



11 February 2014

Our Ref: 05-051-02-0001/PS

Geographic Labour Mobility
Productivity Commission
LB2 Collins St East
MELBOURNE VIC 8003

Dear Sir/Madam

Draft Report – Geographic Labour Mobility

Thank you for the opportunity to respond to the Productivity Commission's Draft Report on Geographic Labour Mobility. Please note that due to meeting schedules, this submission has not yet been endorsed by the Western Australian Local Government Association's State Council. The Commission will be informed of any changes to this submission following consideration by the State Council in March 2014.

The Western Australian Local Government Association (WALGA or 'the Association') is the representative organisation for Local Government in Western Australia. The Association is an independent, membership-based group representing and supporting the work and interests of 138 mainland Local Governments in Western Australia, plus the Indian Ocean territories of Christmas Island and Cocos (Keeling) Islands.

Impacts of Long Distance Commuting on Communities and Governments

In section 3 of the Draft Report the Commission notes some of the concerns regarding the negative impacts on community amenity caused by the use of long distance commuting. Some of the specific concerns included:

- Pressure on community infrastructure to cope with long distance commuters;
- Local Government grant funding models do not consider long distance commuters in their assessments;
- Difficulty in creating a sense of community;
- Increased alcohol and drug use;
- Increased pressure on medical services; and,
- Impacts on housing affordability in mining regions.

These problems have all been encountered to some extent in mining communities across Western Australia. Pressure on community infrastructure is a particularly important issue as

many communities have significant differences between resident and service populations as a result of large FIFO (fly-in, fly-out) and or DIDO (drive-in, drive-out) workforces.

While it is difficult to have a definitive picture of service populations in Australian communities due to the lack of appropriate statistics, data from the 2011 Census can roughly indicate the impact long distance commuting can have on population numbers. The following table compares 'place of enumeration' counts (i.e., counts of where people were located on Census night) with the usual resident population in selected WA Local Government Areas with significant mining activity:

Table 1 Selected LGAs by difference in POE count and RP (2011 Census)

Local Government Area	Place of enumeration count (POE)	Resident Population (RP)	Difference between POE and RP
Roebourne (S)	29,968	22,899	7,069
East Pilbara (S)	17,148	11,950	5,198
Ashburton (S)	15,057	10,001	5,056
Wyndham-East Kimberley (S)	11,914	7,800	4,114
Port Hedland (T)	18,552	15,046	3,506

Mining communities have found that such differences between service and resident populations can significantly affect the cost of providing infrastructure such as roads, airports, water and sewerage services, and community facilities.

The Commission noted that long distance commuting arrangements can also affect the 'source' communities where workers normally reside. Communities have found that family relationships can be disrupted and strained by the absence of workers during the working period of a FIFO cycle. Consequently, a number of support groups and informal networks have been established across WA to help families manage the impact of long distance commuting arrangements.

The Association supports the Commission's finding that 'there are gaps in the understanding and measurement of geographic mobility, particularly of temporary or service populations' (p.249). Indeed, the Association recently made a submission to the Australian Bureau of Statistics seeking the addition of a topic on FIFO and other long distance commuting work practices in the 2016 Census.

The Association believes that improving data on long distance commuting and service populations is important for two reasons. Firstly, this information would assist Local Governments' planning functions, particularly in the areas of infrastructure and service provision. Secondly, it would provide an evidence base on service populations for possible inclusion in Local Government grant allocation models.

Constraints on Local Government revenue

Fee and Charge setting restrictions

In section 12.3 of the Draft Report the Commission notes that Local Government's capacity to raise revenue is often constrained by State Government policies. In Western Australia,

this includes restrictions on Local Government's ability to set fees and charges for a wide range of Local Government services. The following table presents a selection of these fees and charges and the applicable legislation:

Table 2 Legislation prescribing selected WA Local Government fees and charges

Fees and charges	Legislation containing applicable fee and charge restrictions
Planning and Development	<i>Planning and Development Regulations 2009</i>
Building	<i>Building Act 2011</i>
Dog registration	<i>Dog regulations 1976</i>
FOI requests	<i>Freedom of Information Regulations 1993</i>
Cattle impoundment	<i>Local Government (Miscellaneous Provisions) Act 1960</i>
Public Building Approvals	<i>Health (Public Buildings) Regulations 1992</i>
Caravan parks and camping grounds	<i>Caravan Parks and Camping Grounds Regulations 1997</i>

Unfortunately, these restrictions generally set fees and charges below the cost of providing the applicable service. This denies Local Governments the opportunity for efficient cost recovery and also leads to unfair and inequitable outcomes in the community, since all ratepayers end up subsidising the choices of some ratepayers.

State Agreement Acts

The Commission also states that 'state agreements negotiated with mining companies often include significantly reduced rates' (p.244). In fact, almost all State Agreement Acts include significantly reduced rates for mining companies. Agreements negotiated before July 2012 are set on an unimproved valuation basis according to rates prescribed in the *Local Government Act 1995*. The Act sets the highest Local Government rate applicable to pre-July 2012 State Agreement Act sites at \$1.00 per 4,000 square metres, with the rates getting progressively smaller as the applicable area increases.

For the few State Agreement Acts that have been initiated from July 2012, Local Governments can apply Gross Rental Valuation (GRV) to certain improvements on land within mining tenements. However, these arrangements only apply for a 'trial period' for the three years from July 1, 2012.

Furthermore, current State Government policy is that Local Governments can only apply GRV rating to projects covered by pre-July 2012 Agreements if:

- both parties agree to adopt the policy; or,
- rating exemptions are removed during an Agreement Variation process with the Department of State Development.

In practice, GRV has not been applied to pre-July 2012 agreements: on the first point, both parties are unlikely to agree on adopting the policy and, on the second point, the Association has been advised by the Department of State Development that the timing of Agreement Variation processes is confidential and Local Governments cannot be notified when these processes occur. A consequence of such restrictions on rating mining projects is that affected Local Governments are denied an efficient source of revenue.

Exemptions from Local Government Rates

Legislated exemptions from the rates base also constrain Local Government revenue. Section 6.26(2)(g) of the *Local Government Act 1995* provides that 'land used exclusively for charitable purposes' is exempt from Local Government rates. Exemptions under this section of the Act have extended beyond the original intention and provide rating exemptions for land used by not-for profit organisations for profitable purposes. The most prominent example of this is the exemption provided to Independent Living Units (ILUs).

ILUs are separate dwellings, usually in retirement villages, and residents often manage their own affairs without any health, nursing, personal or other forms of support provided by the owner of the village. The not-for-profit sector is an important, although not the only, developer of such accommodation. As the population ages the revenue forgone from conversion of existing rate paying land to ILU accommodation operated by the not-for-profit sector is expected to grow and place an increasing burden on the smaller proportion of the population who do pay rates.

On many occasions the Association has asked the WA State Government to address fee and charge setting restrictions and rate exemptions for State Agreements and ILU accommodation. Therefore, the Association strongly supports the Commission's draft recommendation that State Governments should 'review the restrictions imposed on local governments' capacity to raise own-source revenue' (p.245).

Royalties for Regions

In section 12.3 of the quoted passage from the Minerals Council of Australia's submission states that, because of Royalties for Regions (RFR) funding, 'in some cases a shire's operating budget has doubled' (p.243). It should be noted that RFR payments to Local Governments provide capital funding for infrastructure projects. RFR contributions do not increase the operating budget of Local Governments.

Large Population Growth

In section 11.4 of the Draft Report the Commission states:

Large population shifts can impose external costs on affected communities where there are market failures or an inefficient provision of public goods. In particular, the Commission's analysis suggests that local government capacity to manage population growth may be constrained, and more broadly, planning for population growth and provision of infrastructure may not be socially optimal (p.219).

This is a particularly important issue in Western Australia – between the 2006 and 2011 Censuses the State's population grew by 14.3% (Australian population growth over the same period was 8.3%). Many Local Governments have indicated to the Association that population growth is outstripping their capacity to adequately invest in infrastructure.

A number of Local Governments covering the outer suburbs of Metropolitan Perth have absorbed a substantial proportion of WA's population growth. For example, the City of Wanneroo's population increased by 41,136 (37.1%) between the 2006 and 2011 Censuses. Other outer Metropolitan Local Government Areas including Rockingham, Stirling, Cockburn, Swan and Gosnells had population increases of between 15,000 and 20,000. Such large increases in population make it difficult for Local Governments to provide the required infrastructure in the timeframes desired by the community. Therefore, the Association supports the Draft Report's recommendation that 'State governments should ensure that local governments have the capacity and capability to manage the effects of population change in their areas' (p.245).

Thank you again for the opportunity to comment.

Yours sincerely

Ricky Burges
Chief Executive Officer