environmental assets or sustainability. Research cautions against strong beliefs and ideologies for regional governance facing climate change, stating that a dominating pattern of values can act as barrier to adaptation and undermine sustainability.¹³

There are identified opportunities stemming from this area which were discussed in the section on Industrial Ecology and Circular Economies.

D. 1.5 What obstacles are there to small businesses conducting research and development?

Stimulate growth by enhancing business access to funding and cash flow

The Australian Small Business and Family Enterprise Ombudsman's Small Business Counts ⁷**Error! Bookmark not defined.** reports that "large businesses generally have greater resources to spend on innovative processes such as research and development. While innovations have been generated by micro businesses, they observed that propensity to engage in innovative activity increases with the size of the business, possibly linked to access to resources, human capital and finance.

Decreased access to funding, partly resulting of the tightening of lending practices, is also challenging for small businesses, and is cited as the greatest barrier to innovation for micro and small business in the Small Business Counts report**Error! Bookmark not defined.**. The Australian Banking Association has also acknowledged that small business loan applications have fallen by 33% since 2014¹⁴.

E. 1.8 In what other ways can NSW Government reduce the regulatory burden on Small Business?

CCC recognise that the NSW is making great strides with NSW having made the pivotal move in December 2019 to become Australia's fastest government payer with the state's Payment Terms Policy recognising the importance of cash flow for small businesses.

Payment times and late payments are also identified in the report as key concern in the ASFBEO report⁷, 92% of all small businesses surveyed indicating that would have generated more revenue if their cash flow was improved.

The negative impact of late payment on small businesses can have disastrous results including:

1. Inability to grow their business;
2. The need to source alternate bridging finance to mitigate the impact of extended trading terms;
3. Passing on extended payment terms to their own creditors, creating a negative domino effect on supply chains;
4. Large companies having the benefit of earning interest and/or utilisation of monies owed to small business;
5. Inability to meet wages and salaries and other legislative requirements such as superannuation payments;
6. Inability to allocate capital and resources to research and development, and critically innovation, which has been the mantra of mining companies as part of being considered for procurement. This situation is not just during downturns in the industry, but as an ongoing and regular activity of their business.

¹³ Bosomworth et al (2017). Living in uncertain landscapes: an NRM lens on the implications of climate change for regional futures. *Australasian Journal of Regional Studies*, Vol. 23, No.3

¹⁴ Australian Small Business and Family Enterprise Ombudsman (2019). "Ombudsman seeks feedback on Business Funding Guide" MEDIA STATEMENT 4 September 2019

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CCC appreciate the leadership of NSW government in supporting faster payment terms and believe ongoing lobbying of private sector including large businesses and mining firms can be coerced to continue the positive trend.

In Cessnock's Business Capability Study, (2019) Airbnb and policies around them caused significant issue with accommodation businesses, others perceived that the economy might currently be entering an uncertain period which creates lower spending when consumer confidence is down. A range of businesses were concerned, but primarily businesses in retail and tourism industries. Small accommodation businesses must comply with a range of planning protocols and inspections, and other burdens such as the costs associated and development contributions. Air-BNB are emerging as opportunist properties who are not required to comply with the same planning requirements, and understandably causing great burden to many small businesses. The concerns are in terms of competing for the same tourism dollar, but not meeting the same requirements (or cost) of legitimate accommodation providers.

An interesting statistic from our study, was the largest proportion of business respondents or 27.76% (196 businesses) said they operate their business from a rural location or property. This could have implications for planning, subdivision, permissible activity, and zoning in terms of planning for economic and employment lands. Sectors with a larger proportion of tourism businesses such as Accommodation & Food Services, Other Services and Manufacturing (which includes winemaking), have a dominant trend for having a larger proportion of businesses located on rural or property locations.

F. 2.1 Is there anything else the NSW Government can do to assist small business to access NSW Government procurement opportunities?

The Small Business Counts report a decrease of small businesses participating in government procurement in 2017-18, citing that they do not have the resources to complete overly burdensome tender or panel documentation. It recommends the use of tender panels as a mean for small businesses to establish and maintain a relationship with government agencies.¹⁵

Major projects, developments and companies including Council could review procurement processes to ensure that companies that benefit from winning contracts with council are held accountable to ensure that they hire a percentage of people from the unemployed population including marginalised groups. This would ensure that procurement dollars return to the local economy and have a positive social impact.

Cessnock City Council have, in April 2019, implemented Vendor Panel Marketplace to simplify their procurement process, provide small businesses in the LGA an easy to navigate system that's entirely free for suppliers, with no costs for signing up, receiving notifications or submitting quotes. In addition, Marketplace is designed to boost the local economy and drive business to local suppliers. Once registered, small businesses are also be eligible to receive opportunities, quotes and tenders from any organisations that uses Vendor Panel to get quotes from suppliers.

Council simultaneously launched "Doing Business with Council" a guide providing small businesses with an understanding of how to do business with Council and covering covers tenders, quotations, safety, risk and environmental management. Local businesses were invited to an information and networking session, where they had the opportunity to learn about being a local government supplier, how to navigate partnering with council and meet the Finance and Procurement team. Payment times will be critical to realising impact.

G. 4.1-3, NSW Government initiatives working well and discussion.

The Service NSW approach and the culture of customer service is recognised within the NSW government. This action has resulted in reductions in red tape for small business, hastening approvals and assisting small business to navigate requirements, approvals, other challenges in planning. Easy to Do Business is an initiative which must be commended.

¹⁵ Australian Small Business and Family Enterprise Ombudsman (2019). Small Business Counts, Small business in the Australian economy, Online version accessed 29 August 2019, <https://www.asbfeo.gov.au/sites/default/files/documents/ASBFEO-small-business-counts2019.pdf>

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In Cessnock at September 2019, 18% of business respondents in the Cessnock Business Capability Study cited that poor roads and infrastructure were impacting their business in Cessnock LGA. The next most common pain points felt by Cessnock LGA businesses were limitations and shortfalls in public infrastructure such as roads, cycleways, playgrounds, public amenity, CBD assets, transport, and this was cited by 228 respondents (38.26%). This is a huge opportunity for Council to lobby and secure more grant funding opportunities to curb this trend, and unlock opportunities for local businesses through improving public assets. Addressing critical infrastructure, and digital connectivity shortfalls such as infrastructure, poor roads within regions, improved CBD infrastructure, transport, local procurement and addressing low socio economic issues through appropriate funding mechanisms would make serious headway in providing positive catalysts for the attraction, growth and diversification of business.

The largest pain point as identified by 328 businesses in this survey and cited by over half of respondents (55.03%) was the rising cost of doing business. The NSW government has made vast improvements with its shift in supporting small business, however more could be done to ensure businesses are accessing relative incentives to grow, unlocking their potential to leverage from national and state programs.

Businesses need greater support through programs such as Business Connect to support them to overcome disruption and the changing nature of business. The vast majority of respondents said they believed that changes customer in customer markets will affect business in the next 2 years. 41.11% of respondents (245) in the Cessnock Business Capability Study also cited changes in customer markets as a key pain point. This includes less customers, decline in visitor numbers, and changes in customer expectations. Businesses can be supported to overcome this with enhanced training opportunities in marketing, product development support, and adaptability through adoption of technologies and remaining up to date with trends.

Continued support and advocacy for increased regional exposure is also a strategy, particularly in terms of tourism and events marketing. Destination NSW failed to open its major cooperative destination marketing campaign funds in 2019. Regions such as Hunter Valley had funds pre-committed for such destination marketing programs, and were ready to take our pre-approved creative content back into market in 2019. Then, recession hit, drought, corona virus and now one of the worst bushfire seasons seen in our history. Wine tourism is worth an estimated \$521 million and supports nearly 3000 jobs while the wine industry employs over 7000. Tourism is modelled to be the largest employing sector in Cessnock LGA, with 15.2% of the local workforce (2,354 jobs in Cessnock LGA alone). The flow on effect of tourism is estimated at \$227 million. All of this has been put at risk with the lack of state funds released in 2019.

H. 4.4 What other initiatives could the NSW government undertake in the area of skills and training?

Invest in the future talent and upskill existing workers

The Job Vulnerability in Australia Report (2018) cites that workforce development is required in order to address both technical and soft skills gaps required by the upcoming demand. For the Hunter Region, the report recognised that Cessnock Local Government Area (LGA), had the largest proportion of highly vulnerable jobs, at 30.1%, and higher than the Australian average of 26.5%¹⁶. The most vulnerable jobs have been identified in sales, hospitality and food.

The Regional Australia Institute also advocate for ongoing skills development, and transferrable skill sets in regional Australia. They say remaining adaptable to any future workforce challenges is a priority for regional areas, and ongoing investment in skills development is crucial¹⁷.

A pathways program could assist to upskill existing workers to move up into higher level roles, creating job vacancies and career entry opportunities for clients from government employment programs such as Jobactive or Disability Employment Services, contributing to lowering the overall local unemployment rate. Aspirational pathways and horizontal pathways across industries can be identified.

¹⁶ Regional Australia Institute (2018), Job Vulnerability In Australia.

¹⁷ The Regional Australia Institute (2018). Riding the next wave of automation in rural Australia: Safeguarding agriculture and rural labour markets through migrant work and skills development

Triple Helix approach

Hefferan and Fern (2018) insist on the value of skills development and the role of government agencies in facilitating and supporting networks between training providers, business associations and individual firms by providing facilities that are relevant in that location.¹⁸ The following is a case study which demonstrates success.

Louisiana Economic Development's (LED¹⁹) success reinforce the importance of a collaborative approach in developing a productive and competitive workforce through a business-friendly climate attracting business investment. LED works with educational partners to ensure that the occupational demand of its growing sectors is reflected in the curriculum of the state's technical and community colleges, and its four-year colleges and universities. Education institutions collaborate with public and private sector partners across the state to create jobs and opportunity, including the development of regional training centre, industry recruitment, workforce studies and site visits to assess regional employers' needs.

While directly supporting the needs of global corporations making significant capital investments in Louisiana, these educational programs also feed an advanced manufacturing workforce pipeline that sustain many other companies, now and into the future. In addition, LED offered significant tax breaks on capital gains for investors redirecting their gains into qualifying projects in designated "Opportunity Zones", shifting profits from stocks or other holdings into communities needing capital investment and the jobs that come with it. When combined with other state or federal tax incentives, these designated zones have proven especially valuable for investors. LED also offers an extensive database of 180-day development ready certified sites, shortening and reducing development schedules and risks for investors.

LED launched a mentor program to connect small, emerging businesses with larger mentor companies for tutelage, effectively nurturing the existing small businesses to grow. Value added solutions involve linking large companies with in-state subcontractors, including women, minority and veteran-owned businesses. To help small companies develop their export capacity and gain access to new international markets a grant program was also established, covering travel-related expenses and other costs related to international trade shows.

By removing obstacles, reducing bureaucracy, providing meaningful support and eliminating roadblocks, Louisiana Economic Development successfully created a conducive business climate, a reliable talent pool and a productive partnerships with colleges and universities state wide.

Training Needs and Capacity of small business

Council's Business Capability Study (2019) confirms that businesses in our city believe business capability in terms of Information Technology and capacity is critical. While retail is experiencing a slump nationwide, the latest NAB Online Retail Sales Index⁶ shows all online retail categories except fashion saw growth in month on month terms. While fashion saw a 1 per cent drop over the month, online sales of games and toys grew 9 per cent and online grocery and liquor sales grew by about 1.7 per cent month on month. Thus building local capacity for businesses to harness the opportunities in e-commerce is increasingly important to a resilient economy.

Programs should be designed to support businesses to get online, utilise social media, develop websites, overall digital strategy and increase knowledge and understanding of multi-media to expand their online presence. CCC commend and continue to utilise the services under the NSW Business Connect program delivered by Netstripes.

Education programs and workshops to build capability and capacity within our industries, support and assistance relating to skills shortages and workshops which assist businesses to grow relative to the findings e.g. networking, women in business, Workplace Health and Safety etc.

A significant proportion of businesses indicated they intend on expanding or growing their businesses in the next two years, with 73.34% or 729 businesses citing they were intending to grow, of this, 212 (21.33% of all responses) said they intended to increase their staff. Employing, managing, motivating staff, staff retention, training was also identified as a significant issue for businesses and they indicated training would support them in this area. This is consistent with the Skills Audit (2018) which found that small and micro businesses are overwhelmed with not only attracting quality workers and the cost of employing but also daunted by the process. Raising awareness of employment processes, highlighting positive case studies and re-education of businesses through local economic development initiatives. There has been a need identified which is reinforced by this

¹⁸ Hefferan and Fern (2018). Questioning the Value of Government Support for Start-Up, Knowledge-Intensive Companies: Emerging Evidence and Future Options. *Australasian Journal of Regional Studies*, Vol. 24, No.1

¹⁹ Louisiana Economic Development (2018) Annual Report.

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study for an employment clinic where businesses are supported to navigate the employment process. Council's new Jobs Portal launched in 2020 reinforces much of this and adds value to future training programs.

Of the businesses surveyed in the Cessnock Business Capability Study (2019), 36 businesses or 5.41% indicated they were exiters, or planning to wind up, close or sell the business. In some cases exiters intended on passing the business onto the next generation and in this case, highlights a possible need for succession planning, business advice pertaining to winding up a business or specialist advice on the best way to exit a business.

I. 4.5 What other initiatives could the NSW Government undertake to value, recognise and connect with small business?

Funding Economic Development Programs

Capacity building can be just as critical as infrastructure to realising economic diversification and resilient local communities by establishing a sound business environment. Initiatives in local economic development which support new businesses to grow can be delivered at the local level in conjunction with strategies for business retention and expansion. While there is merit to regions prioritising diversification and pursuing exciting new business investment attraction, a key asset to sustainable economic development is also in supporting a positive business environment in the regions. Local government can play an integral role in by facilitating, collaborating and enabling local economic outcomes and generating the business environment conducive to do business.

Program funding can provide targeted support in the regions which should encourage business engagement, entrepreneurialism, commercialisation, value adding to supply chains and innovative job creation. Resources to deliver such programs are often constrained in regional councils, which has led to CCC seeking grant funding to deliver critical capacity building projects which appeared in the Community Strategic Plan. These include including Cessnock City Skills Audit (2018), Jobs Portal (pending launch), Cessnock Business Capability Study (2019) and even renewal of the Economic Development Strategy (2020).

Such strategic projects form a consultative approach to economic development which provide the foundation blocks for solid and, an advanced understanding of the economic base for better decision making and service delivery.

J. Other discussion

Addressing Regional Infrastructure Shortfalls

Generally, regional areas may lack entrepreneurial investment in critical infrastructure taken for granted in major capitals. Unless regions have incurred opportunities to leverage private investment, retain and sustain industries that remain productive, or are able to capture resilience through diversification of economy; many have experienced decline. Cessnock City is one which faces major social and economic devastation under post-mining legacies combined with a lack of investment in critical infrastructure to support diversification and sustain industries into the future.

Skilled professionals earn higher than average wages, and in order to benefit the local economy it is preferable that these skilled workers reside within the LGA. Providing employment opportunities close to where people live can have positive social, economic and environmental outcomes as people reduce travel times for work. From an economic development perspective, employing staff from outside the LGA effectively moves that money out of the local economy, as those staff spend their money at businesses that are close to where they live (consumption effects).

Generally, regional areas may lack entrepreneurial investment in critical infrastructure taken for granted in major capitals. Unless regions have incurred opportunities to leverage private investment, retain and sustain industries that remain productive, or are able to capture resilience through diversification of economy; many have experienced decline. Cessnock City is one which faces major social and economic devastation under post-mining legacies combined with a lack of investment in critical infrastructure to support diversification and sustain industries into the future.

How do you attract businesses and industry (and subsequent jobs) to establish which support regional growth and economic development when:

- Township presentation is poor?
- Essential services are lacking?
- Governments continue retracting or merging services and reducing presences and subsequent jobs in regional centres? E.g. Service NSW, Medicare/Centrelink.

Appendix

- Public transport is extremely limited?
- Critical utilities and connections are missing? E.g. Power, water, sewer
- Basic infrastructure backlogs are significant? E.g. Roads
- Industrial and commercial lands are non-existent or inappropriate for purpose?
- Governments refuse to maintain or expand in demand, essential services? e.g. Healthcare
- There are significant internet, phone and mobile black spots?
- Skills shortages are rampant after successive industry retractions?
- Socioeconomic disadvantage, high unemployment, and youth unemployment leave communities devastated?

Addressing these critical shortfalls through appropriate funding mechanisms would make serious headway in responding to small business growth in Regional Australia, and support providing positive catalysts for the attraction and diversification of business.

4 APPENDIX

CCC provide for consideration the following comprehensive studies into businesses operating in our city:

[Cessnock City Business Capability Study \(2019\)](#)

[Cessnock City Skills Audit \(2018\)](#)