



24 April 2024

Mr Luke Gosling OAM MP
Chair
House Committee on Regional Development, Infrastructure and Transport
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Mr Gosling

Inquiry into local government sustainability

Thank you for your email of 22 March 2024 advising of, and inviting submissions to, the inquiry into local government sustainability by the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport.

Council discussed the issues of local government sustainability at their meeting of 23 April 2024, and requested that I respond on their behalf. While the City of Holdfast Bay is a metropolitan council (in South Australia), many of the issues affecting regional, rural and remote councils equally apply across the country.

Local governments across the board are experiencing challenges in meeting community expectations today, while planning for the enormous challenges of the imminent future, such as climate change and technology reshaping our social, economic and governance systems.

Local councils work hard to deliver the core services their communities expect of them. While some services, such as roads and waste are statutory, there is a wide array of notionally discretionary services which councils also provide in response to community expectations.

However, there is also an increasing number of services that local governments are picking up due to vacuums being created by federal and state government policy changes. An example of this has been in areas where other tiers of government have removed themselves from direct service provision. While the bulk of these front-line services have been divested to the not-for-profit or private sectors, the need for coordination between services has been left unmet. In many instances, this unmet need is picked up by officers of local governments who are able to, through their close community connections, bridge the gaps between services users and service providers. While this may result in reasonable outcomes for users and providers, no funding has accompanied the shift in operational requirements, adding additional workloads to already stretched officers.

Local governments have limited capacity to increase revenue streams and yet are often required to deliver on national and state priorities. At times, councils are expected to be tax collection agents (for example for the State Natural Resources Management Levy in South Australia) whereby they are seen to be raising revenue by their communities, and yet are not able to spend these funds on local priorities. This undermines trust across governments.

The Edelman Trust Barometer, an annual global survey of more than 36,000 respondents in 28 countries, has tracked trust for over twenty years. The Barometer has tracked an alarming erosion of trust in government, which is now the least trusted sector and widely perceived as being unable to solve societal problems. While local governments are generally perceived as more trustworthy than other tiers, if the trust gap is left unchecked, social stability is likely to be negatively impacted. On the other hand, there is an opportunity to build on existing local trust to strengthen the social fabric of our nation, from the ground up. Importantly, community trust relies on all tiers of government working together to achieve the results that Australians expect.

As a small council with a limited rate base, the City of Holdfast Bay shares the concerns of many regional, rural and remote locations who have similar constraints and the added challenges associated with tyrannies of distance. Concerns regarding equality between metropolitan and regional, rural and remote areas have been a matter of long-standing discussion in Australia, without significant resolutions offered to date. With impending global challenges such as climate change looming, it may be appropriate to consider re-framing the discourse. A provocative example is roads.

At present all councils are facing significant increases in the costs of maintaining roads. The Committee's explanatory video of the inquiry mentions that 'while regulations require cars to be road-worthy, increasingly many roads are not car-worthy'. Increasing construction costs are eroding the buying power of current funding models, which are not indexed to account for inflation, meaning councils are constrained in the roads they can fix and maintain. The Grattan Institute suggests that the cost per person to maintain sealed roads is five times higher in regional and remote communities compared to metropolitan areas.¹ This creates obvious inequality.

However, what is rarely considered in proposals to solve this obvious issue of inequality is that roads are not an end in themselves, and neither are road-based vehicles. For many decades, roads and road-based vehicles have been the most efficient and notionally cost-effective mechanism for moving people and goods from point to point. However, rapidly changing technology, coupled with the externalities of climate change provide an opportunity to reconsider the existing core paradigm and open up the discourse more broadly. Put simply, if urban areas required less roads for private/individual vehicles (due to improved mass transit, shared and active transport options, and urban planning that resulted in more effective distributions of people and services), could the road budget be redistributed to enable greater funding to places where roads are still the only viable option?

While much of the business of government involves wicked problems, which by their nature are resistant to being 'solved', addressing root causes rather than symptoms makes logical and fiscal sense. Furthermore, investment decisions need to align with desired outcomes if those outcomes are to be achieved.

Frequently, there are mismatches between government spending decisions and desired outcomes. For example, at the national level, Australia has a target to reach net zero carbon emissions by 2050. From July 2023, the Australian Government announced \$1 billion for the Disaster Ready Fund over five years, to assist Australian communities to manage the physical and social impacts of disasters

¹ <https://alga.com.au/funding-for-potholes-not-politics-new-road-funding-research/>

caused by climate change and natural hazards². In 2020-21 alone, the Fuel Tax Credit Scheme cost \$7.3 billion³. Significantly more is being spent to exacerbate climate change than is being spent on supporting communities to manage the impacts of it.

The perceived disparity between metropolitan and regional, rural and remote areas, as well illustrated by the example of roads, is symptomatic of incomplete and/or siloed policy development. Most policy matters relate to complex adaptive systems, which contain both large volumes, and a significant diversity, of actors and actions. Without end-to-end policy planning across all three tiers of government, existing inequalities and inequities will persist and will continue to create undesirable outcomes for communities and citizens.

The City of Holdfast Bay welcomes the Inquiry and looks forward to the Committee's broad and deep consideration of the issues and innovative recommendations.

Yours sincerely



Pamela Jackson
Acting Chief Executive Officer

² <https://nema.gov.au/disaster-ready-fund>

³ <https://www.pbo.gov.au/about-budgets/budget-insights/budget-explainers/fuel-taxation-australia#:~:text=In%20total%2C%20fuel%20tax%20credits,the%20budget%20of%20%247.3%20billion.>