

20 January 2017

The Hon Michael McCormack MP
Minister for Small Business
Australian Parliament House
Canberra ACT 2600

8 Geills Court, Deakin
Canberra ACT 2600
Australia
T: (02) 6285 1672
F: (02) 6282 4253
info@lordmayors.org
www.lordmayors.org

Dear Minister

2017-18 Federal budget submission

The Council of Capital City Lord Mayors (CCCLM) thanks you for the opportunity of providing a submission to the 2017-18 Budget, please find attached our submission.

The CCCLM represents the interests of the Lord Mayors (and ACT Chief Minister) of Australia's eight capital cities. Australia's capital cities are the nation's economic engine room, accounting for \$1059 billion, or 68% of Australia's GDP in 2013-14. Capital cities are home to 66% of Australia's 2.1 million businesses, accommodating 8.1 million workers.

The CCCLM welcomes the Federal Government's renewed involvement in urban policy, as demonstrated by the 2016 release of the Smart Cities Agenda and activity such as the City Deals projects and Smart Cities and Suburbs program. Capital City Lord Mayors have been seeking greater engagement of the Federal Government in urban policy for over twenty years.

Our attached submission outlines city priorities for the 2017-2018 Federal Budget, focussing on items where capital cities could work in partnership with the Federal and State and Territory Governments, to ensure the continued successful and sustainable growth of our capital cities. These priority areas include:

- Climate Action and Environmental policy;
- Economic development opportunities; and
- Infrastructure.

We would welcome the opportunity of expanding on any of the items raised within our submission.

Yours sincerely



The Right Honourable the Lord Mayor of Sydney
Clover Moore
CCCLM Chair



COUNCIL OF CAPITAL CITY LORD MAYORS

PRE BUDGET SUBMISSION

20 January, 2017

Council of Capital City Lord Mayors
8 Geils Court
DEAKIN ACT 2600

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INTRODUCTION

The Council of Capital City Lord Mayors (CCCLM) appreciates the opportunity providing a submission to the Pre-Budget process of the Australian Government.

The CCCLM represents the interests of the Lord Mayors (and ACT Chief Minister) of Australia’s eight capital cities. Australia’s capital cities drive national economic growth, innovation and creativity, and are home to over 75% of our population.

The Council of Capital City Lord Mayors warmly welcome the Australian Government’s renewed involvement in urban policy through the Smart Cities Agenda, and have been calling for greater Australian Government engagement in urban policy for over twenty years.

Our cities currently face enormous pressures and an equal number of opportunities. As managers of our capital cities, Lord Mayors are at the coal face of change, and are in the best position to work with the Australian and State and Territory Governments to meet the challenges facing our city communities.

The pressures and changing needs that result from a growing population; the impacts of a changing climate and an evolving global digital economy will challenge our cities like never before. The risk is that, left unchecked, our quality of life will reduce and our city economies will become less productive.

The latest ABS population projections suggest that the Australian population may increase by as much as seven million (or 30%) by 2031, and by eighteen million (or over 75%) by 2061. However, according to the ABS projections, this growth is likely to be concentrated in Australia’s capital cities. The eight capital cities are expected to grow by a combined 5.5 million by 2031 and by 14.8 million people by 2061.

To keep our cities among the world’s most liveable we must adapt quickly to the new challenges and pressures that we face. Local, State and Territory and the Australian governments need to work together, along with businesses, educational institutions, community organisations and city residents, to ensure the long-term prosperity, liveability and resilience of our cities.

AUSTRALIAN GOVERNMENT BUDGET PRIORITIES 2017-2018

CITY DEALS

The Australian Government has stated on several occasions that cities and urban policy is one of its key priorities, and in mid-2016 released its Smart Cities Plan – a high level blueprint for the Australian Government’s active engagement in the betterment of Australia’s cities.

The CCCLM acknowledges the role the Australian Government has in influencing cities. It understands that cities are where most Australians live and are critical to the nation’s economy. The right spending on the right infrastructure in our major cities, will achieve great results.

“Australia’s growth as a knowledge based economy, and the prosperity this offers, goes hand in hand with the growth of our cities and the regions surrounding them.”¹

The Australian Government gets a much greater return on investment for investing in infrastructure and productivity in the cities as opposed to regional centres.

This view is backed by John Daley, CEO of the Grattan Institute, who has outlined that productivity growth is much greater in the larger cities than in the regions. He notes that the services sector is growing much faster than other sectors and this growth is concentrated towards the centre of big cities².

He states that “Government can fail to support central city growth; it can’t do much to encourage regional growth”³.

A key element of the Government’s cities agenda is the City Deals program, where the Australian Government partners with State and Local Governments to deliver agreed transformational urban projects.

For the City Deals program to be delivered successfully, the Government needs to establish the policy, methodology and capacity to deliver City Deals that include all capital city councils.

The methodology needs to be transparent so that the community can see funds are going to the projects that achieve the greatest good, and the 2017-18 Budget must contain measures to ensure that the Australian Government’s contributions to City Deals are appropriately funded and agreed in partnership by all levels of government.

CCCLM recommends that the 2017-18 contains the following measures:

- A firm commitment for the Australian Government to establish a City Deal in all capital city councils before the next Australian Government election; and
- Appropriate Australian Government funding and resources to enable the timely implementation of City Deals in all Capital Cities, as well as other major urban centres.

OTHER BUDGET PRIORITIES

The Australian Government also has a strong influence over the way our cities are shaped and operated through the funding of roads, housing, health and education, and also through policies relating to the provision of infrastructure, the environment and immigration.

CCCLM believes that the 2017-18 Australian Budget must also include measures that positively impact on our urban centres, with a focus on climate action and environmental policy, economic development, and infrastructure.

CCCLM recommendations are outlined in greater detail below.

¹ *Smart Cities Plan, Australian Government, June 2016, p2*

² *Productivity and Geography - Address to the Productivity Commission Conference, John Daley, Canberra, 12 December 2016, p12.*

³ *Ibid.*

CLIMATE ACTION AND ENVIRONMENTAL POLICY

Australia's capital cities are at the forefront of climate action and environmental policy.

Globally, cities consume 78% of the world's energy and produce more than 60% of all carbon dioxide and significant amounts of other Greenhouse Gas Emissions (GHG), mainly through energy generation, vehicles, industry, and biomass use. Major cities around the world have acknowledged this impact and taken responsibility through networks, including ICLEI, Global Covenant of Mayors for Climate and Energy and C40, to lead action on climate change and build resilient urban centres.

Cities also play an important role in measuring, planning, adapting and building resilience to the current and future impacts of climate change. These impacts can include: extreme heat conditions, sea level rise; flooding, harsher fire weather; decreasing rainfall; and extreme weather events such as drought.

Australia is a signatory to the Paris Agreement (COP21), which was negotiated by 195 countries at the United Nations Climate Change Conference in November 2015. Signatories agreed to lower anthropogenic emissions of GHG quickly and substantially in order to keep global warming below 2°C - aiming for a goal of 1.5°C – above pre-industrial levels. Achieving this goal will require global “net zero” GHG emissions by 2050 or sooner and a transition to low carbon societies.

Cities and regions were included at the Paris Conference for the first time, and several Australian capital cities participated. This was recognition of the importance and leadership of cities - where two-thirds of the world's population lives - in effective climate change mitigation and adaptation action.

As one of the world's most urbanised nations, our capital cities are instrumental in delivering emissions reductions to meet Australia's commitment to COP21. Australia's capital cities are actively working towards reducing emissions, building resilience and decreasing vulnerability to the adverse effects of climate change, and each of the capital cities have set high aspirations for climate action for their local government areas.

CCCLM is pleased to note environmental outcomes are included in the Australian Government's *Smart Cities Plan* (released in April 2016) which included the broad goals of:

- Streamlining long term environmental planning outcomes;
- Improving air quality in urban areas;
- Improving fuel efficiency and emissions of Australia's light vehicle fleets;
- Encouraging use of ratings systems;
- Facilitating carbon neutral precincts; and
- Applying science to deliver innovative policy making and regulatory reform.

Capital cities look forward to contributing to the development of policy that allows cities to enable successful outcomes for Australia's environment as well as meeting local and international commitments.

The Council of Capital City Lord Mayors calls upon the Australian Government to work with us on the priorities outlined below.

ENERGY EFFICIENCY

BUILDINGS

- Implement cost-effective updates to the National Construction Code in 2019 to improve energy efficiency requirements for residential and commercial buildings. The National Construction Code's enforcement needs improving, as studies reflect a high level of non-compliance; and
- Set national energy efficiency long term targets for existing and new residential and commercial buildings that allow for local climate conditions (including public housing). CCCLM recommends a national scheme that would unify State energy efficiency trading schemes.

STREET LIGHTS

- Support the upgrade of street lighting by assisting providers in upgrading to energy efficient and technology enabled street lights.

APPLIANCES

- Strengthen appliance and product efficiency standards - ie minimum energy performance standards (MEPS) and Greenhouse and energy minimum standards (GEMS).

ENERGY SUPPLY

- Update and align the National Energy Objective with Australia's climate policy and targets as a first priority;
- Investigate initiatives that would have a positive effect on the uptake of building and district-scale renewable energy generation across Australia. Changes should be long-term, strategic decisions focused on the need for cheap, secure and low-emissions power; and
- Review the implications of decarbonising the electricity supply. This would involve the investigation of the exit of high emissions intensive power stations from the electricity grid, and initiatives such as changes to national electricity market rules and AEMO rules, virtual net metering, and the introduction of large scale alternative energy storage.

VEHICLE EMISSIONS

- Encourage transition to zero emission vehicles, hydrogen fuel cell and extended-range plug-in hybrid electric vehicles through cost-effective changes to vehicle emission standards. These standards should be configured to secure a technology jump that maximises energy productivity and reduces reliance on internal combustion engines. The ultimate aim should be the elimination of tailpipe pollution to enhance urban air quality, improve public health and city living;
- Ensure National fuel standards are in-line with the technical requirements of modern engines;
- Strengthen the Vehicle Emissions Standards; and
- Coordinate the funding and development of electric vehicle and hydrogen refuelling infrastructure across all levels of government and the private sector including:
 - A globally standardised network of publicly accessible renewable electric fast-charging DC stations for electric vehicles
 - A network of renewable hydrogen refuelling stations
 - A framework creating operating incentives such as registration rebates for electric or hydrogen fuel cell vehicles
 - The removal of legislative barriers.

CLIMATE CHANGE MITIGATION

- Develop greenhouse gas emission reduction and renewable energy targets in accordance with Australia's commitment to the 2015 Paris Agreement, and improve domestic mitigations policy to facilitate this reduction;
- Commit ongoing funding to the Clean Energy Finance Corporation (CEFC), the Australian Renewable Energy Agency (ARENA) and the Climate Change Authority; and
- Develop a national framework for meeting Australia's international climate change commitments at least cost, integrating climate policy with energy policy, including support for on-going efforts to strengthen energy networks and markets.

CLIMATE ADAPTATION

LEADERSHIP

- Create programs that support rebuilding following disasters with solutions that include climate resilience measures, rather than simply replacing lost infrastructure or systems (eg National Disaster Recovery and Relief Arrangements⁴);
- Invest in on-ground actions and programs to increase the climate resilience of vulnerable communities and develop whole of hazard approaches to adaptation action. CCCLM notes that Australia spends 97% of resources on disaster recovery rather than investing in preparedness⁵; and

⁴ <https://www.disasterassist.gov.au/Pages/related-links/Natural-Disaster-Relief-and-Recovery-Arrangements.aspx>

⁵ <https://www.coag.gov.au/node/81>

- Support and engage in activities associated with building resilience at a capital city level, which may include the 100 Resilient Cities program currently being implemented by the Cities of Melbourne and Sydney.

MANAGEMENT AND PERFORMANCE

- Facilitate the development of risk based management approaches at national, state and territory, and local governments to make buildings, infrastructure and systems climate resilient. These would help communities to be better equipped to prepare for, and recover from, adverse events, and should include:
 - Best practice risk and adaptation planning to prepare for climate challenges, manage risks and implement adaptation actions
 - Alignment of local planning with regional and State and Territory adaptation planning
 - A comprehensive approach to adaptation planning (as previously provided through the Australian Government's Adaptation Pathways Program).
- Provide climate resilience and adaptation training to government officials to develop a better understanding of the risks associated with climate change hazards and to allow development of adaptation planning within jurisdictions; and
- Develop consistent planning and regulations for climate change resilience of infrastructure, buildings and urban renewal areas.

RESEARCH AND REPORTING

- Provide ongoing funding to ensure continued national research which assists cities and communities in identifying, planning, adapting and managing the risks of climate change. CCCLM notes that funding to the National Climate Change Adaptation Research Facility (NCCARF) expires in July 2017; and
- Support research bodies, such as CSIRO, to continue development of the latest science on our changing climate and associated impacts.

ECONOMIC DEVELOPMENT

Strong city economies are crucial to a strong national economy and our cities are where Australia's future jobs are being created. As jobs in the agriculture and manufacturing sectors decline, jobs in health, education, advanced manufacturing and professional service sectors grow.

Knowledge sector jobs will drive Australia's future economy and the vast majority of these new jobs are based in our capital cities. Cities are also our country's educational hubs – capital cities host the majority of our universities and almost 80% of all tertiary students study in our capital cities.

To make the most of these changing circumstances, cities need to work with all levels of government, and many private and public sector stakeholders, to create the environment where businesses and other important institutions can thrive.

This includes investing a lot more in the infrastructure that cities need to support growing populations and that will help business in our cities to thrive.

SMART CITIES

CCCLM seeks a dedicated and adequately funded program that assists local government to deliver *Smart City* solutions that:

- Maximise efficiency in the delivery of services;
- Reduce operating costs; and
- Facilitate shared experiences, service models and operational information.

The program should include a wide range of smart solutions such as transport and parking facilities, open data policies, energy (including lighting), waste management, health services, disaster alert systems and community engagement.

PRODUCTIVITY

CCCLM seeks to work with the Australian Government to develop key productivity and regulatory measures that directly improve city capacity, including:

- Developing mass transit and freight solutions – making our cities more highly connected;
- Building the competitive advantage of our capital cities – including the provision of innovation enabling infrastructure, such as affordable, reliable and high speed broadband;
- Better managing land use by improving strategic and integrated planning, including development of long term strategic plans for our major cities to assist with population growth and resettlement; and
- Competing for talent – to attract and retain mobile highly skilled professionals in our major cities.

OPEN DATA

CCCLM seeks a more coordinated approach to the provision of data from all levels of government, including:

- The development of open data systems by the Australian, State and Territory Governments;
- Greater release of data held by the Australian, State and Territory Governments;
- Assurance that this data will be readily available to local government; and
- A commitment by the Australian Government to assist with the funding, establishment and on-going provision of open data systems.

RENEWAL AND REDEVELOPMENT

CCCLM calls on the Australian Government to establish and fund a program that:

- Stimulates economic growth through the redevelopment of key inner city sites, and underutilised or undeveloped areas of the inner city;
- Provides funding for projects that improve or provide better uses for existing infrastructure or natural assets, such as the adaptive reuse of buildings; and
- Provides reinvestment or new investment in tourism related infrastructure.

SCIENCE AND INNOVATION

Science and innovation help drive capital city economies and requires on-going Australian government funding and support. CCCLM seeks:

- Direct funding of programs that will stimulate economic and research and development activity in the specific areas of strength for Australia's capital cities.
- Development of an innovation strategy, that will focus on cities as places of innovation and maximise economic opportunities by supporting integration and collaboration between university research and local businesses – particularly SMEs.
- Identification of industry clusters or clusters of businesses in capital cities that could work together to take on bigger markets or gain productivity benefits through proximity and co-location.

REGULATORY AND PLANNING REFORM

Managing growth and maximising opportunities requires cooperation and partnerships between Australian governments. CCCLM supports long term and integrated planning, and calls for:

- Australian legislation relating to the protection of airspace to be amended to take into account the impact that prescribed airspace has on the growth and development of cities - in particular the heights of buildings in CBDs; and
- Amendment of the application of planning scheme provisions to Commonwealth controlled land, so that non-airport developments on airport land provide an appropriate financial contribution towards the upgrading of related infrastructure networks.

INTERNATIONAL

CCCLM calls on the Australian Government to:

- Focus on skilled migration policies that will encourage international investment and associated activities in capital cities;
- Develop a program that supports the development and maintenance of international city relationships; and
- Provide support to international students residing in capital cities (for example legal, health, housing and employment services).

HOUSING AND ACCOMMODATION

CCCLM calls on the Australian Government to:

- Work with State, Territory and Local Governments to develop a national housing policy designed to address housing affordability issues; and
- Undertake a review of the aged care system to ensure that allocations are provided in line with the ageing population.

HOMELESSNESS

Homelessness is a complex issue that is the responsibility of all tiers of government. CCCLM calls on the Australian Government to:

- Require each state and territory government to establish a joined-up integrated service plan that builds on existing plans to manage homelessness in capital cities. These plans must be jointly developed and signed off by the state or territory government and the capital city council. The integrated service plan should connect health, housing, income and family services, while also managing the impact of homelessness on the community and the public realm;
- Assess and consider the impact that broader housing, health and welfare policy changes will have on the level of homelessness in Australia, and put strategies in place to mitigate this risk; and
- Provide three to five year funding agreements to non-government organisations with service models that seek to break the cycle of homelessness by providing housing, as well as life skills and employment support.

INFRASTRUCTURE

The capacity of our cities to accommodate population growth and support growth in productivity relies on the effectiveness of infrastructure. Cities need more investment in new and revitalised city infrastructure.

Infrastructure in capital cities represents a high point of intersection for large-scale investment, across all levels of government. Major cultural, events and recreational infrastructure are where Australian, State and City governments are major investors. Our cities host a concentration of activity and are the location of major assets of national, state and regional importance.

Our capital city infrastructure is stretched as populations grow and more people and businesses vie to use our public transport systems and roads to get around and transport goods. People face longer travel times between homes and work, education and services and these delays negatively impact on our city economies.

Car travel times are expected to increase by at least 20% in the most congested corridors of our capital cities, and in some cases, travel times could more than double between 2011 and 2031.⁶

Urban congestion cost the Australian economy almost \$14 billion in 2011 and, without adequate infrastructure investment, is forecast to increase to more than \$53 billion by around 2030.

Significant investment in key pieces of transport and social infrastructure across the country will not only boost local inner city economies in each location, helping business activity and employment growth, but bring economic benefits to the whole country.

Provision of both transport and social infrastructure enables more liveable and sustainable and resilient communities. Climate change effects on local government infrastructure should be considered when investments are made.

⁶ <http://infrastructureaustralia.gov.au/policy-publications/publications/files/Australian-Infrastructure-Audit-Executive-Summary.pdf>

CCCLM supports Australian Government infrastructure funding that is linked to a properly articulated and integrated metropolitan planning system that includes a long-term infrastructure plan. This is the best way to avoid ad hoc decision making, and to provide the right infrastructure in the right location at the right time with a strategic direction that spans more than the life of one government.

LONG TERM PLANNING

CCCLM calls on all levels of government and their agencies to develop well-planned and integrated solutions that are long-term, extend beyond political cycles and have bipartisan support at Australian and State/Territory levels of governments. Integral to this is the use of evidence to inform decisions and determine funding priorities using agreed decision criteria.

CCCLM seeks greater alignment between the various Australian Government programs and policies that impact on city infrastructure.

INFRASTRUCTURE AUSTRALIA

CCCLM supports the role and work of Infrastructure Australia, and also supports the proposal for the establishment of an Infrastructure Financing Unit, and calls on the Australian Government to outline the proposed governance arrangements for the Infrastructure Finance Unit to work with Infrastructure Australia and other relevant government agencies.

CCCLM believes Infrastructure Australia's urban transport projects should be continued to be funded as a high priority.

PLANNING FOR THE FUTURE

CCCLM calls on the Australian Government to accelerate the establishment of model legislation – for adaption by individual state and territory governments - that will facilitate and respond to the deployment of automated and connected vehicles on Australian roads within the next decade.

TRANSPORT

It is critical that all tiers of government work together to plan for and implement transport infrastructure projects, to ensure that communities – both in inner and outer metropolitan areas – are able to connect with jobs and services.

CCCLM calls on the Australian Government to provide direct funding programs to address:

- Public transport infrastructure to facilitate the continued growth of cities as economic centres;
- Key transport connections between outer and inner areas of capital cities that are essential for economic activity, growth and freight movements; and
- Active transport measures that promote walking and cycling in capital cities.

INFRASTRUCTURE FUNDING

CCCLM welcomes the Government's focus on establishing additional sources of infrastructure funding as part of the *Smart Cities Plan*, with a particular focus on the development of value capture and City Deals.

CCCLM calls on the Australian Government to progress the development of the governance and operational arrangements for value capture and City Deals in conjunction with state and local governments.

SMART CITIES

Smart Cities require investment in smart infrastructure to drive innovation and efficiencies. CCCLM calls on the Australian Government to:

- Establish a program to co-invest with local government in the provision of smart infrastructure including smart LED streetlights and smart parking;
- Invest in smart technologies that assist authorities planning infrastructure works; and
- Prioritise vital broadband network infrastructure roll-out in CBDs.

INFRASTRUCTURE MAINTENANCE AND RENEWAL

CCCLM calls on the Australian Government to:

- Amend the Telecommunications Act so as to safeguard against degradation of Council assets. Councils bear long-term maintenance costs from structural damage, aesthetic damage and reduced life to footpaths and pavements due to excavations by telecommunications carriers. Telecommunications roll-outs need to provide for these costs as within the budget of the project;
- Provide funding for road, storm water, park and public assets renewal, ensuring that water supply systems meet minimum water quality standards' and wastewater systems meet minimum effluent quality standards; and
- Create asset registers, across all levels of government, to assist in the programming of major infrastructure maintenance, avoiding abortive work and identifying opportunities for shared funding of assets.

CCCLM would welcome the opportunity to discuss the policy recommendations outlined in this submission in greater detail.

For further information please contact Richard Lindsay on richard.lindsay@lordmayors.org or 02 6285 1584.