

31 May 2024



Committee Secretary
Standing Committee on Regional Development, Infrastructure and Transport
House of Representatives, Parliament House
PO Box 6021
Canberra ACT 2600

Sent via email: rdit.reps@aph.gov.au

INQUIRY INTO LOCAL GOVERNMENT SUSTAINABILITY

Dear Committee Secretariat,

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia (WA). CME is funded by member companies responsible for 20 per cent of Australia's corporate income tax receipts in 2022-23.¹

In 2022-23, the WA resources sector accounted for 65 per cent of Australia's resources exports,² half of Australia's resources' capital expenditure³ and 53 per cent of Australian resources employment.⁴

CME welcomes the opportunity to provide input into this inquiry into local government sustainability by the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport.

Context

Local government authorities (LGAs) play an important role in their responsibility for planning and managing land where CME member companies conduct their operations, noting that most of these operations occur in regional and remote WA.⁵ With more than 300 major resource project sites across WA,⁶ CME member companies often interact with multiple local governments as ratepayers, project developers, infrastructure contributors, users of local and state roads, local airstrips, employers of local workforces or supporters of local community service providers. The scope of this inquiry is vast, given that there are 137 separate and independent LGAs in WA, comprising 27 cities, 102 shires, and eight towns, collectively managing an area of over 2.5 million km².

Local government operation and regulation can significantly influence individual operations and projects, particularly during project development. For example, members must engage with LGAs across the life cycle of their projects on matters such as land acquisition, zoning, land use and access, planning permission and applications for land use alterations, access and commissioning new or existing roads and accessing waste and recycling services.

Equally, resources sector operations and their workforce provide significant flow-on benefits to the communities they operate in and live in. Therefore, the sector is a relevant stakeholder in the review of governance, financial management, and decision-making processes across local councils.

With 61 regional and remote local governments in WA scoring a Financial Health Indicator Score below what is considered 'financially sound'⁷ and some dependent on imposing higher differential rates on mining for as much as 90 per cent of their rating base,⁸ financial sustainability and efficiency in local governments are key priorities for the benefit of current and future ratepayers.

¹ Includes company tax, fringe benefits tax, petroleum resource rent tax and excise duty. Commonwealth of Australia, [Final Budget Outcome 2022-23](#), The Treasury, 22 September 2023, Note 3: Taxation revenue by type, p 39.

² Government of Western Australia, [2022-23 Economic Indicators Resource Data File](#), Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), 9 January 2024. Australian Bureau of Statistics, [5368 International Trade in Goods](#), Table 32a.

³ Investment refers to capital expenditure as measured by gross fixed capital formation, current prices. ABS, [5220 Australian National Accounts: State Accounts](#), Table 25. ABS, [5206 Australian National Accounts: National Income, Expenditure and Product](#), Table 34.

⁴ ABS, [6291 Labour Force, Australia, Detailed](#), Table 5.

⁵ Our references to LGAs hereafter in this submission predominantly refer to the 108 regional and remote local governments across WA.

⁶ Excludes projects in shutdown, care or maintenance. Government of Western Australia, [MINEDEX Major Resource Projects Map](#), DEMIRS, data extracted 21 May 2024.

⁷ A Financial Health Indicator Score of 70 or below out of 100 for 2020-21 annual financial data. Government of Western Australia, [Compare All Councils: Financial Ratios](#), Department of Local Government, Sport and Cultural Industries, data extracted 21 May 2024.

⁸ Shire of Laverton, [Annual report for year ended 30 June 2023](#), March 2024; Shire of Menzies, [Annual Report 2023](#), December 2023.

As such, CME welcomed the then McGowan Government's proposed legislative reforms to the outdated *Local Government Act 1995 (WA)* in 2017.⁹ However, CME members have long raised concerns about needing greater information transparency and accountability regarding rate-setting methodologies in local governments.¹⁰ In our 2022 submission to the Department of Local Government, Sports and Cultural Industries (DLGSC),¹¹ CME welcomed the proposed reforms by the Local Government Review Panel and sought a further review of rate-setting practices. However, it has been four years since the Local Government Review Panel recommended the development of a Rates and Revenue Policy. The DLGSC still needs to provide a timeline for adopting it as part of the second tranche of reforms.

In preparing this submission CME has reiterated these existing positions and sought feedback from member companies to inform the following content.

Key recommendations

To provide for long-term sustainable and strategic development in WA, CME recommends that:

- LGA planning and reporting frameworks to be integrated and harmonised within a broader state and regional development framework that crosses LGA boundaries and establishes areas of priority sectoral development.
- A holistic, sustainable and future-proof core funding model be devised for local government to:
 - reduce their dependence on non-government, periodic and private funding sources;
 - incorporate appropriate cost indexation over time, in addition to compensating remote and regional locations for higher input costs relative to metropolitan areas;
 - provide appropriate untied, auditable infrastructure funding to give local governments flexibility in directing funding to the highest priority and best-use projects according to local needs and knowledge.
- The WA State Budget should make an ongoing commitment to the State Road Funds to Local Government Agreement, allocating a portion of vehicle licence fee collections to local governments. This allocation will help alleviate the pressures of vertical fiscal imbalances and enable local governments to work alongside Main Roads WA to maintain road infrastructure.

1. A need for long-term, cross-jurisdictional and integrated planning for regional development

CME consistently hears from its members about the need for certainty around government settings relating to their operations, including where these intersect with government agencies, policies, laws, regulations and expressed priorities. The introduction of the integrated planning and reporting framework under the *Local Government Act (1995) (WA)* has assisted in terms of its requirements for all LGAs to develop, in consultation with their communities, high-order planning vision documents, including a Strategic Community Plan, Corporate Business Plan and the operational plans that underpin them.

To provide long-term strategic development in WA, there is a need for these plans to be integrated and harmonised within a broader state and regional development framework that crosses LGA boundaries and establishes areas of priority sectoral development, such as strategic industrial areas to support the development and growth of our battery and critical minerals and hydrogen industries.¹² A positive application of this approach can be seen in the City of Kwinana, where it has led to an international example of industrial symbiosis between light and heavy industrial sectors,¹³ with access to port, rail and road infrastructure. The collaboration between various levels of government that has made this possible is commendable. A similar process for identifying various development zones and fostering collaboration and funding models to attract

⁹ CME, [Phase 1: Local Government Act 1995 Review](#), submission to DLGSC, March 2018.

¹⁰ CME, [Phase 2 Review: Local Government Act](#), submission to DLGSC, March 2019; [Inquiry into local government](#), submission to the Select Committee into Local Government, WA Legislative Council, 13 September 2019.

¹¹ CME, [Local government reforms](#), submission to DLGSC, February 2022.

¹² CME, [State Infrastructure Strategy: Discussion Paper](#), submission to Infrastructure WA, 31 August 2020; [Foundations for a Stronger Tomorrow: Draft State Infrastructure Strategy](#), submission to Infrastructure WA, 17 September 2021.

¹³ Bossilkov, A, van Beers, D and van Berkel, R, Industrial symbiosis as an integrative business practice in the Kwinana Industrial Area: Lessons learnt and ways forward, 11th International Sustainable Development Research Conference, Finland, June 2005; Harris, S, Industrial symbiosis in the Kwinana Industrial Area (WA), *Measurement + Control*, vol 40, iss 8, 8 October 2007.

business investment would be welcomed by CME members, providing they are developed in line with the industry's expressed needs, market trends, natural assets and local conditions.

Further to the Productivity Commission's report on Australia's maritime productivity from 2022, we support 'Finding 7.3: planning systems should allocate land around ports to highest value uses'¹⁴. Therefore, local governments have a strategic role that may need to be adequately captured in the current planning system. There has been an increasing trend towards the ad hoc development of discrete statutory planning instruments such as planning control areas, improvement plans or schemes in mixed land use areas with one or more local governments.¹⁵

Recommendation:

To provide long-term strategic development in WA, CME recommends that LGA planning and reporting frameworks be integrated and harmonised within a broader state and regional development framework that crosses LGA boundaries and establishes areas of priority sectoral development.

2. Funding sources: Opaque and insufficient

The key to the sustainability of local governments is financial sustainability. To cover operational and capital costs, local governments rely upon various forms of revenue, including (but not limited to) rate revenue, fees, funding from the WA and Australian Governments, grant and private sector funding.

a. Rate revenue

CME members have expressed concerns about how rate revenue is calculated. This includes the variability of rating settings, the lack of transparency concerning the internal decision-making on setting those rates, and the potential for these settings to be influenced by partial interests.

Resources companies require certainty about the input costs at an asset level. Their inability to predict rate costs year upon year constrains their planning for future project expansions.

b. Fees and charges

Similar concerns exist over the transparency of LGA fees. Specifically, how they are calculated, levied and enforced, the variability in fees across LGAs for the provision of similar services, and the need for certainty regarding these levies in the budget out years.

Transparency regarding how fee increases are calculated, such as being linked to a statutory increase, Consumer Price Index, the WA Regional Price Index or a transparent composite of other relevant price indexes, would improve transparency and provide greater budgeting certainty for both local governments and ratepayers.

c. Funding from the WA and Australian Governments

To cover the costs of the increasing expectations on LGAs to provide services and infrastructure to their communities, they are increasingly dependent upon funding from the Australian Government's Financial Assistance Grants, WA Government and other grants for their fiscal sustainability and the delivery of services. Applying for and acquitting funding applications is administratively complex and time-consuming regarding staffing resources. It favours larger LGAs over smaller, rural, and regional ones who may not have the resources or expertise to advocate or apply successfully for funding. It has also been observed that these funding mechanisms have not kept pace with elevated price and wage inflation in recent years, which leaves local governments short. Government funding is often tied to specific projects and suppliers.

Due to budgetary pressures and increasing demands on council services, LGAs are becoming increasingly dependent on external funding, which can be seen as a cascading tier of financial dependency, including on Financial Assistance Grants, other types of grant funding, and private sector contributions and sponsorships (see below). While grant funding is invaluable, particularly in terms of funds for local projects, the administrative burden involved in applying for this funding is material. For unsuccessful applicants, this resourcing cost is unrecoverable. Moreover, even those LGAs that successfully apply for grants must cover the expenses of

¹⁴ Productivity Commission, [Lifting productivity at Australia's container ports: Between water, wharf and warehouse](#), inquiry report no 99, January 2023.

¹⁵ CME, [Modernising WA's planning system](#), submission to the WA Department of Planning, Lands and Heritage, July 2018; [Planning Reform Phase 2](#), submission to the WA Department of Planning, Lands and Heritage, 31 August 2021

acquitting those funds, the process for which is extensive and burdensome. In addition, grant funding is rarely provided over multiple years, which means the LGAs are required to repeat the process year on year to keep a project or service running, with no guarantee of success, and grant funds can be withdrawn without sufficient notice due to external decisions beyond the LGA's control.

d. Private funding contributions: A shifting cost burden

Due to the financial insecurity concerns identified above and below, combined with rising expectations for service and infrastructure delivery, LGAs often seek funding from private sector proponents in their municipalities or adjacent municipalities. This is particularly true for regional towns where existing grant distribution methods favour highly populated LGAs in metropolitan areas.

Although many companies, including many members of CME, support LGAs and communities where they operate, there has been an increasing expectation of donations, sponsorships and multi-year partnerships. We are therefore concerned that some regional and remote LGAs do not receive an equal distribution of support from the WA or Australian Governments, which is not conducive to a fair or equitable framework for fiscal sustainability. Alternative funding options and governance models should be investigated to ensure sustainable and effective public infrastructure delivery in regional and remote WA. We hope the refresh of the White Paper on Developing Northern Australia can help address these complex challenges of supporting sustainable growth in regional Australia.

CME member companies invest heavily in their local and regional communities, including enhancing the attraction and retention of skilled workers and their families.¹⁶ Our 2022-23 Economic Contributions Factsheets¹⁷ make the scale of this contribution plain. Across Australia, the WA resources sector alone supported:

- 18,712 local businesses;
- 1,396 community organisations;
- 78 local governments;
- 5 per cent of Australia's employment (98,482 direct full-time jobs and 646,332 indirect full-time jobs);
- 33 per cent to the WA Government's general revenue, supporting the provision of essential public goods and services like roads, hospitals, schools and police; and
- 20 per cent of Australia's corporate income tax receipts.

Beyond this big picture, the direct investment made by CME member companies into the regions at a local level is also immense. Our members work closely with local communities and Traditional Owners to support projects and facilities that will impact social cohesion and regional liveability. Examples include funding community projects and events, sporting facilities, community hubs, early learning facilities, critical community services, and health and emergency services support.

The extent of the lean-in by CME members in our regions reflects the demand for these services and a perception of a lack of capacity for LGAs to deliver. When faced with funding these services themselves or risking losing staff due to a lack of amenities near regional operations, our members often fund the shortfall. This has, however, raised concerns that there is cost-shifting away from local governments onto the private sector for goods and services that are considered the responsibility of the public sector. Given the volatility of price-dependent mineral and resources businesses, this raises red flags on how sustainable those LGAs are, given their dependence upon private sector contributions via rates, donations, sponsorships or partnerships for essential service provision.

Unlike infrastructure financed from user fees (e.g., with a port authority or utility provider), ongoing ownership and maintenance contributions are unclear when the private sector partly funds public infrastructure. Therefore, agreed-upon governance arrangements must clarify which party (e.g., local government, the WA Government department, or proponent) is responsible and will incur costs. These shared arrangements must be underpinned by appropriate planning, cost apportionment, and identification of benefit receipt.

Recommendation:

¹⁶ CME, [Remote area tax concessions and payments: Issues paper](#), submission to the Productivity Commission, May 2019.

¹⁷ CME, [2022-23 Economic Contribution: Australia](#), March 2024.

That a holistic, sustainable and future-proofed core funding model be devised for local governments that reduce their dependence on non-government, periodic and external funding sources and funding tied to specific conditions.

Funding should incorporate appropriate cost indexation over time and compensate remote and regional locations for higher input costs relative to metropolitan areas.

For infrastructure partly funded by the private sector, a holistic, sustainable, and long-term governance arrangement clearly outlining local governments' responsibilities, costs, and benefits should be devised.

e. Local road networks

CME members have also raised concerns about the shifting cost burden on transport infrastructure. When transporting products some members use local government road networks before accessing the larger road networks maintained by Main Roads WA. LGAs must ensure smaller roads are maintained and repaired accordingly based on increased haulage numbers. In addition to typical truck vehicle usage, there is also the factor of increased population growth in regional areas through small lot subdivision approvals.

In 2020-21, regional and remote LGAs in WA spent an average of 40 per cent of their operating budget on transport.¹⁸ This can place considerable financial pressure on budgets. Some shires impose an annual road maintenance fee for heavy vehicles on local roads while others in adjacent regions may not. We therefore recommend a review of the efficacy of road charges and expenditures for maintenance, upkeep and safety, noting the mixed source of public and private funding. Increased oversight can help with planning and, where relevant, business case preparation for seeking financial assistance.

Recommendation:

We recommend a continued WA Budget commitment to the State Road Funds to Local Government Agreement, which allocates a portion of vehicle licence fee collections to local governments. This allocation helps alleviate the pressures of vertical fiscal imbalances and enables local governments to work alongside Main Roads WA to maintain road infrastructure.

3. Administrative complexity for companies engaging with local governments

Due to the high number of LGAs in WA, our members' operations often span more than one local government jurisdiction. This introduces an additional administrative burden for CME members when engaging with LGAs.

Our members report inconsistency in their dealings across LGAs. This inconsistency extends to how planning codes and regulations are applied and the nuances of how local government policies, laws, and regulations are interpreted and enforced. Navigating these nuances can be an onerous burden for CME members in their dealings with various LGAs.

CME member companies in regional WA have expressed frustration at the duplication of effort when dealing with multiple LGAs within one region, some with worksites that span the boundaries of various LGAs within a relatively small location with a small population. It has been observed that each LGA can have a complete suite of unique administrative services that duplicate each other. This duplication prevents ratepayer funds from being used to provide more comprehensive and higher-quality community services.

While we welcome the WA Government's establishment of the Local Government Inspector to handle complaints in the recent 2024-25 WA Budget, LGAs could benefit from more capability-building initiatives from the DLGSC¹⁹ and the Department of Infrastructure, Transport, Regional Development, Communications and the Arts. Effective, proactive education and skills development support within LGAs will help streamline service delivery and encourage a shift away from reactive regulation.

For projects of regional or economic significance to WA, proponents do not receive project facilitation assistance with navigating local government processes. This can make securing transport haulage routes, construction workforce accommodation sites, mobilising labour via local airstrips or gaining development approvals²⁰ across multiple LGAs challenging. In some instances, although the LGA will benefit from facilitating

¹⁸ Government of Western Australia, [Compare All Councils: Operating Expenditure by Program](#), DLGSC, data extracted 27 May 2024.

¹⁹ Office of the Auditor General Western Australia, [Regulation and support of the local government sector](#), report 21, 30 April 2021.

²⁰ The establishment of a permanent pathway for the assessment of development approvals in WA will benefit the Flat Rocks Wind Farm project, of which varying levels of consultation with community and local government processes occurred over the last 15 years.

project development either directly or indirectly, there may be opposition²¹ and the WA Government may not have the power to intervene and facilitate mutual agreement.

Recommendation:

We recommend proactive education and skills development support within LGAs to promote good governance and help streamline service delivery.

4. Local governments' role as providers of infrastructure and community services

CME members and LGAs jointly recognise the importance of providing quality jobs for residents and the services and amenities needed to attract and retain skilled workers and their families. This is a challenge for metropolitan LGAs but a particular struggle for those in regional areas.

a. Services

For many regional communities, there is a shortfall in the WA and Australian Governments' service provision, and LGAs often find themselves filling these gaps, often in areas that they are not funded or equipped to provide, including in the areas of primary and allied health care, early childhood education and care and aged care, housing and accommodation, recreation, telecommunications and emergency services. Both LGAs and companies know that the quality of life provided through community development and enrichment activities is key to attracting and retaining skilled personnel and their families.

b. Infrastructure

Further, in terms of infrastructure, while LGAs are primarily responsible for the creation and maintenance of local roads, for some regional areas, the land area covered is vast. For example, the Shire of East Pilbara is the largest LGA by land area, covering 379,571 km² (an area larger than the state of Victoria), with 3,237 km of roads and a population of only 11,005 people.²² The road infrastructure network managed by local governments covers more than 130,000 kilometres of sealed and unsealed roads,²³ is extensive, complex, and expensive to maintain, repair, and upgrade. Yet, it is essential to community and industry sustainability.

c. Emergency management and climate risk adaptation

LGAs are at the front lines in preparing for and managing local emergencies. Another challenge to sustainability is their capacity to maintain this role with increasingly adverse climate change weather events such as bushfires, storms, tidal surges, extreme winds and flooding. Changes in our climate are seeing impacts at levels not seen or recorded before, requiring that local buildings and infrastructure built to ever higher standards involving more costly engineering specifications, design and materials.

In WA, we have seen increased funding and use of the WA Lord Mayor's Distress Relief Fund and the Australian Government's Disaster Recovery Funding Arrangements. However, activating this assistance is ex-post requiring the LGA's application, i.e., contingent on severity such as needing a multi-agency response and declared eligibility by the Australian Government. We therefore welcome ex-ante initiatives like the WA Regional Climate Alliance Pilot Program and the Australian Government's National Disaster Risk Reduction Grant Program which proactively improve resilience and reduce disaster risk in local governments.

The experience of Fitzroy Crossing and the Kimberley region is a case in point – the catastrophic floods experienced there prompted the Cook Government to implement the Kimberley Resilience Program. The first tranche of funds was focussed on repair to damaged assets, including the replacement of the Fitzroy River Bridge (\$250 million), the replacement of three single-lane bridges on the Great Northern Highway (\$33 million in joint federal-state funding); sealing 313 kilometres of the Tanami Road (\$542.7 million joint federal-state funding); and sealing the Warmun airstrip (\$5 million). Beyond this urgent repair work, the WA Government made a significant strategic investment, totalling \$67.5 million, designed to make the region more resilient, including new infrastructure at the Port of Broome to build greater import capabilities (\$6 million), upgrades through the Aboriginal Community Airstrip Renewal Program (\$8 million); and replacement of the single-lane Brooking Channel Bridge with a dual lane crossing (\$53.5 million WA Government contribution).²⁴

²¹ Parliament of Western Australia, [Final report : Inquiry into local government](#), Select Committee into Local Government, September 2020.

²² ALGA, [Facts and Figures](#), updated March 2023.

²³ Main Roads WA, [Western Australian Road Hierarchy](#), D10#156630, October 2010.

²⁴ Government of Western Australia, [New multimillion-dollar program to build Kimberley resilience](#), joint media statement, 9 May 2024.

Because regional LGAs frequently lack the resources to plan, finance and carry out maintenance to improve infrastructure resilience, reactive repair work is typically done rather than predictive and preventive maintenance. Reactive repairs are generally more expensive and risks infrastructure outages that impact both the local economy and the lives of residents in the affected regions.

d. Rising insurance costs

When in disaster recovery mode, our members have reported that LGAs have struggled to access relief and repair funding. They cite that they find the process of applying for funds slow and administratively complex and that it is not responsive enough to the acuteness of the disaster recovery itself.

Further, the impact of disasters and other adverse events, particularly those that may be perceived to be recurrent, are resulting in large ongoing increases in insurance costs, and this further impacts the financial sustainability of LGAs. While these weather-related insurance cost increases apply across most LGAs, the burden of the harshest increases is disproportionately borne by northern Australia, where the risk of natural disasters and excess levels are higher. For example, a quarter of Port Hedland residents pay a combined home and contents insurance four times higher than the rest of Australia.²⁵

Recommendation:

CME supports the development of a sustainable funding model for local government infrastructure requirements that involves appropriate, untied, auditable funding allocations that give local governments flexibility in how they direct funding to the highest priority and best-use projects.

We also recommend the expansion of funding mechanisms that strengthen the climate resilience of infrastructure investments.

5. Attraction and retention of staff for local governments

The attraction and retention of skilled staff for LGAs is a major challenge and one shared by CME members, given the tightness of Australia's overall and regional labour markets. Local Government Professionals WA identified this issue in their 2023 survey,²⁶ stating, "(t)his shortage is a critical issue, with the potential to impact essential service delivery to communities." Potential measures to assist in staff attraction and retention, relevant for both the public and private sectors, include offering:

- Quality, long-term employment with scope for progression.
- Attractive workplace conditions, including (but not limited to) salaries and competitive superannuation.
- Professional development opportunities, including mentoring and volunteering.
- Inclusive and safe workplaces that are attractive to locals, First Nations communities, women, culturally and linguistically diverse people and those living with complex health conditions or disabilities.
- Offering flexible working conditions to enhance work-life balance and to unlock opportunities for those with caring responsibilities.

We would also like to take this opportunity to recommend (a) expanding the 50 per cent concession on employee-sourced housing in remote and regional Australia to an exemption for fringe benefits tax (FBT) purposes and (b) extending the FBT exemption for on-premise child-minding facilities services to other forms of off-premise early childhood education and care services.²⁷ The provision of non-salary financial assistance is a common practice in attracting and retaining skilled workers in regional and remote Australia.²⁸

Recommendation:

We support continued investment in attraction and retention incentives for public sector employees in regional and remote Australia, inclusive of local governments.

²⁵ Australian Competition and Consumer Commission, [Northern Australia Insurance Inquiry: Final Report](#), December 2020.

²⁶ Local Government Professionals WA, [2023 Local Government Workforce Shortage Survey in Western Australia](#), August 2023.

²⁷ CME, [Re: Remote area tax concessions and payments – Draft report](#), post-draft submission to the Productivity Commission, 16 October 2019.

²⁸ Productivity Commission, [Remote area tax concessions and payments: Study report](#), February 2020, p 107.

Conclusion

CME welcomes this inquiry to ensure the sustainability of local governments in providing adequate economic, social and community infrastructure to support regional liveability and economic development. These outcomes are in the interests of our members who contribute to employment, government revenues and communities across our state.

If you have questions regarding the above matters, please contact Mr Aaron Walker, Manager – Industry Competitiveness and Economics, on 0477 679 195 or at A.Walker@cmewa.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rebecca', with a decorative flourish at the end.

Rebecca Tomkinson
Chief Executive Officer