



AUSTRALIAN
LOCAL GOVERNMENT
ASSOCIATION

**Submission to the
Senate Select Committee Inquiry
into
Jobs for the Future in Regional Areas**

September 2019

6 September 2019

Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Thank you for providing the opportunity for the Australian Local Government Association (ALGA) to make a submission to the Senate Select Committee Inquiry into Jobs for the Future in Regional Areas.

ALGA is the national voice of local government in Australia, representing 537 councils across the country. In structure, ALGA is a federation of state and territory local government associations. ALGA was established in 1947 and throughout its history has been closely involved in issues of national significance affecting the local government sector as a whole.

ALGA has enjoyed a close, productive working relationship with the Commonwealth Government, illustrated by its current membership (through its President) of the Council of Australian Governments, and a number of other Commonwealth-State Ministerial Councils, which consider different sets of complex policy issues across many sectors of the economy. In addition to its representative role on Commonwealth-State Ministerial forums, ALGA's key functions include participating in policy reviews, providing submissions to and appearing before Federal Parliamentary inquiries, and enhancing opportunities for local government to inform the development of national policies.

This submission should be considered in conjunction with any submission made by State/Territory Local Government Associations or individual or regional grouping of Councils.

Local governments have a strong interest in advocating on behalf of their communities especially those communities confronting regional economic disparities and market failures resulting from economic transformation and change. This submission has included examples of Councils that have shown local leadership, working closely with their communities to plan new economic futures.

ALGA makes the following recommendations to the Inquiry:

- 1) Regional development programs aimed at assisting local economies to transition from dependence on a declining sector must recognise the vital leadership, policy and implementation role played by local governments.
- 2) Greater funding and incentives should be provided for the development of localised employment, and a valid part of this is funding for clean energy projects. The small

scale and decentralised location of clean energy infrastructure means employment opportunities can be potentially widely dispersed to the benefit of regional Australia.

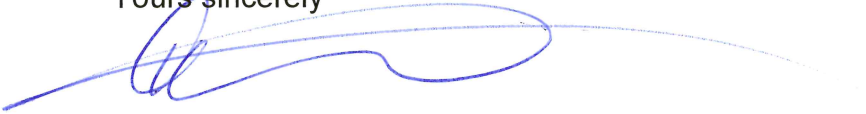
- 3) Assistance to regional economies in transition should recognise the importance of collaboration between all three levels of government. Locally based forward planning should identify each regions' individual needs, competitive advantages, and the particular reskilling requirements of existing workforces. Industry funding and other incentives should target locally appropriate sectors.
- 4) Long term, collaborative planning is fundamental to successful regional development, and local governments should be recognised as key players in strategic approaches that involve all three levels of government – Australian, states and territories, and local.
- 5) A market-based emissions reduction scheme would not only more effectively bring down emissions but also direct investment to the development of alternative low emission industries, which would benefit regions experiencing sectoral change.
- 6) To address local infrastructure backlogs exacerbated by declining funding assistance to local government, the Australian Government should restore the quantum of Financial Assistance Grants to at least 1 per cent of its taxation revenue.
- 7) To address local infrastructure decline exacerbated by cost shifting and attract regional investment and employment, the Australian Government should support a Local Community Infrastructure Program, with funding of \$300 million per annum over four years.
- 8) The economic benefits of improved regional digital connectivity should be supported through funding for a Digital Local Government and Rural / Regional Telecommunications Program, at a level of \$100 million over four years.
- 9) Improving physical connectivity between regional and capital cities benefits local economies, and planning and implementation of public transport options is enhanced through local government involvement.
- 10) VET funding models should adequately support the delivery of quality training that is relevant, accessible and sufficiently flexible to meet the needs of local governments and communities regardless of location.

The rationale for each of these recommendations is outlined under the relevant Terms of Reference (ToR).

In summary, the transition to a low emissions economy will impact local economies. In managing that transition, contributions to collaborative solutions from local government leadership structures should be sought. In terms of driving investment in clean energy industries, the best mechanism to achieve this is a market mechanism. Investment in other industries should, however, also be simultaneously pursued. To confront impacts on employment, local workforce skills and capacities need further support. Local governments are a mainstay of economic development; however, they need to be equitably funded in order that infrastructure needs are fully met.

If you would like to discuss this submission further, please contact Bethune Carmichael at Bethune.carmichael@alga.asn.au.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Roslyn Chivers', written over a horizontal line.

Roslyn Chivers
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Response to Terms of Reference

(a) New industries and employment opportunities that can be created in and around thermal coal mining communities

Local government in Australia has worked successfully with communities, business and other levels of government to attract alternative industries and employment in the wake of coal mine and coal-dependant industry closures. Local government is often described as the government closest to the people – local leadership, advocacy and insight can be crucial to establishing new opportunities.

Case study

The 2016 closure of the Hazelwood Power Station in Victoria saw the loss of 750 jobs in less than five months from a community already experiencing unemployment well above the state average. In response, the Latrobe City Council and the community co-designed an economic transition strategy. The approach placed members of the community at its centre, recognising the importance of their lived experiences and made the shared history of the community the foundation for envisaging the City's future. At the initial community visioning and prioritisation forum, community members were invited to 'pitch' their ideas for transformational projects that could move the community on from its industrial past and leverage community assets. The Council proudly built a 'Strength-Led Transition' around community priorities and a Transition Advocacy Plan. This 'Strength-Led Transition' has facilitated the securing of some \$800 million in investment funding from the Victorian and Australian Governments. The Plan was central to the foundation of the Victorian Government's Latrobe Valley Authority.¹ In the first two years since Hazelwood's closure, unemployment has declined and a number of new employment opportunities have begun to emerge. These include:

- 1) **An electric vehicle manufacturer** with plans to employ over 500 people. The Australian-owned SEA Electric aims to build a factory in the Latrobe Valley by 2021. With huge growth in demand for electric vehicles in Australia, the company has a large back order for vehicles. The company is currently working closely with Latrobe City Council to secure a suitable site by the end of 2019. SEA Electric have started working with Federation Training to align the company's skill requirements with course offerings to local workers.*
- 2) **A 300 megawatt wind farm** will begin construction in 2022 near the old Hazelwood site. More than \$3 million a year from the wind farm will go to the local community, including landowners, council infrastructure and the project's neighbours.*
- 3) **A solar hot water manufacturer**, Earthworker, is a worker-owned cooperative with the specific aim of ensuring a 'just transition for communities affected by the move from fossil fuels to renewable sources of energy'.*
- 4) **A solar and battery storage project** proposed by a local consortium aims to deliver 7.5MW of solar PV and 1.5MWh of battery storage across potentially 75 sites.*

¹ <https://www.regional.gov.au/local/awards/2018/files/2018-NALG-winners-book.pdf>

- 5) **A dental prosthetics manufacturer**, Latrobe Valley University Training Clinic and Dental Prosthetic Laboratory, opened in December 2017, with 22 of the 38 new jobs recruited to. A local company, BFN Developments, built the new facility hiring 20 Gippsland-based sub-contractors to provide goods and services to the project.

Local government has made key contributions to these developments, channelling local insights, facilitating community based strategic planning and initiating the delivery of a range of supportive services. The Latrobe Valley provides a model for economic transition after coal-related industry closure. Its experience supports the view that it is vital that any regional program or initiative fostering economic transition involve local government. While the transition process in the Latrobe Valley is still underway and early signs are very promising, further investigation by the committee might establish the exact numbers of jobs created there.

Recommendation 1

Regional development programs aimed at assisting local economies to transition from dependence on a declining sector must recognise the vital leadership, policy and implementation role played by local governments.

(b) The number of existing jobs in regional areas in clean energy technology and their future significance.

Annual full-time-equivalent employment in renewable energy activities in Australia was estimated at 17,740 jobs in 2017-18². However, while these numbers are encouraging, they are not of a magnitude that suggests the sector might become an economic mainstay in any given region. While the largest share of renewable energy jobs was related to the installation of domestic rooftop solar, the proportion of wind, hydro and large scale solar currently represents around 40% of clean energy related employment. These non-domestic projects are most suited to rural rather than urban areas. Clean energy employment, while not a panacea, can benefit employment in regional Australia. Community owned projects also reflect a regional trend. While more than 100 Australian communities are currently developing locally-owned clean energy projects and working to transition their communities to 100% renewables, about 80% of these groups are located across regional Australia. Clean energy projects have the potential for decentralised job creation.

Local governments are playing an important role in this emerging employment trend, supporting planning, construction and community expectations.

Case Studies:

Crowlands Wind Farm created more than 140 regional jobs during construction and eight ongoing maintenance jobs. Situated near Ararat and constructed in collaboration with the Pyrenees Shire council, the project was underwritten by a power purchasing agreement consortium initiated by four urban Local Government councils. The project illustrates the potential for regional job creation to emerge from city and regional local government collaboration.

² <https://www.abs.gov.au/ausstats/abs@.nsf/mf/4631.0>

State Coal Mine Heritage Area solar array and battery storage facility powers a disused coal mine in Wonthaggi, Victoria. The project supported local construction employment. Partners included the Victorian Government and the Bass Coast and South Gippsland local governments. Parks Victoria (which operates the tourist park) will pay a local energy co-op for the power it uses, and the proceeds will be used to fund other community energy projects throughout Bass Coast and South Gippsland.

The Clarke Creek Solar Farm has seen Pacific Hydro work with Isaac Regional Council, Queensland, to boost the local economy with approximately 240 jobs during construction, up to 6 permanent jobs to operate the solar farm, and the use of local suppliers and contractors in construction and delivery.

Daroolbalgie Solar Farm created approximately 4-6 permanent jobs, with further contractor opportunities also anticipated. Forbes Shire Council, New South Wales, was integral to community planning.

Recommendation 2

Greater funding and incentives should be provided for the development of localised employment, and a valid part of this is funding for clean energy projects. The small scale and decentralised location of clean energy infrastructure means employment opportunities can be potentially widely dispersed to the benefit of regional Australia.

(c) Lessons learnt from structural adjustments

Where significant structural adjustments to local economies have been required, local governments have played important roles identifying and implementing them. Lessons include: the need for all three levels of government to work together; the value of forward planning, identifying and responding to competitive advantages and the reskilling of existing workforces; and the need for appropriate funding and other incentives to attract new industry.

Case study

Three regional towns form the nucleus of the Upper Spencer Gulf – Whyalla, Port Augusta and Port Pirie. They have a strong heritage, culture and capability in industrial manufacturing. However, structural adjustments became an imperative with the closure of the Port Augusta coal-fired power station, uncertainty over the future of the Whyalla steelworks and the Port Pirie lead smelter, and a substantial downturn in mining activity due to low global commodity prices. The three councils formed the Upper Spencer Gulf Common Purpose Group, which identified industries of the future to include: renewable energy, agriculture and innovation, defence, mining, intermodal transport and logistics, event tourism, regional services, and higher education and research. To attract these industries, the Group realised it must first overcome a number of structural challenges, including: reliance on single industries dependent on global influences; negative external perception of the three cities; high unemployment and socio-economic disadvantage; and duplication by agencies and lack of coordination. Progress to date has been strong and tailored initiatives have been introduced addressing these structural challenges. However, out of this process the Group has learnt that major Australian Government interventions are also required. These should address the very specific needs of their region, rather than

provide one-size-fits-all solutions. In April 2019 the Group made representations to the Australian Government calling for:

- 1) a skilled migration and decentralisation programme tailored to Upper Spencer Gulf needs;
- 2) investment in an Upper Spencer Gulf strategic port, rail, air and road infrastructure;
- 3) additional Commonwealth supported university places and operational funding for an Upper Spencer Gulf Regional Study Hubs to enable students to stay, study and work locally;
- 4) a strong, credible and evidence-based national energy policy to provide stability and certainty for the types of investment required in their region.³

Recommendation 3

Assistance to regional economies in transition should recognise the importance of collaboration between all three levels of government. Locally based forward planning should identify each regions' individual needs, competitive advantages, and the particular reskilling requirements of existing workforces. Industry funding and other incentives should target locally appropriate sectors.

(d) The importance of long-term planning to support the diversification of supply chain industries and local economies

Long-term planning by local governments has the potential to transform troubled local economies. Their collaborative approaches can coalesce disparate stakeholders and result in actions that have a lasting economic impact.

Case study

Geelong Region Alliance (G21) is a formal planning alliance of government, business and community organisations working together to improve the lives of people within the Geelong region across five municipalities – Colac Otway, Golden Plains, Greater Geelong, Queenscliff and Surf Coast. The majority of G21's financial support comes from the five municipal council members, its broader membership base and occasional government or community foundation grants. The G21 Plan was the result of a consultative process undertaken across the region in 2006 and was launched in 2007. The Plan looks towards 2050 and addresses the challenges and opportunities the G21 region faces in the areas of environment, settlement, land use, community strength and the economy. The G21 also initiated GROW, a project to encourage enterprises to strategically buy and employ locally, and in doing so, specifically create opportunities for work for disadvantaged communities. At the close of 2017, the GROW project's 9% growth equated to \$23.8 million in localised procurement and the creation of 72 jobs. The GROW model is now being rolled out across regional Victoria.

The importance of the long-term planning approach initiated by the Alliance is underscored by its achievements to date, which include:

³ <https://upperspencergulf.com.au/2019/04/strong-upper-spencer-gulf-presence-at-national-summit/>

- 1) a Geelong City Deal and the investment of millions of dollars in major projects;
- 2) fast rail to the region;
- 3) Avalon Airport becoming an international airport;
- 4) a Geelong Convention and Exhibition Centre; and
- 5) the Revitalising Central Geelong project.

Recommendation 4

Long term, collaborative planning is fundamental to successful regional development, and local governments should be recognised as key players in strategic approaches that involve all three levels of government – Australian, states and territories, and local.

(e) Measures to guide the transition into new industries and employment

In 2010 ALGA established its policy position on the need to urgently reduce carbon emissions. ALGA is committed to working with the Australian Government to deliver effective mechanisms to bring down emissions. ALGA, however, has concerns about the reverse-auction mechanism that drives the current Emissions Reduction Fund. ALGA favours a market mechanism, which would more effectively drive investment in low emissions innovation and free up government revenue for renewables investment.

Recommendation 5

A market-based emissions reduction scheme would not only more effectively bring down emissions but also direct investment to the development of alternative low emission industries, which would benefit regions experiencing sectoral change.

(e) (i) Community infrastructure to attract investment

Local government accounts for almost 10 per cent of the total public-sector workforce, at 189,000 employees. It provides a range of essential services and infrastructure that serve as the foundation for local and regional communities, and are critical in fostering economic activity and community wellbeing. Furthermore, local councils are responsible for 33% of public infrastructure, including 75% of roads, but only raise 3.6% of Australia's taxes.

At the same time, there is currently a \$30 billion local government infrastructure backlog and this is going to continue to grow. All communities are vulnerable if this backlog is not addressed. Adequately funding measures to address it will boost local economies businesses and industries.

ALGA is advocating for fairer funding from the Australian Government.⁴ The Australian Government's funding to local government through Financial Assistance Grants (FAGs) is critically important. FAGs enable councils to provide a mix of services and infrastructure appropriate to their local circumstances and maintain the well-being of their communities. In

⁴ <http://fairershare.com.au/>

1996 FAGS were equal to around 1 percent of Australian Government tax revenue. Today they amount to around 0.55 percent.

Recommendation 6

To address local infrastructure backlogs exacerbated by declining funding assistance to local government, the Australian Government should restore the quantum of Financial Assistance Grants to at least 1 per cent of its taxation revenue.

Deferment of replacement and renewal of local community infrastructure is exacerbated by cost shifting. Cost shifting describes a situation where the responsibility for, or merely the cost of, providing a certain service, concession, asset, or regulatory function is “shifted” from one sphere of government on to another without the provision of corresponding funding or the conferral of corresponding and adequate revenue raising capacity⁵. In Australia the majority of cost shifting is from State to local government but there is also evidence of cost shifting from the Australian Government⁶.

Recommendation 7

To address local infrastructure decline exacerbated by cost shifting and attract regional investment and employment, the Australian Government should support a Local Community Infrastructure Program, with funding of \$300 million per annum over four years.

It is widely accepted that investment in information technology connectivity allows new products, employment opportunities and economic sectors to develop. All communities, whether they be in the major capitals or in regional towns, need to be future-ready. Linked-up, smart communities will foster decentralisation and ensure equitable access to the benefits of the knowledge economy.

Case study

An example of local government initiative in digital connectivity has been the Southern Grampians Shire Council (SGSC) project Digital Transformation of a Rural Community. SGSC is leading the establishment of a strong local digital ecosystem to become Victoria’s first Smart Connected Rural Community. SGSC is using digital transformation to retain population, attract ‘tree changers’, spark innovation and encourage tourism. There have been major challenges: only 65% of SGSC households had internet access, compared to 77% across all Victoria, and SGSC is in the slowest 30% of average ADSL speeds in regional Victoria. SGSC developed a partnership with Glenelg Shire Council and accessed funding from the Victorian Government to build a Digital Strategy for both shires. It engaged Telstra to deliver a tailored Smart Cities framework and strategic

5 Independent Inquiry into the Financial Sustainability of NSW Local Government, Final Report: Findings and Recommendations, (2006)

6 House of Representatives Standing Committee on Economics, Finance and Public Administration (2003) Rates and Taxes: A Fair Share for Responsible Local Government

roadmap. Many community groups, local businesses and other important stakeholders provided valuable input to the strategy.

Recommendation 8

The economic benefits of improved regional connectivity should be increased by supporting a Digital Local Government and Rural / Regional Telecommunications Program with funding of \$100 million over four years.

Physical connectivity is also important in creating opportunities for regional communities undergoing transition. Although regional towns are areas of economic activity in their own right, their physical connectivity to capital cities is fundamental in providing businesses with access to larger markets. In Victoria, over 33,000 people commute to Melbourne daily from regional cities such as Geelong, Ballarat, Bendigo and Latrobe. These centres have benefitted immensely from public transport upgrades, train in particular. Lessons learnt here should be implemented for other regional centres. Local government has a key role to play in facilitating more public transport through measures such as: supportive land use and development decisions; provision of infrastructure such as shelters, seating and signage; parking management; and promotion of public transport use.

Recommendation 9

Improving physical connectivity between regional and capital cities benefits local economies, and planning and implementation of public transport options is enhanced through local government involvement.

(e) (iv) The role of vocational education providers, including TAFE, in enabling reskilling and retraining

As noted, local governments are a key driver of employment in regional and remote areas of Australia. There are 537 local governments that range in size from the smallest employing 11 staff to the largest with over 8,500 employees. About two thirds of councils are in regional areas. The skills and knowledge of a workforce are critical to ongoing and future production and service delivery, and meeting the challenges arising from technological change and sectoral decline. Australia's regions have differing workforce capabilities and it is important that regions have access to specific, locally relevant skills.

Over 40 percent of local governments across Australia surveyed in 2017⁷ indicated they did not have enough apprentices/trainees to meet their future skill needs. The Northern Territory is the most affected where 80% of local governments indicated that they did not have enough to meet their future needs – followed by both Western Australia and New South Wales on 50%.

Local governments in Australia face significant challenges sourcing and delivering VET training to their workforce. Finding quality trainers to deliver training locally is difficult, the cost of sending staff away to attend training (travel cost) is too high, and over 50% of councils do not have the time to send staff away to attend training.

⁷ Local Government Skills Shortage Survey 2017, LGWDG

Recommendation 10

VET funding models should adequately support the delivery of quality training that is relevant, accessible and sufficiently flexible to meet the needs of local governments and communities regardless of location.

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