



**CIVIL CONTRACTORS
FEDERATION**
AUSTRALIA Ltd.

Inquiry into local government sustainability



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Committee Secretary
House of Representatives Standing Committee on Regional Development, Infrastructure and Transport
PO Box 6021
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Inquiry into Local Government Sustainability

The Civil Contractors Federation (CCF) is the only registered organization at the national level for the civil infrastructure industry, representing 1,800 businesses with CCF branches in every state and territory of Australia.

Local government infrastructure includes local roads, stormwater drainage, and community infrastructure such as sporting facilities, public parks, and public libraries.

Local roads account for approximately 77% of the total road length in Australia, with local government either directly responsible for maintenance or reliant upon the civil construction industry for maintenance and upgrades.

Infrastructure Australia's recent Infrastructure Audit identified that addressing Australia's aging infrastructure is fast becoming an urgent issue, citing pressures such as our growing population, a rise in the number of single-person households expected to increase by more than 60% by 2036, and the increasing frequency of extreme weather events caused by our changing climate.

Maintenance of infrastructure remains a fundamental challenge for the local government sector. Of the three levels of government, local government has the largest relative infrastructure task in terms of asset management and the smallest relative revenue base, collecting just over 3% of Australia's total taxation revenue.

Local governments, through their provision of community infrastructure and services such as libraries, pools, arts and culture facilities, parks, and sports grounds, play a significant role in ensuring the livability, sustainability, well-being, and quality of life of local communities. The Australian Local Government Association's State of the Assets report demonstrates that 10% of this infrastructure is in poor to very poor condition, despite the sector's intensive focus in recent years on strategic asset management.

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Indexation and Incentives for Local Government

CCF notes the important role of local government in delivering local services, infrastructure, and amenities.

We also acknowledge that due to legislated constraints upon local government such as rate-pegging, local governments are reliant upon Commonwealth and State Government grant funding and financial support in a tight financial environment.

Individual councils have differing abilities to raise revenue. These differing abilities may not be apparent when national or even state averages are considered. The differences between urban, rural and remote councils – such as population size, rating base and their ability to levy user charges – affect the ability of a council to raise revenue, with rural and regional councils having a limited rate-base to maintain their extensive road network and community infrastructure.

CCF concurs with the position represented by Australian Local Government Association that additional responsibilities have shifted onto Local Government over successive Governments without additional financial support.

It would be expected that the inquiry seeks to address the financial challenges and funding shortfalls being faced by local governments.

While supportive of additional support for local governments, the CCF believes support should be further contingent on local governments taking steps to simplify and improve planning systems and the supporting housing enabling infrastructure.

We note the Australian Local Government Association's advocacy in this space and provide conditional support for a comprehensive review into the Commonwealth's Financial Assistance Grants, and an increase in the Grants to 1% of Commonwealth Tax Revenue, with rural and regional councils given priority for additional funding.

Government must budget appropriately for maintenance of existing infrastructure, as well as maintain investment in new projects. This indexation must be in addition to existing State and Commonwealth grant schemes and must not come at the expense of the Commonwealth's \$120billion infrastructure pipeline.

The Australian Treasury has acknowledgedⁱ that Australia's housing system has been too slow to respond to demand. The causes of this are multifaceted, complex and affect all stages of the housing construction process, including all levels of government and industry. Planning and zoning and land release practices are often slow and are not effectively factoring in urgent need for housing in suburban areas. Industry's capacity to add new supply has been hampered by a lack of essential infrastructure in greenfield developments, a critical shortage of skilled labour and falling productivity in the sector.

Housing development approval waiting times have blown out to four months in Victoria and NSW, exacerbating a supply crisis that is driving up rents and house prices.

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Councils and state agencies in Victoria and NSW have the longest approval times in the country, with average development approval waiting times at 144 and 114 days respectively, federal Treasury says in a new analysis of the housing market. The numbers show that planning approvals are getting worse, despite political promises to act on the supply of new homes. Victoria has been a laggard for years and its waiting times for development approvals have been gradually getting worse over the past decade, state planning department data shows. NSW's development application waiting times have increased from 83 days in 2021-22 to 107 days in 2022-23 and 114 days so far this financial year. ⁱⁱ

In addition to indexation, the CCF propose that the Commonwealth introduce a Local Government Housing Incentive Scheme, that would provide additional non tied funding for Councils making a positive contribution to tackle the housing crisis.

Examples of conditions to support simplification and improving supply include:

- A requirement that the recipient council meets local housing approval and commencement targets.
- A requirement that the recipient council ensures DA approvals are within target timeframes.
- The recipient council is required to clear approval backlogs.

The support and diligent delivery of housing should also be incentivised to deliver the roads, bridges, water, sewer, energy and other enabling infrastructure. The reality is that we can't spend a dollar on housing until a dollar has been spent on housing enabling infrastructure and incentivising local government delivery is critical. This investment should be made with regard to the procurement recommendations as previously outlines.

Commonwealth and State Governments must provide an environment where local government is burdened with additional responsibilities without additional financial support from Government.

Better sequencing and incentivisation of the infrastructure is critical to delivering housing at a faster rate to meet growing population needs.

Sustainable Procurement Reform

A more balanced approach to Federal Government procurement policy that recognizes the value of more local content would take pressure off councils and enable LGAs to focus on delivery rather than complicated grant applications.

Current procurement practices are limiting smaller councils, forcing often small regional and remote communities to compete with councils representing regional cities like Wagga Wagga or Rockhampton.

The Commonwealth should standardize contracts and simplify application processes to reduce the burden on councils and contractors. The Commonwealth can provide leadership to ensure all government agencies and entities, including state-owned corporations and other state entities

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involved in construction procurement, strictly adhere to the use of standard form construction contracts as written.

Amid sustained infrastructure investment, an impending energy transition, housing delivery challenges, and civil construction workforce shortages, the Commonwealth Government can no longer rely on the procurement practices of the past to deliver the infrastructure of the future.

It is also critical to understand challenges associated with labour hire and retention trends, including the impacts of labour hire practices, acknowledge barriers and opportunities to support local workforce and local government sustainability and service delivery obligations and the interface with civil procurement.

The Federal Government's \$120b Infrastructure Investment Program has the potential to build Australia's economic and social well-being, however ongoing certainty is required on the timing of funds set aside for delayed projects.

Each state and territory need support to deliver the infrastructure it needs, and the Federal Government will have to consider that its \$120 million infrastructure commitment over 10 years may need to be reassessed to deliver a strong nationwide pipeline of road and rail upgrades particularly in the regions.

The reality is that construction costs have increased dramatically. Labour, concrete, steel, asphalt, fuel and other inputs are all significantly more expensive than they were a few years ago. The Federal Government needs to adjust for that reality or local government will further find itself falling short.

States and Territories have limited ability to raise funds for the infrastructure they need to meet the growth of our nation. The Federal Government's new 50/50 funding rule for regional projects will put an additional burden on the states, compromising the viability of nationally significant regional projects. CCF requests that the Federal Government reconsider the new 50/50 funding rule for critical regional projects which may need more Federal funding to be viable particularly in regional Australia.

The Federal Government needs to be clear and transparent around the 'national significance' threshold of \$500 million, to ensure it does not disadvantage the local and regional contractors, communities and LGAs.

That threshold could rule out far too many worthy projects, especially in the regions but also in metropolitan areas. The guiding principles for the Federal Government should be that projects are cost-effective and have a strong business case. By all means, set a minimum amount to keep the pipeline manageable, but \$500 million is too high to see dispersal of civil projects nationally across the regions.

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In this context, CCF encourages ongoing procurement reform to maximize the economic and social benefits of governments' infrastructure spend. This reform includes, but is not limited to, better use of the different procurement models available, noting that different projects require different solutions.

Where there is significant risk then collaboration is required, particularly to achieve improved risk allocation. CCF also encourages the Commonwealth to play a stronger role to ensure states and territories have sufficient resources to manage tender processes in a more efficient and timely manner.

Government should consider smaller projects with manageable contracts to encourage the tier 2 and 3 contractors to bid, win work and grow particularly as they are based in every state and territory in Australia.

About Civil Contractors Federation Australia

The Civil Contractors Federation is the registered organization for the civil infrastructure industry nationally, representing 1,800 businesses ranging from those smaller business to a sizeable group of employers with around 1,000 employees each. CCF has branches in each state and territory to support Contractor and Associate Members in the regions and in the cities.

Civil Contractors Federation is the only Registered Organisation recognised as the peak body representing the industry nationally for:

- Infrastructure Policy;
- Industrial Relations;
- Training and Workforce Development;
- Construction of all major roads, rail, bridges, ports, water, sewerage, utilities and developments supporting the energy transition.

Civil Construction refers to the design, construction, and maintenance of the physical and naturally built environment, including public works such as roads, bridges, dams, airports, drainage, energy, water, sewerage systems, pipelines and railways.

Across Australia, Infrastructure Projects have been and remain the cornerstone of Australia's communities and cities.

The infrastructure sector is delivering a major public infrastructure pipeline valued at \$230 billion over five years supporting our everyday way of life and every business. Civil Construction is its foundation industry, without the civil industry nothing is built.

ⁱ Federal Budget 2024-25, Budget Paper No.1 P 122

ⁱⁱ Why Australia is falling behind the world in building houses" Australian Financial Review, 24 May 2024