

Senate Employment, Workplace
Relations and Education References
Committee

Inquiry into Small Business
Employment

SOUTH WEST GROUP
SUBMISSION

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DIRECTOR

13 June 2002

Background

This submission has been prepared by the South West Group of Councils, a voluntary regional organisation of councils from southwest metropolitan Perth.

It is a summary of its views in relation to the inquiries terms of reference and offers a practical insight and strategic approach to the challenges facing small businesses in this region. Their capacity to expand and therefore, employ additional employees is covered in detail with examples sourced from personal experiences, interactions and observations of and with small business and small business support agencies. Where no comment on specific terms of reference has been forthcoming it is simply because the author does not have sufficient understanding or experience and is unable to provide accurate input.

The South West Group comprises the Cities of Melville, Cockburn and Rockingham and the Towns of East Fremantle and Kwinana. The Group's core objective is to: broker cooperative relationships and joint ventures that provide opportunities for sustainable development that will foster economic activity and regional growth in South West Metropolitan Perth.

Introduction

South West Metropolitan Perth is a self-sufficient region, that is, the majority of people who live there also work there. The region captures a representative share of establishments in most industry groups, in particular large scale manufacturing that accounts for about 23% of total State manufacturing employment and 45% of the State's manufacturing output. However, the region suffers from an unemployment rate that is consistently higher than the State average by 7-10%. This is long-term entrenched unemployment that concentrates itself in Fremantle, Kwinana and Rockingham areas.

The employment profile of the region is as diverse as the industries that make up the local economy. If Government and Wholesale/Retail sectors are excluded, 63% of all establishments in all other industries in the region employ only 1-4 people. There is a very high concentration of very small or MICRO businesses in the region.

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

The South West Group is not qualified to provide in-depth comment on the effect of regulations other than to emphasise the sheer volume of legislation imposed upon small businesses.

Local Government is at times perceived as the last obstacle and while it is not the intent of any level Government to create an environment that inhibits the establishment and growth of small business, an abundance of legislative measures that must be adhered to is a hindrance. For example the approval of licences to operate a Home-Based Business is the domain of Local Authorities. The policy differs from Council to Council, as does the cost of application and renewal. The maintenance of residential amenity and the potential for conflicts between HBB operators, neighbours and Council Town Planning Schemes encourages small business to stay small and stay silent.

I would like to think that many submissions would include other areas of Government regulations in considerable detail.

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

Their size and lack of sophistication

Compliance requirements and the cost of that compliance

Research findings that are bogus and therefore misleading

Well-intentioned people with no understanding of small business

Fiscal policy makers that are pre-occupied with revenue generating opportunities in a large but naïve sector

Their vulnerability to economic shocks

In September 2001 I attended the Small Enterprise Association of Australia New Zealand Annual Conference in Wellington, NZ as a delegate and presenter. I have attached the paper presented as a practical example of a service developed as a local, community based solution to support and assist small business. This paper was not to report findings of another small business survey that conveys what researchers think small businesses need but a summary of an attempt to overcome small business access to opportunities that can generate local employment opportunities.

In my view the SME respondents to surveys conducted by academic researchers are becoming minority views, that is, sample sizes are diminishing; the reliance upon the data to draw conclusions upon is becoming

unrepresentative, inaccurate and marginal at best. In order to make the results and their conclusions meaningful and defensible, academics or people who talk about small business at conferences are relying upon this sector's inability to attend such gatherings or defend and respond to such findings. Small business, do not have time for paper based questionnaires. I would suggest the extension of this very inquiry timeframe might well support this view and I would also be interested to learn how many small businesses actually respond to this invitation.

This is not intended as criticism but I was a sole proprietor for a three-year period, I am aware of the issues confronting small business people.

The term "engine room of the economy" has been used many times to describe the status and relevance of the SME sector based upon the numbers of people employed in small business. I have used it myself. The figures are indeed large but the figures don't take cognisance of the aims and objectives of most small businesses, which are, in my view and experience ad hoc and responsive to changes they have no control over. This is a result of the total management role and responsibility of small business owners have for running every facet of their operation.

Small Business generally:

- Do not have strategic plans or long-term goals
- Have no wish to get bigger – if it occurs it just happens
- Feel they are penalised for employing more people i.e., pay roll tax, additional workplace requirements, increase costs etc that arise with growth
- Is unable or unwilling to respond to legislative requirements as quickly as policy makers think they should
- Employ accountants as their core advisers leaving them susceptible to unforeseen issues or challenges accountants don't consider or can't contemplate
- Find it difficult to pay for broader professional advice
- Suffer as a result of Governments overestimating their sophistication when it comes to their systems, processes, procedures and their ability to absorb and respond to so-called changes that are good for them eg GST
- Has yet to embrace technology as a business development tool
- Feel their success is exaggerated because they are plentiful
- Feel their ability to 'mop-up' big business retrenchments is overstated
- Is expected to absorb fully the cost of legislative obligations
- Has to cope in isolation with many policy changes imposed upon them
- Feel they are not consulted extensively enough
- Consider recent interest rate rises in Perth inappropriate
- Suffer as a result of the country's "dual economy" where interest rate rises to offset inflationary growth pressures are being applied where they are not needed i.e., Sydney real estate increases and values versus that of Perth

- They do not benefit coordinated advocacy or lobbying
- They are not organised and hence politically naïve and ineffective

I would conclude this summary of external challenges facing small business but re-stating the degree to which policy makers within all levels of Government and small business development advisory agencies overestimate the sophistication of small business. Having recently staged three workshops designed to help SMEs understand the tendering process, pricing for profit and relationship marketing it is apparent their size prevents them from understanding the complexities of doing business with larger businesses. Small business needs to embrace technology and apply technology to improve their internal systems and to increase their business development and business growth prospects. Small business has yet to understand the transformation their external environment is undergoing. If they want to compete or indeed survive they need to establish online supply chain relations with those larger companies that establish relations with suppliers using technology to "close the deal"

Education and training for small business requires a coordinated and cohesive effort if we are to assist them overcome barriers to their growth.

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

A commitment to local content and local industry participation

Increased application of technology in small business

The establishment of Online supply relations

Coordination and consistency of small business support mechanisms

An increased allowance for the impact of policy measures and their effect

By its nature small business is diverse and fragmented and needs considerable support to enable it to pursue and develop support networks or relationships that can act as drivers of regional growth.

The industry direct project is part of a comprehensive strategy aimed at enhancing economic development and employment growth in southwest metropolitan Perth. Ultimately, the objectives are to maximise opportunities for local firms to capture ongoing work generated by the Jervoise Bay Marine Project and to achieve a sustainable increase in business activity leading to additional employment opportunities and flow on social benefits.

The project reflects a pro-active response by Local Government designed to maximise opportunities for small business and jobseekers in the region. Initiated by the South West Group of Local Authorities, this organisation is a voluntary collection of Councils that include the Cities of Melville, Cockburn, Rockingham and Fremantle and the Towns of Kwinana and East Fremantle.

It is expected that *industry direct* will lead to the establishment of more formal inter-firm relationships and collaborative partnerships between companies

operating in the region. This objective aims to enlarge SME capability by gaining complementary skills; by preventing displacement through competitive bids by rival local companies; and by creating economies of scale that will make tenders more competitive to primary contractors.

Integral to the project is a new web site constructed at www.industrydirect.com.au that lists a comprehensive directory of local companies with the capacity to supply goods and services to the Jervoise Bay facility.

Industry Direct is a cost effective, innovative yet practical approach to small business development that aims to support regional economic growth and employment through technology and partnership. It demonstrates a regional commitment from Local Government to the challenges and opportunities facing the residents of southwest metropolitan Perth and is identified in the Group's Regional Economic Development Plan as a priority action.

The significance of this project and its contribution to the sustainable development is enshrined within its objectives, which are to:

- Safeguard jobs
- Create employment opportunities
- Promote a competitive cluster of industries associated with maritime construction, fabrication and maintenance
- Encourage regional inter-firm coordination and cooperation

Jervoise Bay is recognised as a '*key project impacting upon regional economic and employment growth*'. The challenge for this region remains how to assist the community of South West Metro gain from emerging economic activities and how to identify and overcome barriers to employment. *Industry Direct* aims to do this by enhancing the access of small business and connecting them to business opportunities.

The employment profile of the region is as diverse as the industries that make up the local economy and there is a very high concentration of small businesses in the region. The objectives of this proposal demonstrate the benefits and value of adopting a local approach to business development. The competitive nature of small business and the importance of location as an investment consideration means projecting the capacity of industry is essential if a region is to remain competitive. To do so in a coordinated fashion is adding value to the region and the State's small business expertise and their potential for growth.

Industry Direct reflects an innovative yet practical approach to small business development that aims to support regional economic growth and employment through technology and partnership. The project aims to create a clearer understanding of the local labour market by generating increased awareness of planned developments and their associated labour requirements.

Projecting business capabilities and assisting local companies to recognise the importance of marketing and technology in new business development has emerged as a key imperative in harnessing new business development opportunities. Local Government in southwest metropolitan Perth have made it their business to promote this potential and exploit the opportunities for business growth and development associated with it. An innovation in Local Government thinking was achieved as it has, through this project, advocated its relevance and ability to add value to the business development prospects of small business.



Promote, public/private sector, multi-agency, or inter governmental collaboration.

The enhancing and connecting small business project was a partnership between Local and Commonwealth Governments with funding eventually sourced from the Regional Assistance Program (once the initial rejection of the application was successfully appealed by DEWRSB making way for RAP funds to be awarded to a project within the Federal seats of Brand and Fremantle).

In determining the projects development agenda a multi disciplinary team from the Small Business Development Corporation, WA Department of Training, the Industrial Supplies Office (CCI), the Manufacturers Workers Union, Local Government and Area Consultative Committee was assembled.

The Industry Direct service was thus established. It reflects a range of national and State government policies that emphasise the potential of small business and regional alliancing to build stronger regional economies. They include the WA State Government's review of 'Buying Local Policy' guidelines review by the State Supply Commission, the newly released Regional Development Policy for WA, the Australian and New Zealand Government Procurement Agreement (ANZGPA) and the Australian National Competition Policy.

As a result of this endorsement the use of the Internet has emerged as a primary tool for implementing these policies with online support and infrastructure encouraging speed and accessibility of information. Information designed to encourage business-to-business interaction and information sharing. These are principles that travel well between any and all organisations engaged in a collaborative approach to business and regional economic development and of course small business employment.

To state the need for collaboration is very simple, making it happen is extremely difficult. I continue to seek out whole of government responses to regional challenges that are nationally significant and would suggest the potential to deliver increased employment in small business qualifies as a national issue.

Conclusion

While this submission has been brief and the response forwarded on the closing date, the inquiry is viewed by my organisation as extremely important. The findings it makes, the conclusions it resolves and its recommendations will be particularly relevant to this organisations involvement in supporting small business development and this regions small business development prospects.

I wish you well in your assessment of submissions and will follow the inquiries progress with interest.

John McILHONE

Director – South West Group

INDUSTRY DIRECT

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ENHANCING & CONNECTING SMALL BUSINESS

JOHN McILHONE
South West Group of Local Authorities

INDUSTRY DIRECT

INTRODUCTION

Small to Medium Sized Enterprises or SMEs (under 20 employees) represent 96% of all private sector businesses operating in Australia. Nationally they employ 3.1 million people or 47% of the entire private sector workforce. In Western Australia the trend is similar with the state experiencing an annual increase or growth in small businesses from fifty two thousand in 1983 to one hundred and six thousand in 1999. This represents an annual increase of 4.9% compared to a national annual growth rate of 3.7%. The significance of these figures in terms of employment is considerable. In this State small businesses employed (1998) two hundred and two thousand people.¹

By its nature small business is diverse and fragmented and needs assistance to enable it to pursue and develop the support networks and relationships that act as drivers for regional growth. Therefore, it is important that local small businesses have every opportunity to benefit directly from the investment and development of the Jervoise Bay facility at Henderson in southwest Metropolitan Perth.

Industry direct is a project that has been developed to connect small business to the opportunities that will be generated by this multi million-dollar industrial development. The challenge for the region (southwest metropolitan Perth) remains how to assist the community gain from emerging economic activities and how to identify and overcome barriers to employment and company growth in the small business sector.

Initiated by the South West Group through the South West Corridor Development and Employment Foundation (SWCDEF), the construction of a new website has been an integral part of the project. The Industry Direct website includes a comprehensive directory of local engineering, construction, manufacturing and fabrication companies with the capacity to supply goods and services to contractors during the construction and more importantly the operation of Jervoise Bay.

The Internet based mechanism that has been developed also makes it possible to extend the application and coverage of industry direct to include other projects and other regions in Western Australia. Industry direct is similar to the one-stop-shop principle and will act as an on-line buyers guide to small business product and service provision capability. It is a unique approach and a flexible tool that aims to capture a bigger slice of the estimated \$250 million of work to be generated each year when the facility is operational.

¹ Small Business in Australia 1999 – ABS Catalogue 1321.0

This projects primary focus is employment. As a key stakeholder in the decision-making processes that affect the growth and development of the region, Local Government is actively involved in the planning and management of sustainable economic development. More importantly, industry direct offers an important model to demonstrate Local Governments potential to contribute to the growth of regional buying networks and the long-term prosperity of local communities.

PROJECT BACKGROUND

Industry Direct has been developed in response to a broad thrust by Government, industry and the community to generate employment and economic growth by fostering small business development. In the past six months, the project has successfully established an innovative online register of small medium sized enterprises in Perth's southwest metropolitan region with the capacity to provide essential services to the multi-million dollar facility being developed at Jervoise Bay.

The service has graduated to its second stage with the implementation of a comprehensive marketing program. A Marketing Plan is now complete and proposes a multi-tiered promotional effort aimed at three important target group's i.e. principal Jervoise Bay contractors, influential Government and community organisations and primary SME customers.

Project Objectives

- Compile a comprehensive and accurate database register of small businesses in the South West metropolitan region of Perth.
- Identify the capabilities and capacity of local small medium sized enterprises operating in the construction and engineering sectors.
- Increase employment opportunities by matching and projecting this capability with emerging development activities. The target is to encourage, increase and facilitate access to the high value contracts that will be let during operation of the multi-million dollar Jervoise Bay development.
- Encourage inter-firm relationships and collaborative partnerships between SMEs in South West Metropolitan Perth in order to enhance their competitive advantage by facilitating access to complementary skills, economies of scale and information sharing.
- Demonstrate the efficiency with which Local Government can make a practical contribution to the critical issues affecting community prosperity and well being.

Service Development and Features

Step 1

A detailed market research investigation, undertaken by private consultants was completed in March 2000 found that the level of participation by local firms in the Jervoise Bay development would be determined by three basic factors:

- 1 Prime contractors being aware and easily able to locate and use local firms.
- 2 Firms being aware that prime contractors were in need of their goods and services.
- 3 Local firms having sufficient knowledge of other operators trading in the region to facilitate the establishment of bidding consortia.

Step 2

The Industry Direct project was developed in response to this need setting as its initial goal the building of a regional capability register comprising small medium sized construction and engineering companies in the municipalities of Fremantle, East Fremantle, Melville, Cockburn, Kwinana and Rockingham.

Step 3

The Internet was chosen as the major delivery mechanism because of the speed, cost-efficiency and access advantages it offered over conventional print media. These advantages include:

1. Cost-effective mechanisms for ensuring data was easily located, frequently updated and widely distributed.
2. Ready access to customised information on individual firms through the provision of additional information and complementary website links.
3. A seamless interface, which prompted users to contact potential suppliers directly via email.
4. Detailed background information on the development of the Jervoise Bay complex.
5. An e-commerce platform permitting rapid communication between firms on the register.
6. Accurate tools for measuring and evaluating site usage and customer needs.

Step 4

Stage 1 of the Industry Direct website was published online at the end of April 2000 with an initial register of 1300 eligible enterprises within the region listed at www.industrydirect.com.au

Key features of the site include:

- 1 A searchable database of companies listed by name and pre-defined industry categories.
- 2 Free online registration for new companies.
- 3 Online editing of existing company listings.
- 4 Provision for expanded listings and additional company promotion on payment of a nominal fee of \$29 per annum.
- 5 Background information on the Jervoise Bay marine development.
- 6 Ongoing contact with participants via a "Stay Tuned" email bulletin.
- 7 Useful links and additional contact information.

Planned future enhancements include:

- 1 A register of current tenders and job vacancies with free email or facsimile notification.
- 2 Expansion of the "Stay Tuned" newsletter to include general economic news plus educational material of relevance to the target audience, such as information on marketing and tendering, customer service etc.
- 3 Implementation of a formal launch and publicity campaign to recruit awareness and support for Industry Direct before full-scale operations begin at Jervoise Bay in June 2002.
- 4 Development of a program of business education and networking workshops to improve cooperative relationships between firms.

DEMONSTRATED NEED

Industry Direct is the first stage in a comprehensive strategy aimed at enhancing economic development and employment growth in the southwest metropolitan area of Perth. The region has a number of distinctive characteristics and supports a population of 271,000 people most of whom live and work in the district.

Unemployment rates are consistently 7% to 10% higher than the State average with some structural long-term unemployment concentrated in the Fremantle and Kwinana/Rockingham areas. The region produces approximately 45% of Western Australia's manufacturing output; it accounts for 23% of total manufacturing employment; 11% of Western Australia's exports; and 70% of the nation's civil lightweight shipbuilding output. All of which equates to 13% of Gross State Product. This diverse local economy is also characterised by a high number (63%) of micro businesses, which employ less than 5 people.

These trends have been reinforced by the findings of a market research investigation undertaken in May 2000, which demonstrated that little information existed about companies operating in the region. Industry Direct aims to enhance awareness and create a coordinated and collective voice for local small business.

POLITICAL ENDORSEMENT

Industry Direct reflects a range of national and State government policies that emphasise the potential of small business and regional alliancing to build a stronger national economy. These include the State Government's recently introduced "Buying Local Policy", Department of Contract and Management Services initiatives like the Government Electronic Marketplace (GEM), the State's Regional Development Policy, the Australian and New Zealand Government Procurement Agreement (ANZGPA) and Australian National Competition Policy.

This project is about policy. It delivers on the attempts of all levels of Government to facilitate local employment preference, increase local content, achieve import replacement and encourage local industry participation. The Internet has emerged as a primary tool for implementing these policies with online support infrastructure

encouraging speed and accessibility of information designed to encourage business-to-business interaction, information sharing, strategic alliances and the establishment of an online supply chain capability.

Local Government is fulfilling a key role in regional economic development by offering this local solution to what is a national challenge.

JERVOISE BAY

The establishment of a multi-million dollar marine construction and fabrication facility at Jervoise Bay, south of Fremantle, offers outstanding employment and economic growth opportunities for Perth's southwest metropolitan region. Designed to service an anticipated \$20 billion in new resource projects over the next decade, Jervoise Bay has been earmarked as a national hub for offshore production module construction and the large-scale assembly of components for the oil and gas and resources industries.

The development is expected to generate more than \$250 million in new work annually, employing 1600 full time personnel and indirectly creating jobs for a further 3000 workers.

Perth is a gateway to Asia, the Indian sub-continent and Southern Africa with its geographic position offering convenient access to inter-regional and global opportunities in the oil and gas and resources sectors. This sectors expansion is establishing Western Australia as a centre for excellence and expertise in exploration, servicing and production in the Asia-Pacific.

There are some 200 major resources projects currently operational or under development in Western Australia. Recent data reveals a record increase in the mineral and energy sector in 1999/00 with sales rising 27.7% to \$21.3 billion.² This increase is due mainly to the rise in value of petroleum sales that is anticipated to result in increased exploration activity and expenditure. There are forecasts of an even stronger performance by the sector during the next four years.³ This optimistic forecast is based upon a number of factors indicative of the growing demand and need for the Jervoise Bay facility.

Many companies in the resources sector are now also basing operations in Western Australia and along with this presence is the increased opportunity for improved local content. The State Government, Chamber's of Commerce and Industry and Industrial Supplies Office are working with suppliers and others to maximise this potential.

TARGET AUDIENCES

² WA Department of Minerals and Energy

³ Western Australian Business News September 2000

Lengthy consultations with relevant organisations in both the public and private sectors and the establishment of a project development team have identified a three-segment target market for the industry direct service. In each segment client organisations have been identified, the extent of their involvement has been forecast, their importance to the adoption and use of the service is estimated and their contribution to the overall success of industry direct as a small business development tool is defined.

The importance of the State Government and relevant agencies needs to be clearly stated, as does that of the Jervoise Bay Facility Manager. The target groups are categorised as core clients, secondary clients and customers.

Five related groups have been identified as the primary target audience for the Industry Direct project. These include:

- Purchasing officers representing 20 prime contractors on the Jervoise Bay site.
- A total of 1741 existing firms located within the region with the capacity to supply primary goods and services to the prime contractors.
- Secondary supply companies, both within and outside the region, with the potential to supplement local capabilities through trading partnerships and joint venture alliances.
- Other organisations, such as government and non-government agencies, wishing to communicate with firms participating in the supply chain.
- Individual job seekers pursuing employment within the region.

FACILITY MANAGER

The Western Australian State Government is seeking private sector participation in the project, with the nature of this participation to be confirmed upon the completion of a Business Development and Facilities Management Plan. Once concluded, the Facilities Manager becomes a critical success factor in the application and use of industry direct as a business development tool.

CORE CLIENTS

Companies (20) identified as major project 'buyers' or potential prime contractors

Department of Commerce & Trade

Jervoise Bay Project Team

Office of Information & Communications

Small Business Development Corporation

Contract & Management Services

State Supply Commission
WA Department of Training
Kwinana Industries Council
Chamber(s) of Commerce & Industry
Industrial Supplies Office
WA Trades & Labour Council
Australian Manufacturers Workers Union
Organisations wishing to communicate with firms participating in the supply chain
Landcorp

SECONDARY CLIENTS

Department of Resources Development
Local Members of Parliament
Royal Australian Navy
Australian Institute of Steel Construction
WA Shipbuilders Association
Commonwealth Department of Employment, Small Business and Workplace Relations

CUSTOMERS

1331 of local companies in SW Metro that are active on the industry direct web site
Secondary supply companies
Companies outside the region with the potential to supplement local capabilities through trading partnerships and joint ventures

COST EFFICIENCY

Largely because of the cost advantages inherent in maintenance and updating, the Internet was chosen as the most cost-efficient medium for publishing and distributing a detailed company directory.

Broad scope exists to apply this tool to other regions and other industry sectors thereby increasing the commercial appeal and the potential for the website to be self-funding in the future. Options have yet to be considered in detail but a subscription type of arrangement or a user pays basis is the most likely scenario.

EVALUATION

While in its infancy, Industry Direct has yet to be launched in the public arena. However 1300 of the initial 1741 eligible small businesses in the region have already registered and during its first 6 weeks of operation the site recorded more than 600 visitors.

The maintenance and management of the database will deliver output that will enable tracking and monitoring of progress towards the stated aims of the project. In addition, the strategic plan identifies a range of performance indicators against which the site's effectiveness may be accurately measured, including:

- Number of visitors to the site.
- Number of companies listed online.
- Number of tenders listed on the site.
- Number of contracts awarded to SMEs in the region versus other regions
- Variations in seasonally adjusted employment figures for the region.
- Number of vacancies advertised in target industry sectors as an indicator of employment trends associated with additional work.

Employment outcomes

The main aim of Industry Direct is to increase employment opportunities by identifying and promoting the capacity of local small and medium sized enterprises in the southwest metropolitan region to successfully bid for, win and fulfil contracts. The Jervoise Bay development is expected to provide 1,600 direct jobs during the construction and operation of the facility and up to 3000 jobs indirectly as a result of flow-on activity within the community.

Small business has been recognised as the major source of employment growth in Australia in recent years. Elsewhere, the implementation of capability registers has delivered significant benefits in terms of greater local sourcing of work, increased local content, growing employment opportunities and higher levels of import replacement.

Small Business Outcomes

Industry Direct reflects an innovative and practical approach to small business development, which aims to support regional economic growth and employment through partnership. The project aims to create a clearer understanding of the local labour market by generating increased awareness of planned developments and their associated labour requirements.

Projecting business capabilities and assisting local companies to recognise the importance of marketing and technology in new business development has emerged as a key imperative in harnessing new business development opportunities. Therefore,

this project will help educate and inform the community about the importance and contribution of small business to employment growth and regional quality of life.

Skills Outcomes

A recently completed regional skills audit and training needs analysis has identified the manpower requirements and educational needs of employed and unemployed people throughout Perth's south west metropolitan area, including Mandurah. This study will complement a planned survey of small business conducted prior to their listing on the Industry Direct capability register. As a result, action plans will be devised to assist training providers and private companies to meet forecast skill demands in the medium to long term.

Economic Outcomes

This projects forecast outcomes will improve the operating environment for small businesses in the region, thereby improving their competitiveness. A Victorian study on competitive tendering (*A study of Competitive tendering in Rural and remote Areas of Victoria*, Tesdorf 1996) found that, "local small businesses are at a disadvantage because they lack the skills in complex tendering processes and are vulnerable to predatory pricing or price undercutting by larger firms based outside the area".

The same study found a cumulative effect of local purchasing and the strength of local economies – "Most small businesses are typically more focused on staying afloat and meeting their own customers' needs than on strengthening connections with complementary businesses in their region". *The nature of small business suggests that regional competitiveness is enhanced by groupings of small firms, as it will raise critical mass* (Council of Small Business Organisations of Australia LTD). The creation of a regional capability register will create empathy between small businesses and assist them recognise the benefits of this initiative.

The Industrial Supplies Office of WA has stated that inquiries to *Australian Supply Capability* have resulted in extra work in WA and Australia valued at \$102 million in 1997-98. This import replacement has helped procure work that would have otherwise gone overseas helping keep jobs and benefits local.

CONCLUSION

This project is an example of Councils working together for mutual, regional benefit. Local Government has already committed considerable funds toward Industry Direct and an ongoing financial commitment and in kind support for the next financial year is in place.

The extent of support and future involvement from the State Government and relevant Government agencies is being identified and in some cases concluded.

The Industry Direct service is a grass roots initiative, an innovative approach to small business development that aims to support regional economic development and employment opportunities from emerging economic activity through partnership. It will create a better understanding of the local labour market by increasing awareness of emerging developments and their associated labour requirements.

Projecting business capabilities and assisting local companies recognise the importance of marketing and technology in new business development is a strategic response to this challenge facing small business. The project is a local solution to the impact of globalisation. It delivers on the attempt by all levels of Government to deliver local employment preference, increased local content, import replacement and local industry participation and is an example of Local Government fulfilling a key role in regional economic development.

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