ALGA
Australian Local Government Association

Professor Danielle Wood
Chair
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Productivity Commission – 5 Pillars – Consultation on reform areas

Dear Professor Wood,

The Australian Local Government Association (ALGA) writes to respond to the Productivity Commission's current consultation on specific reform areas as part of the five productivity inquiries announced by the Treasurer under the Government's productivity growth agenda, and to express our interest in continuing our engagement throughout these inquiries.

ALGA serves as the national voice for local government, representing 537 councils nationwide through its State and Territory member associations. Local governments form the backbone of Australia's economic and social infrastructure, directly employing over 200,000 people and managing assets worth $643 billion while delivering essential services to communities across the country.

Councils play a critical role as enablers of economic activity and productivity growth, owning and operating one-third of Australia's public infrastructure. This includes responsibility for 77% of the national road network, underscoring their vital contribution to the nation's connectivity and economic foundation. This submission presents ALGA's collective position and should be considered alongside the views and submissions of our member associations.

Previous submissions

In October 2022, we provided a comprehensive submission to the Productivity Commission's five-yearly Productivity Inquiry, supported by research from SGS Economics and Planning that demonstrated how councils support and boost national productivity. This submission highlighted the critical role local government plays as both an enabler of productivity growth and a partner in implementing productivity-enhancing reforms.

ALGA also provided the enclosed brief in response to our initial conversations with the Productivity Commission under the initial round of consultation in the five pillars. That brief highlighted issues that directly intersect with the current five pillars of productivity, including the renewable energy transition, and climate adaptation and emissions reduction.

In May 2024, ALGA lodged a comprehensive, evidence-based submission to Federal Parliament’s inquiry into local government sustainability. In particular the sections on Local government’s economic and social contribution and Local government’s productivity contribution may provide context to your considerations.

Local Government's Role Across the Five Pillars specific reform areas

The delivery of meaningful productivity reforms across the five pillars is profoundly influenced by local government implementation and coordination. Councils operate at the intersection of national policy and community delivery, making them important partners in translating productivity reforms into tangible outcomes for Australian communities.

ALGA is committed to providing substantive input to each of the five inquiries' focus areas. However, given the complexity of these focus areas and how local governments' interest intersect with them, we would be pleased to meet with you and relevant Commissioners to discuss our perspectives in detail.

We appreciate the Commission's commitment to broad engagement and look forward to contributing constructively to this important work. Please do not hesitate to contact me or our policy team if you require any additional information or clarification.

Yours sincerely

Amy Crawford
Chief Executive Officer

ALGA
Australian Local Government Association

Productivity Commission – 5 Pillars

ALGA Supporting Brief

Recent relevant submissions:

- Submission to the Australian Electricity Infrastructure Commissioner's Community Engagement Review
- Submission to National Adaptation Plan Issues Paper
- Submission in response to the Colvin and Glasser Reviews
- Submission to Transport Net Zero Discussion Paper

Renewables transition

Complexities associated with community benefit sharing are being experienced acutely across the country, particularly among local governments in Renewable Energy Zones (REZs). In NSW, for example, councils and communities in declared REZ areas (particularly Central West NSW) report that they are attending at least one consultation (for a renewable energy proposal) every week, sometimes more, and having to review thousands of pages of documentation. Each proponent is putting forward a separate proposal for community benefits.

The pressure of intense activity coming from the transition exacerbates existing stresses experienced in regional, rural and remote areas, such as skills shortages as recently acknowledged in the Commonwealth's National Energy Workforce Strategy. However, ALGA does not see adequate national attention to the stresses faced by councils in these areas themselves, for example, on land use planning and assessment teams and community engagement teams.

The National Energy Transformation Partnership 2022 has the following vision: "Australian governments will work together to maximise the economic opportunities of the clean energy transformation, ensure reliable and affordable electricity, and deliver the *greatest benefits for Australian households, businesses and communities*."

To date, the Partnership has not developed a framework or overarching mechanism to consult with local communities to ensure that they received the "greatest benefit" from this transition. As a result, projects have been proposed and progressed in an ad-hoc manner with local governments independently seeking to ensure that the benefits of the energy transformation are shared with their communities.

The lack of national governmental attention to the place-based and enabling functions of local government in the renewables transition is resulting in significant burden for councils, missed opportunities to maximise benefits, impeding transparency on agreements, and is diminishing community trust in the benefits of a clean energy transition.

It is ALGAs view that negotiating community benefit during tender is too late in the process – the terms and benchmarks/expectations should be set out well in advance. Some states have developed their own:

- In 2023 NSW Government released a Draft Energy Policy Framework,

- In 2023 the WA Government established PoweringWA to help manage the scale, speed and complexity of WA's renewable energy and transmission developments.
- In 2024, Queensland Government announced it would develop a code of conduct to ensure local communities can share appropriately in benefits of clean energy transition.
- In 2024, VicGrid is consulting on draft guidelines for the 2025 Victorian Transmission Plan, including the development of a new Victorian Transmission Investment Framework designed to strengthen community engagement in identifying REZs.
- In 2024 in Tasmania, the Renewable Energy Zones and supporting legislation (currently in draft form) establishes a framework for community benefit sharing in advance of projects so that negotiations are fair, transparent and consistent for both proponents and communities.

ALGA has provided input to the AEIC's Community Engagement Review and is supporting design of the Developer Rating Scheme. In addition, ALGA's position is that local governments require dedicated supports from higher levels of government, including:

1. Dedicated and ongoing engagement with local governments on their experiences of transition, emerging risks, and their specific needs as local partners who support the roll out of the renewables transition.
2. Information and support so that local governments have information ahead of time on the prospective projects, and the impact on local services and infrastructure, thereby reducing the fatigue and inefficiency arising from a project-by-project rollout.
3. Consistent attention and review of the different regulatory conditions, provisions for payment to councils and community benefit, and local government needs across states and territories, so that limitations in some parts of the country can be identified and meaningfully addressed.

The following summarises the roles of LGs as partners in the renewables transition and experiences to date:

- Councils are best placed to understand their community's needs at a strategic level given that in most jurisdictions, councils are obliged to understand Integrated Planning and Reporting with their communities. They also can ensure funds are used appropriately and in line with those needs / desires, and to transparently report how funds are being used.
- Councils are best placed to work with other entities to deliver community needs or address impacts. For example, the community surrounding a renewable energy project often experience housing shortages or lack of affordability during the construction phase with the influx of workers. With a lump sum from developers, councils could partner with state/territory governments and other providers to secure affordable housing in the area.
- Rather than relying on ad-hoc negotiations on a project-by-project basis, these should be underpinned by benchmarks for community benefits.
- Benchmarks for community benefits should account for the knock-on impacts of developments, such as labour shortages, changes in housing availability and impacts on local infrastructure.
    - Pooling the benefits from a renewable energy project can enable these larger projects to be delivered for the local community. Proponents should be incentivised to collaborate.
    - Councils would also prefer to pool benefit payments from multiple projects. Collectively managing the funds can put larger (and often higher order) community needs within reach that may not have been possible using the benefit payment from one project alone.

- Impacts from a project can be felt across more than one local government area, for example where a development is at the edge of an LGA boundary. Collaboration amongst councils and with proponents is the key to resolving such situations satisfactorily, but this currently relies on good communication and relationships between the parties.
- Some local governments have spoken about proponents promising them certain funding and then delivering far less. There must be robust compliance mechanisms established, whether through the Developer Rating Scheme or otherwise.
- Local government would like to see more upfront payment of benefits, rather than over the lifetime of the development. This would enable a greater quantum to instigate community benefit projects sooner rather than later.
- Enable local benefits from energy and transmission infrastructure by allowing communities to directly draw energy from local renewable sources.
- Ensure transmission infrastructure planning is transparent, consistent and that councils and communities are properly resourced and supported through the engagement process.
- Work with relevant councils to clearly explain to communities within designated renewable energy zones the implications of these zones for future development and provide a central channel for information and engagement that includes all projects, timeframes, key contacts.

Adaptation and emissions reduction

Local governments are at the forefront of grappling with climate impacts as asset managers, land use decision makers and the closest tier of government to the community. They engage and plan with their communities, support ongoing resilience through their social and environmental works, adapt the built environment, services and infrastructure to respond to changing climatic conditions.

The latest *Australian Local Government Climate Review 2024* report shows around 90 per cent of councils have or are developing emissions reduction targets. The same report found 86 per cent of councils (of 120 councils respondents) had an emissions inventory. Barriers to reducing corporate emissions included internal resourcing (69 per cent), funding (64 per cent), and staff capability (40 per cent). The report also found two-thirds of respondents have done a climate risk assessment and 72 per cent are implementing initiatives.

- Barriers to adaptation include internal resourcing (70 per cent), funding (67 per cent), complexity and not knowing how to respond (53 per cent), and limited technical expertise and capacity (48 per cent). It is important to note that the progress and maturity of local government action in both emissions reduction and adaptation is varied, with lesser-resourced councils often finding these activities to be out of reach.

Local governments require consistent funding for adaptation given that climate change impacts will continue. The sector requires capacity support for staff and councillors to implement adaptation.

ALGA is proposing a new **$400 million per annum climate adaptation fund**, to be distributed across all Australian councils to provide local, place-based solutions to our changing climate. We also propose **$900 million per annum fund for emergency management capacity and capability building**, in line with findings from the Colvin Review on Commonwealth Disaster Funding that local governments require significantly more support as being on the front line of disaster preparation, response and recovery.

The Commonwealth should also:

- Streamline and make it easier for local governments to undertake climate risk management. This should involve implementing a voluntary climate risk framework for local government which supports consistent climate risk assessment, reporting, decision making and expenditure.
- Develop, operate and maintain an information and data suite designed specifically for local government adaptation use (on an opt-in basis).
- Provide a suite of capacity building supports, including:
    - Funding for local government associations to scale up their existing education and capacity building programs,
    - A leadership program for CEOs and councillors,
    - An adaptation cadetship program for young local government professionals.

Lastly, Commonwealth, state and territory governments must address climate risks which are driven at national or state/territory level and ensure they are meeting the responsibilities stipulated in the COAG Statement on Climate Change Adaptation in Australia. These policy responsibilities should not be devolved to local governments.