

Submission to the NSW Productivity Commission Green Paper: Continuing the productivity conversation

September 2020

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Introduction

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the State.

LGNSW welcomes the opportunity to provide comment on the Productivity Green Paper. We commend the NSW Government on this important initiative and look forward to making contributions to the Productivity Commission throughout the review process. LGNSW recognises that productivity growth is vital to the future prosperity of our communities and local government has a significant role to play in delivering improved productivity. We are also mindful that councils and their communities do not accept that we should strive for increased productivity at all costs. It is important that increased productivity is accompanied by improved quality of life, social equity and environmental outcomes.

LGNSW commends the Productivity Commission on the Green Paper and supports the majority of recommendations in full or in principle.

General Comments

LGNSW is pleased the Productivity Commission has recognised that council's rates (and related annual charges, levies and infrastructure contributions), form an important part of the NSW taxation system and have a bearing on efficient functioning of the NSW economy. Local government is also impacted by state government taxes and levies. These were points that were regrettably overlooked in the draft NSW Review of Federal Financial Relations.

LGNSW finds it encouraging that the Productivity Commission demonstrates an understanding of NSW local government and the financial and other challenges it faces. The local government sector is particularly pleased that the Productivity Commission has recognised the cumulative negative impacts of Rate Pegging and recommends that it be conditionally removed. The fact that this proposal has been put forward by the Productivity Commissioner will hopefully lead to further constructive consideration of this recommendation.

The Green Paper rightly emphasises that the COVID-19 induced recession makes it even more important that productivity be boosted to support economic recovery. However, LGNSW recommends further analysis of the potential social and economic implications of the COVID-19 pandemic. These include:

- impacts on the demand for housing, changes to work practices and culture
- a long term decline in population growth
- falling property prices
- potential geographic shifts of economic activity, employment and population and related infrastructure demands
- industry restructuring
- changes in consumer behaviour

The Green Paper also tends to perpetuate/reinforce the notion of a property development driven NSW economy, a perception shared with some other states. Development is unquestionably a major sector of the NSW economy, but it may be argued that property development should be driven by the demand generated by growth in other sectors of the economy not the primary driver in itself. The property development sector is volatile and an overreliance on this sector leaves the economy vulnerable. LGNSW recommends that the review pays additional attention to potential productivity gains that may be made in other major sectors such as mining, agriculture and transport.

LGNSW is also disappointed that the Green Paper has not looked at waste and recycling.

Avoiding the generation of waste, recovering resources and appropriately managing residual waste are fundamental to improving NSW’s productivity and sustainability, particularly in the context of the upcoming Federal Government waste export bans. Innovation and investment in a circular economy can create jobs and contribute to a robust regional, state and national economy.

LGNSW provides comment on the majority of recommendations presented in the Green Paper to the extent that they concern local government, directly or indirectly. There are some Green Paper recommendations that are beyond our scope. LGNSW also provides additional commentary where relevant and makes a number of recommendations to the Productivity Commission.

Specific Comments on Recommendations

Section 3. A Modern VET System to Deliver the Skills we need

PC Recommendations	LGNSW Responses
<p>3.1 Respond to the COVID-19 skills challenge with an ‘earn or learn’ strategy, focusing on the skills needed for the post-pandemic economy</p>	<p>Supported. LGNSW supports the arguments for an “earn and learn” skills strategy as a means of reducing medium-term unemployment and training workers with the skills to fill roles in areas of shortage. While this strategy is sound in principle, its success is dependent on the following assumptions:</p> <ul style="list-style-type: none"> • That data on industry skills requirements is regularly and reliably collected from all sectors of industry and that the training funded best reflects these needs • Employers are in a financial position to provide employment opportunities once training is completed. <p>LGNSW recommends the NSW Government:</p> <ul style="list-style-type: none"> • engages with industry bodies in the collection of data on skills shortages, skills gaps and training needs to ensure the advice and training available to students reflects the requirements of employers • introduce financial incentives for employers to participate in work experience and/or employment programs to facilitate the longer-term placement of reskilled workers.
<p>3.2 Introduce new pathways to trade qualifications aimed at HSC graduates and mature-aged workers. New pathways should allow students to complete the institutional requirements of a qualification before gaining on-the-job experience</p>	<p>Supported. LGNSW agrees with the evidence and rationale presented for the introduction of more flexible pathways to trade qualifications. Local government utilises over a dozen trade qualifications across multiple job roles.</p> <p>While LGNSW supports a shift towards more flexible delivery of the theoretical component of a trade qualification, the value and importance of the on-job application of skills should not be diminished.</p> <p>While there is certainly scope to reduce the duration of trade pathways, the integration of on and off-job learning is critical. The intention to pilot these arrangements through the Training and Skills Recognition Centre is welcomed.</p>

PC Recommendations	LGNSW Responses
<p>3.3 Target Smart and Skilled subsidies more effectively by refining the NSW Skills List. Funding should be targeted at skills shortages and emerging business needs.</p>	<p>Supported. LGNSW supports the recommendation to better target Smart and Skilled subsidies towards skills shortages and emerging business needs.</p> <p>As previously stated, LGNSW urges the NSW Government to work closely with industry representatives in determining emerging areas of skills shortages and training needs.</p> <p>It should also be acknowledged that skills shortages may exist in specialist roles with small numbers of employees, rather than high volume occupations. The Skills List needs to reflect demand in these small niche areas, in addition to the qualifications/skills sets required by larger numbers of employees.</p>
<p>3.4 Promote the development and recognition of micro-credentials. Prioritise their funding in line with business needs.</p>	<p>Support in principle. LGNSW cautiously supports this recommendation to broaden the funding base to micro-credentials. However, careful consideration needs to be given when developing a process to identify, recognise and fund what might be considered “trusted and valued” micro-credentials. The collection of evidence around what is considered “trusted and valued” will be important, given the plethora of training providers that offer this type of training.</p> <p>This move towards micro-credentials may also diminish employer and employee interest in skill set training and the VET system in general. It will be important to pilot this approach across multiple industry areas (in technical and soft skills).</p>

Comment:

LGNSW is supportive of the Productivity Commission’s recommendations for an improved VET system. This is critical for productivity growth and has the potential to make a significant difference.

Section 4. Forward Looking Regulation Supports Competition and Innovation

PC Recommendations	LGNSW Responses
<p>4.1 - 4.2 Extend the operation of some COVID-19 regulatory changes, such as more flexible trading hours and digital solutions for legal and administrative processes.</p>	<p>Rec 4.1 - Support in principle. However, ‘evaluation of success’ can only be measured if the objectives are clear and performance measures/metrics are established at the outset. Local government must have input to any evaluation process.</p> <p>Councils were proactive very early in the pandemic crisis to ensure their communities had access to enough food and other goods and welcomed some of the planning changes and announcements in response to emerging issues such as supermarket deliveries.</p> <p>Planning laws and conditions of development exist to protect public safety and amenity. LGNSW supports the principle of creating greater flexibility in the operating conditions that apply to development approvals but these should not come at the expense of public safety or amenity.</p>

PC Recommendations	LGNSW Responses
	<p>Any permanent changes to allow for economic benefit need to be evidence-based and designed to be flexible to tailor to the local circumstances and be supported by community consultation.</p>
<p>4.5 - 4.7, 4.9, 4.16, 4.11, 4.18 Review existing regulatory regimes in fields such as pharmacies, packaged alcohol sales, drones, genetically modified technology, and childcare.</p>	<p>Rec 4.7 - Support in Principle. LGNSW does not have an established position on whether pharmacists should be permitted to more often prescribe medicines and provide more vaccinations with fewer restrictions.</p> <p>However, equitable access to health care services, particularly in regional and rural NSW is a key concern for councils and their communities.</p> <p>At LGNSW's Annual Conferences in recent years, councils have repeatedly resolved to call for a joint task force representing local, state and federal governments to formulate a model for improving the provision of medical services in rural and regional areas. While councils would welcome expanded access to suitably prescribed medicines and vaccinations, any such reform must be carefully reviewed to ensure that it does not result in unintended consequences, such as a reduction in the already inadequate number of general practitioners in rural and regional NSW.</p> <p>Rec 4.9 - Not Supported. LGNSW urges caution in any reform to review current restrictions on the retail sale of packaged alcohol and welcomes the Green Paper's acknowledgment that social benefits of limiting alcohol availability must be taken into account.</p> <p>Studies in NSW mirror findings from other jurisdictions that show that density of packaged alcohol licences is predictive of domestic violence and non-domestic violence assault rates (BOCSAR, The effect of liquor licence concentrations in local areas on rates of assault in New South Wales, 19 February 2015).</p> <p>At present, Community Impact Statement requirements for liquor licence applications are recognised as an important mechanism to provide the community and council an opportunity to comment on a liquor licence application, gauge the level of support for an application and understand any adverse impacts that may results from the licence being granted. It is important that any reforms do not weaken important community consultation requirements for liquor licences.</p>
<p>4.3 Pursue automatic mutual recognition, or if that is not possible, unilaterally recognise licenced occupations so that workers can move to New South</p>	<p>Supported. LGNSW views this recommendation as a sensible and practical action to improve access to people with trade skills from all jurisdictions.</p> <p>Councils in regional NSW have reported difficulties in attracting trade qualified staff and a mutual recognition system for licensed trades would reduce the cost and time associated with attracting staff from other states. Automatic</p>

PC Recommendations	LGNSW Responses
<p>Wales from other Australian jurisdictions.</p>	<p>mutual recognition is a preferred model so long as implementation is not delayed through protracted negotiations over required minimum standards. Some consideration should be given to a staged implementation process in this instance, where licence holders and jurisdictions have time to work towards higher standards, if required.</p>
<p>4.14, 4.4, 4.8, 4.10, 4.12, 4.17 Implement or reform regulation to support new technologies and competition in fields such as personal mobility devices, mandatory professional development, retail trading, rice marketing, rail access, and e-conveyancing.</p>	<p>Support in principle. This covers numerous activities. Recommended reforms in each of these areas would need to be independently assessed.</p>
<p>4.13 Update competitive neutrality policy to, among other things, remove outdated arrangements and improve complaints processes.</p>	<p>Not Supported. The Green Paper recommends that local government be considered in an IPART update of the NSW Government’s competitive neutrality policy and processes.</p> <p>NSW local government is already subject to National Competition Policy principles and competitive neutrality policies. There have been relatively few complaints about breaches of competitive neutrality by councils. Most if not all complaints against councils have been dismissed. LGNSW is not aware of any complaints being upheld. LGNSW does not accept that there is a compelling argument to support additional NCP regulation.</p> <p>Many of the complaints have related to child care services. This is discussed in more detail below.</p> <p>Local government provides a range of services to communities that contribute significantly to the public good. For example, many councils provide early childhood education and care services, and in some regional and rural parts of the state, councils are often the only provider of this essential service. Local government run early childhood education and care services across the state consistently set a high standard of education and care under the National Quality Framework and are also often the key provider for children from vulnerable families (including low income, socially disadvantaged and those with disabilities) that are not able to place their children in privately run centres. Any reform of competitive neutrality policies must be nuanced to take into account the significant public good provided by council run services and avoid blunt measures that would harm community wellbeing.</p>
<p>4.19, 4.15 Create a best-practice regulatory policy framework underpinned by rigorous evidence, and new tools to improve regulator</p>	<p>Rec 4.15 - Supported in principle. The Productivity Commission should note that all regulatory activities undertaken by local government are sourced in state laws and regulations. To a large extent, councils are operating as agents of state agencies in administering regulations.</p>

PC Recommendations	LGNSW Responses
<p>performance, including local government regulation.</p>	<p>The responsibility for regulation is shared between state and local government. While implementation and enforcement practices may vary between councils depending on resources, priorities, capability and other factors, NSW local government does not have the power to make laws.</p> <p>The Green Paper notes the strong partnership between councils and the NSW Food Authority in ensuring compliance with food safety regulations. IPART and others have also seen this as a model for policy development and implementation.</p> <p>LGNSW partnered with the NSW Food Authority in the development of this successful regulatory framework and fully supports the regulation partnership approach for developing/reforming new and existing regulation. A key element in the success of this model was provision of a cost recovery mechanism in the regulation.</p> <p>See Comments below for current collaboration on Food Regulation under this ongoing partnership.</p> <p>LGNSW advocates:</p> <ul style="list-style-type: none"> • adoption of a genuine partnership between state and local government in conception, design and implementation of regulations. • stronger collaboration with local government in designing and building regulatory frameworks • wider adoption of the Food Regulation-type model of step-by-step and close collaboration between State and local government • a risk-based approach to regulation that is more focussed and efficient • greater consideration of the economic costs of regulation on businesses and the community in proposing and designing regulation • greater consideration of the costs and other regulatory burdens regulatory enforcement places on local government • ensuring full cost recovery mechanisms are built into regulatory frameworks • State Government support in developing and maintaining necessary council capability and capacity • greater flexibility for councils in administering regulation to reflect local preferences and priorities • removal of unnecessary regulation subject to local government agreement. <p>LGNSW also refers the Productivity Commission to the IPART Review of Reporting and Compliance Burdens on Local Government (2016). LGNSW supported the IPART recommendations, including the overarching recommendation:</p>

PC Recommendations	LGNSW Responses
	1. <i>That the Department of Finance, Services and Innovation revise the NSW Guide to Better Regulation to include requirements for State agencies developing regulations involving regulatory or other responsibilities for local government, as part of the regulation-making process, to collaborate with local government.</i>

Comment:

Food Regulation Framework

During the COVID-19 pandemic, council Environmental Health Officers (EHOs) have been asked to expand on their existing food safety and public health roles to ensure businesses are COVID-safe. While councils across NSW are contributing to this important work, it is exacerbating an already severe skills shortage for EHOs.

This shortage of qualified EHOs could be in part addressed by the NSW Government progressing a long awaited digital food safety inspection platform that was piloted by the NSW Food Authority in 2018. Councils and LGNSW strongly support the NSW Food Authority's proposal for an online food safety inspection platform and database, which will result in significant time savings for council staff and reduce administrative workload as councils transition away from existing manual inspection and reporting.

Councils determine their fees each year (including food premises regulation fees) in accordance with s610D of the Local Government Act and must take into consideration the cost of providing the service. The NSW Food Authority scoping study found per inspection savings of up to 1.5 hours, improved invoicing and debtor processes, improved business registration processes and reduction in administrative burden. There is potential for substantially reduced fees for regulated businesses if introduced, along with productivity gains for councils and for the NSW Food Authority. A relatively small outlay by the NSW Government would result in outsized performance and efficiency gains.

Section 5. Meet the Challenge of Reliable, Well Priced Water and Energy

Water

PC Recommendations	LGNSW Responses
5.1 - 5.3 Improve governance by setting a vision and a plan for the sector, clarifying roles and responsibilities, and improving collaboration and cooperation.	Supported. This is in line with LGNSW 2019 Annual Conference Resolution 4.2 which calls on the NSW Government to develop long-term (30-40 year) water supply strategies for catchments throughout the state.
5.4 - 5.5 Remove unjustified barriers to water recycling to 'keep all options on the table' for safe, affordable and reliable water services	Supported. This is in line with LGNSW 2019 Annual Conference Resolution 4.1 b) which calls for approaches that will ensure town water supplies will be secured and maintained.
5.6 Improve the way regional utilities are funded, to target those that need it most and encourage efficient operation.	Supported. This in line with the LGNSW 2020 Policy Platform Position 6.4 which calls on the NSW Government (and Australian Government) to increase infrastructure funding through revenue sharing and grant programs.

PC Recommendations	LGNSW Responses
5.7 - 5.8 Ensure the way we manage water demand maximises benefits for the community.	Supported. This is in line with the LGNSW 2020 Policy Platform Position 1.6 which calls on the NSW Government (and Australian Government) to implement demand management initiatives for drought proofing and water security measures and infrastructure.

Comment:

LGNSW commends the Productivity Commission on its consultative approach to developing the recommendations made in the Green Paper. It directly addresses the feedback raised by stakeholders including LGNSW and has made recommendations that reflect the views of local government. In particular, it is encouraging that the Productivity Commission has recognised that that productivity gains can be best achieved through improved regional collaboration within JOs, ROCs or other regional alliances rather than through amalgamation, corporatisation and potentially privatisation. LGNSW has long supported an alliance model.

The local government sector is adamant that LWUs remain under the ownership and management of councils. Councils are best placed to respond to community needs and local circumstances. In addition, LWUs help provide critical mass to regional councils helping them maintain skills and local employment.

It is particularly encouraging that Green Paper recognises the need for improved funding arrangements and the targeting to areas of need and the need to apply Community Service Obligations (CSOs). Full cost recovery pricing is not a feasible option for delivery of water and sewerage services to many communities.

Energy

PC Recommendations	LGNSW Responses
5.8 Review NSW's Building Sustainability Index scheme to ensure it meets both environmental and economic objectives	Supported. Local government supports increasing Building Sustainability Index (BASIX) targets and the inclusion of other sustainability outcomes to improve housing stock resilience. LGNSW also recommends a compliance program to ensure BASIX outcomes are realised.
5.9 Make sure government energy reliability policy is consistent with consumer willingness to pay	Supported. High energy bills continue to place financial pressure on communities and councils.
5.10 Adopt an integrated market-oriented climate change and energy policy that is technology neutral and prices carbon dioxide emissions	Supported. LGNSW supports the call for the implementation of a coherent and comprehensive energy policy, and advocates for investment, concessions and legislation that enables the uptake of zero and low carbon technologies including electric vehicles. LGNSW supports a move to a polluter pays market mechanism such as an emissions intensity scheme. Preference is for a national scheme spread across sectors. However, in the absence of a national approach, a NSW scheme is supported. NSW councils also support a renewable energy target of 40% by 2025 to support investment and market confidence in renewable energy projects.
5.11 Investigate how technology can improve electricity pricing	Supported. Better arrangements are also needed for the feed-in of small to mid-sized local generation projects to make it easier for distributed energy to support the network rather than contribute to unexpected fluctuations.

PC Recommendations	LGNSW Responses
5.12 Improve energy governance by bringing regulation responsibilities under one roof	Supported. Efficiency gains can be made by one agency undertaking similar regulatory processes.
5.13 Make sure regulation on land use manages multiple land uses to the benefit of the community	Support in Principle. The paper states that the Government's Strategic Regional Land Use Policy framework "restricts the possible uses of land", however, the original intent of this policy framework was to consider and have regard to the economic value of all land uses by identifying and protecting productive agricultural land. While this section of the PC report is focused on CSG and gas supplies, there are other productive land uses that should be considered as part of maximising benefits to communities such as agricultural production (right to farm) and large scale solar/wind energy production.
5.14 Streamline energy subsidies	Supported. Councils are often a point of contact in their community and actively promote sustainability actions including energy efficiency options for residents.

Comment:

Net Zero Emissions Plan

The recent release of the Net Zero Emissions Plan confirms the NSW Government's commitment to achieve net zero emissions by 2050. However, the Plan does not provide a transition pathway to meet the goal. LGNSW recommends that the NSW Government consider additional policy mechanisms to realise the net zero goal.

NSW local government remains opposed to the development of nuclear power plants. Apart from significant environmental and human health risks, there is no social licence to operate a nuclear facility. LGNSW recommends the Productivity Commission remains technology neutral in supporting emerging technologies for energy generation.

NSW Public Lighting Code

Recent local government submissions on the NSW Public Lighting Code have identified obstacles to the roll out of smart lighting controls. The Southern Sydney Regional Organisation of Councils (SSROC) submission notes that:

"IPWEA has observed, there are more than 20 million smart street lighting controls estimated to be deployed around the world. The UK has deployed smart street lighting controls on 40% of its street lights while New Zealand has deployed or committed to deploy smart controls on 60% of its street lights. Australia currently sits at about 3% of its street lighting having smart controls with most of that deployed by municipalities, not Distribution Network Service Providers (DNSPs). The only reasonable conclusion is that there are material structural barriers to the sensible deployment of new technologies that can bring marked improvements in service levels, public safety and further energy efficiency gains. Whether in the Code or via another instrument, reasonable pole access rights should therefore be considered as a priority to help facilitate timely deployment of a wide variety of smart lighting, smart controls, smart city sensor devices, autonomous vehicle infrastructure and to rollout 4G/5G mini-cell infrastructure on many street lighting poles in an integrated fashion".

LGNSW recommends that the Productivity Commission recommend that obstacles to the roll out of smart street lighting be identified and removed.

Section 6. Smarter Infrastructure Will Support Jobs and Communities

PC Recommendation	LGNSW Response
<p>6.1 Plan for greater housing and business activity in areas where there is spare infrastructure capacity</p>	<p>Supported in principle. This recommendation is consistent with the objectives that councils seek to achieve in their Local Strategic Planning Statements (LSPS).</p> <p>In doing so it is important that actual spare capacity is measured and verified. For example, it is not sufficient to simply increase density along train lines and other transport corridors and assume there will be adequate capacity for growth in passenger numbers. This approach has resulted in many rail services operating substantially above safe capacity on major rail routes in peak hours and increased road congestion. TfNSW has admitted that pre COVID-19 growth in demand has been outstripping growth in capacity for many years.</p> <p>There are also significant opportunities to reduce pressure on metropolitan infrastructure by encouraging people to live in regional areas. Many regional areas have good infrastructure and services with capacity to accommodate growth.</p> <p>The COVID-19 pandemic may facilitate this with employers and employees now accepting that people can effectively work remotely providing new work/life opportunities including the benefits of a regional lifestyle.</p>
<p>6.2 Improve transparency to create the right incentives for good infrastructure investment</p>	<p>Supported. As the Green Paper highlights, the NSW Government can further improve the transparency of infrastructure decision-making as it can fail to provide sufficient information for a third party to assess the quality of the analysis or merits of a project. The LGNSW 2020 Policy Platform Position 6.11 calls for fairer funding of infrastructure and this can be difficult to assess under current government practices.</p>
<p>6.3 Ensure that agencies' business cases align with Government guidelines, and that funding is given to properly evaluate projects</p>	<p>Supported. LGNSW recognises the need to optimise infrastructure investment. While BCA is an important tool in this process it is important that the interpretation of economic benefits attaches value to social and environmental benefits.</p>
<p>6.4 Investigate new ways of easing road congestion, such as reducing problematic driver behaviours and charging for congestion.</p>	<p>Support in principle. LGNSW recognises the high cost of congestion and that there is already a considerable amount of attention being paid to this complex problem. In dealing with this problem it is important to take account of the quasi congestion charges that already exist, particularly in the Sydney metropolitan area. These include the plethora of tolls and high parking costs.</p> <p>There is also concern that COVID-19 fears will lead to more risk averse commuters opting to drive rather than use public transport. This is currently evident and there is the danger that this change in behaviour will continue beyond the COVID-19 era.</p>

PC Recommendation	LGNSW Response
	<p>LGNSW also takes a broader view of the road networks contribution to productivity in NSW and nationally. Councils manage 90% of the total length of the NSW road network - around 174,000 km of local roads and a further 19,000 km of regional roads.</p> <p>LGNSW supports the recommendation of the draft report of the NSW Review of Federal Financial Relations that a road user pricing and charging system needs to be developed that better reflects the costs to society of road use, including pollution and congestion.</p> <p>This could be achieved by implementing a distance-based charging scheme, but it must, as the Draft Report highlights, not unfairly penalize those on lower incomes or those who live in remote and regional areas who may have to undertake longer commutes as a result. It must also fairly reflect the costs of that road use, reflecting for example, the wear and tear inflicted on the road network by high mass vehicles.</p>
<p>6.5 Assess how Opal fares and concessions can be used more effectively to ease demand in peak times, encourage greater use at other times, and support those that need it the most</p>	<p>Supported in principle. LGNSW has been consulted by TfNSW's Travel Demand Management team on plans around maximising the positive behavioural changes in the use of public and road transport in response to the pandemic. LGNSW supports flexible work practices that align with initiatives such as these.</p>

Section 7. Planning for the Housing We Want and the Jobs We Need

PC Recommendation	LGNSW Response
<p>7.1 Ensure planning instruments keep up with housing needs, while taking into account community interests.</p>	<p>Supported in principle. Planning for housing is complex and requires balancing competing priorities. NSW councils have worked closely with their communities to develop LSPSs to determine how district and regional housing targets (set by the State Government) will be implemented in their area. This is also being informed by Local Housing Strategies developed in accordance with state government requirements.</p> <p>Challenges to accommodating housing growth vary across council areas. Balancing the need for more housing with the imperative of preserving land for economic (industrial, commercial and agricultural) uses and environmental constraints (such as buffers around environmentally sensitive habitats, intensive agriculture and land subject to climatic risks) are some of the challenges. The plans that councils develop are an important resource for all involved in responding to housing needs. They provide insights into issues, challenges and opportunities unique to each area.</p> <p>However, the timeframe for review and the criteria to be used for endorsement of local housing strategies has been unclear, and LGNSW understands some councils have</p>

PC Recommendation	LGNSW Response
	<p>been waiting for more than six months for a response to their strategies.</p> <p>Local government has primary responsibility for planning for housing at the local level, therefore any planning system reforms and changes need to be co-designed with councils and provide a clear framework for endorsement of Local Housing Strategies.</p> <p>LGNSW would welcome a comprehensive and transparent system of monitoring and evaluation of housing targets that is co-designed with councils and that does not create onerous reporting requirements. This should allow for local government concurrence in setting and ongoing refinement of housing supply targets and identifying any planning system changes that may be required.</p> <p>However, communities will be unable to thrive and liveability will be diminished if housing supply is not matched with timely provision of infrastructure and services.</p> <p>LGNSW advocates for SEPPs that achieve improvements in liveability and sustainability of housing to:</p> <ul style="list-style-type: none"> a) ensure developments and precincts include measures to alleviate the urban heat island effect. b) apply higher Building Sustainability Index (BASIX) targets and include other sustainability outcomes to improve housing stock resilience. c) enable innovative approaches to community and public transport. d) improve provisions to ensure the resilience of housing stock. <p>Affordable and social housing – A reference to ‘housing supply’ should cover the broad spectrum of housing, rather than being limited to certain elements like market housing. However, the focus in the paper is on housing supply for private tenure, at the expense of strategies to deliver housing to meet the needs of low and moderate income households. The numbers needed for social and affordable (rental) housing in Sydney are significant. Yet the paper is silent on the urgent need for more social and affordable housing in all regions of NSW, to provide security and a social safety net for those who otherwise may be at risk of homelessness owing to long waitlists for public housing. The economic impacts of drought, bushfire and COVID-19 are adding to the numbers in need of affordable or social housing, exacerbating the pre-existing shortfall.</p>
<p>7.2 Review apartment design and car parking regulations to accommodate consumer choice while maintaining minimum basic quality.</p>	<p>Not Supported. LGNSW questions the source and evidence base of statements in the paper which appear to have a bias toward potential cost-savings at the expense of design standards and liveability outcomes.</p>

PC Recommendation	LGNSW Response
	<p>The paper makes a dubious claim that apartment design regulations and car parking requirements “are out of step with the needs of the community”.</p> <p>This claim is reflective of the views of the development industry which continually argues that smaller apartments are cheaper to construct and that the provision of ‘excessive’ car parking spaces increases the cost of apartments, thus impacting on housing affordability. It ignores the importance of achieving quality design outcomes that create healthy, safe and liveable communities.</p> <p>It is concerning that the paper recommends “minimising prescriptions” and “maintaining minimum basic quality” as a key way to improve productivity. This would amount to lowering development standards and ignoring local conditions and could result in poor outcomes for occupants and the communities they are part of.</p> <p>Apartment design It is widely recognised that SEPP 65 and its supporting design guides have contributed to improved quality and amenity of apartments for communities in NSW since their introduction in 2002. LGNSW questions criticism that SEPP 65 is too prescriptive and should be revised to aim for “maintaining minimum basic quality”. There is a concern that some industry proponents may exploit these minimum sizes to gain maximum yield and return at the expense of amenity considerations. If minimum-sized apartments dominate entire residential flat buildings, this could have the perverse effect of reducing diversity and choice for consumers.</p> <p>The Apartment Design Guide does in fact allow for a flexible, rather than a strict approach, noting that the criteria for minimum apartment sizes in the Guide are modified by the guidance that directly follows it (Part 4, p 89): “Where minimum areas or room dimensions are not met apartments need to demonstrate that they are well designed and demonstrate the usability and functionality of the space with realistically scaled furniture layouts and circulation areas. These circumstances would be assessed on their merits.” This allows applicants to propose apartments of a smaller size and assessors to assess against their merits.</p> <p>Car parking Some councils will support reduced parking facilities where apartment buildings are located near centres, services and high frequency interconnect ted public transport services. Some inner city councils have in fact revised their parking provisions to encourage greater public transport use and reduce construction costs for apartment buildings.</p>

PC Recommendation	LGNSW Response
	<p>However, these initiatives must be left to councils to decide what works best for the local conditions, not mandated as a blanket control by the NSW Government.</p> <p>Furthermore, any policy to encourage reduced car usage must also be supported by concurrent significant State government public transport investment.</p> <p>It is important to recognise that Australia has a very high car ownership rate and the number of cars on our roads continues to grow. Planning should be based on facts not idealised notions.</p>
<p>7.3 - 7.5 Rationalise zones and restrictions on permissible business activities and produce strategies to use commercial and industrial land more productively</p>	<p>Commercial/industrial zones</p> <p>Rec.7.3 - Supported in principle. Provided the potentially negative impacts of one land use on neighbouring land use activities can be avoided/managed and all the necessary infrastructure (road access, etc) is provided to support each activity, there is potential to achieve positive outcomes by locating a range of activities together.</p> <p>A potential unintended consequence is that greater flexibility within the zones means less ‘certainty’ and this unrestricted nature of the zone could give rise to a wide range of expectations (from both industry and communities) on what may be permissible or is reasonable on a site by site basis.</p> <p>LGNSW would support a measured approach to zoning that builds in the capacity for councils to adopt a simpler or more expansive approach depending on the local context and issues within the broad zone. Under any such new system it is important that there is an agreed approach to how genuinely incompatible uses would be managed within rationalised commercial and industrial zones. Councils are best placed to provide the localised knowledge and operational experience about how these zones could be simplified while managing potentially incompatible land uses.</p> <p>Complying development</p> <p>Rec. 7.3 - Supported in principle. The use of exempt and complying development provisions for small and low risk development that is not considered to warrant the more rigorous merits assessment process required for a DA is supported in principle. However, LGNSW has repeatedly raised our members’ concerns with the use of the private certification process for approving these developments.</p> <p>The Government’s first responsibility to NSW communities is to fix the private certification system, before its expansion is considered. Councils receive many complaints about non-compliance of development approved by certifiers that councils are required to investigate. LGNSW has therefore opposed the continued expansion of complying development and the certification process to an ever broadening range of more complex developments.</p>

PC Recommendation	LGNSW Response
	<p><i>Economic development strategies</i> Rec. 7.4 - Supported in principle. An economic study and analysis would be generally prepared, along with social and environmental studies, as a part of the Local Strategic Planning Statement process. LGNSW therefore does not support mandating councils to prepare separate economic strategies. It should be recognised that most councils already have economic development plans and strategies.</p> <p><i>Industrial land use</i> Rec. 7.5 - Supported in principle. Councils can provide for and facilitate employment by securing strategically placed employment and services land, but they cannot make jobs appear and it must be recognised that realising growth in employment numbers is largely a factor of market forces. Any significant interventions to generate employment will require economic levers and incentives which are outside the scope of local government and the planning system. The government can assist with financial incentives to attract businesses and for example, the relocation of government/public sector operations to nominated centres and regional locations. Relocation of government jobs can help provide the critical mass required to attract private sector service providers.</p> <p>For some Sydney councils, the pressure to convert existing employment lands for residential development is high and growing. The intense pressures to zone this land for alternative (residential) land uses requires a strategic approach supported by a policy framework to equip consent authorities with the tools necessary to make informed decisions that will protect (where appropriate) and grow existing employment and urban services land. LGNSW opposes the idea of a site-by-site approach, as quoted in the paper by the Urban Taskforce (p 244).</p>
<p>7.6 Continue to cut red tape to make the planning system more effective and deliver on the Government's goal of reducing assessment times.</p>	<p>Not supported. The paper appears to support the perception of many in the development industry that the planning system is to blame for a reduced rate of housing supply and is in turn the leading driver of high house prices and low productivity. However, there is plenty of evidence that would suggest otherwise. Dr Cameron Murray in his paper <i>The Australian housing supply myth</i> (February 2020) writes: <i>"Australia's expensive housing market is claimed to be primarily the result of a shortage of supply due to town planning constraints, leading to political pressure on councils and state governments to remove planning regulations, regardless of their planning merit. We argue that this supply story is a myth and provide evidence against three key elements of the myth. First, there has been a surplus of dwellings constructed compared to population demand, rather than a shortage. Second, planning approvals typically far exceed dwelling construction, implying that more approvals or changes to</i></p>

PC Recommendation	LGNSW Response
	<p><i>planning controls on the density and location of development cannot accelerate the rate of new housing supply. Third, large increases in the rate of housing supply would have small price effects relative to other factors, like interest rates, and come with the opportunity cost of forgone alternative economic activities. Indeed, if the story were true, then property developers would be foolishly lobbying for policy changes that reduce the price of their product and the value of the balance sheets, which mostly comprise undeveloped land.”</i></p> <p>In The Fifth Estate recently, Tim Sneesby also provides evidence to counter the myth planning regulations are holding up development, noting that <i>“the argument is that red-tape is holding up housing supply and hence construction jobs, which are an important part of the economy. The trouble is that the argument is built upon an unquestioned myth that the planning system drives housing supply and hence when developers stop building, it’s implicitly the planning system and planners’ fault.”</i></p> <p>LGNSW supports measures to streamline the planning system. There are opportunities to improve the planning system but if not well conceived, may have unintended impacts.</p> <p>Planning regulations exist to correct market failure and balance the interests of the free market with those of the public good. ‘Streamlining’ the system by removing planning controls to reduce the regulatory burden must be approached in a measured way so as not to result in perverse or unintended outcomes which only benefit private interests at the expense of the public good.</p> <p>Local government input can identify opportunities for improving the system and help avoid negative outcomes.</p> <p>There is a great depth of knowledge and expertise within councils therefore councils must be engaged in a partnership with the state government to identify and implement improvement measures over time. Local government has particularly welcomed the new Planning Delivery Unit as a mechanism to target blockages in the system and address long-standing barriers.</p>
<p>7.7 Develop a consistent way to measure the benefits of open and green space and incorporate it into land use planning.</p>	<p>Supported in principle. Councils face many challenges in providing quality open space, particularly in existing high density environments.</p> <p>The paper does not address the critical question of funding open space, which is increasingly challenged in greater Sydney and many regional centres by escalating land values. While looking at ways to make their open space land and assets work harder, the bigger concern for councils is the ongoing funding to cover the costs of</p>

PC Recommendation	LGNSW Response
	supplying and maintaining open space and recreation facilities into the future.
7.8 Use the Review of Infrastructure Contributions to find ways to deliver a principles-based, transparent and certain System.	<p>Supported. LGNSW is actively participating in the review of the infrastructure contributions system.</p> <p>The 2019 LGNSW Annual Conference resolved “that the NSW Government undertakes an urgent holistic review of the developer contributions system in NSW, with the aim of reducing the financial burden placed on councils in providing infrastructure to support population growth and/or the changing needs of communities throughout NSW”.</p>

Comment:

From a local government perspective, it is disappointing that the main focus of the Paper’s research and analysis in Chapters 6 and 7 is on the assessment performance of NSW councils, and the increasing demands for the fast tracking of assessments through an enhanced take up of electronic lodgements through the NSW Planning Portal.

While councils are committed to utilising the mandatory ePlanning system as a means to improve assessment efficiency, there is a risk that any such improvements will be countered by other complexities in the NSW planning system. Councils are often unfairly criticised for “holding up” development. However, councils also experience delays from state agency approval processes for planning proposals/rezonings. For example, the NSW planning system is required to administer other State legislation created to manage issues such as flooding, bushfires and biodiversity. From a productivity perspective, the effect of these state-owned policies and legislation - for which different state agencies are responsible - is that they add to complexity in the planning system and in councils’ experience can create delays in finalising rezonings. Councils have therefore welcomed the new Planning Delivery Unit to help provide a pathway to resolve blockages in the planning system.

Another factor commonly experienced by councils across the State is the inefficiencies and lack of clear approvals pathways for developments carried out illegally. The extent of illegal developments is particularly prevalent in regional and rural areas, and the costs and resourcing impacts on councils to balance compliance with legitimising development are substantial, and further affect councils’ capacity to reduce application determination times.

Section 8. A Better Mix of State and Local Taxes Can Encourage Growth

PC Recommendation	LGNSW Response
8.1 Replace inefficient taxes with more efficient ones. Start by replacing stamp duty with a broad-based land tax on unimproved land values. Coordinate payroll tax administration across states and territories.	<p>Support in principle. LGNSW supports the replacement of the Emergency Services Levy (ESL) on both councils and insurance policies by a broad based property levy.</p> <p>The Green Paper notes that the Insurance Council of Australia submission argues that states including Victoria, South Australia and Western Australia have successfully shifted from funding their emergency services through an insurance levy to a broad-based property levy, and that New South Wales should take a similar approach. It should also be noted that those same States (including Queensland), also removed levies on local government at the same time.</p>

PC Recommendation	LGNSW Response
	<p>LGNSW acknowledges the merits of phasing out inefficient taxes like stamp duty and reducing payroll tax by broadening land taxes. However, beyond replacing the current emergency services funding arrangements, LGNSW is concerned that a large and sudden shift to land taxes may result in tax/ratepayer resistance and affect their willingness or capacity to pay necessary increases in council rates.</p> <p>The Green Paper validates this concern in referring to the push back being experienced in the ACT, where similar taxation changes are already being implemented. It also affirms the Green Papers conclusion that the transition would be long.</p> <p>LGNSW rejects the proposal that the council rating system be used to collect a broadened land tax. It is important for transparency and ease of understanding that any such tax measure should be implemented by Revenue NSW so that it is clearly identified as a state tax that is entirely separate to council rates.</p> <p>(Refer comments for further discussion).</p>
<p>8.2 Use the Review of Infrastructure Contributions to pursue reforms to deliver a more sustainable way to fund the infrastructure we need. Evaluate reforms within three years and if reforms do not provide sufficient funds to deliver services, councils should hold a plebiscite of ratepayers to test support for abolishing of the rate peg.</p>	<p>Support in principle. LGNSW is contributing to the Review of Infrastructure Contributions.</p> <p>LGNSW has consistently advocated for the removal of rate pegging.</p> <p>Rate pegging in NSW has resulted in:</p> <ul style="list-style-type: none"> • Under-provision of community infrastructure and services. • The deferral of infrastructure maintenance and renewal expenditure resulting in large infrastructure backlogs. • Undermining the financial sustainability of councils. • Distortion of council revenue bases by forcing councils to rely more heavily on user fees, charges and infrastructure contributions. <p>LGNSW holds that the case for the removal is so strong that it should proceed without delay. The findings presented in the Green Paper support this conclusion.</p> <p>LGNSW does not see the removal of rate pegging solely as a mechanism to replace or reduce infrastructure contributions. However, we agree a more flexible and less constrained rating system would reduce dependence on infrastructure contributions and would lead to a rebalancing of council's revenue bases. LGNSW would also expect the removal of rate pegging to assist in addressing infrastructure renewal backlogs and other infrastructure deficiencies.</p> <p>LGNSW does not support the proposal for councils to hold plebiscites to abolish rate pegging. LGNSW maintains that</p>

PC Recommendation	LGNSW Response
	the extensive community consultation conducted in relation to the Integrated Planning and Reporting process would be sufficient. This includes consultation on the Community Strategic Plan, Long Term Financial Plan and Delivery Plans. A ballot dealing with complicated local taxation policies is unlikely to succeed despite the merits.

Comment:

Rate Pegging

LGNSW commends the NSW Government for elevating tax reform on the economic agenda by commissioning this Productivity Commission Review and the Review of Federal Financial Relations (the FFR Review). LGNSW also commends the Productivity Commission for recognising that the NSW taxation system also includes local government rates. We are disappointed that the draft report of the FFR Review ignored taxation reforms relating to local government. Local government is part of the taxation system of State through its reliance on rates, a form of land tax, as its primary source of revenue. Local government is also impacted by the taxation and fiscal policies of the NSW and Australian Governments. The latter includes rate pegging, the system of rate exemptions, land valuation methodology and the Emergency Services Levy (ESL) on local government.

LGNSW commends the Productivity Commission for its demonstrated understanding of the roles, functions and financial circumstances of local government. We are pleased that the Productivity Commission has explicitly recognised the key financial challenges faced by NSW local government including:

- The cumulative negative impacts of over 40 years of rate pegging, including an estimated \$15 billion in rate revenue forgone when compared to Victoria (Green Paper p. 256).
- Cost shifting
- Population growth
- Increasing community expectations on infrastructure and services.

While the Independent Pricing and Regulatory Tribunal (IPART) was commissioned to undertake a Review of the NSW Local Government Rating System in 2015, the terms of reference specifically excluded rate pegging – a major omission given that rate pegging is a key element of the NSW rating system. IPART delivered its final report to the State Government in late 2016. The Government released the final report and a further consultation paper in 2019 and released its final response in 2020. LGNSW welcomed the Government’s support of several IPART recommendations to provide greater rating flexibility through additional categorisation options and catch up provisions. However, we are disappointed the Government’s response indefinitely deferred consideration of key recommendations involving rate exemptions and the introduction of Capital Improved Valuations (CIV) methodology.

While the Government response indicated that the Office of Local Government (OLG) will change the rate peg to account for population growth, it did not provide any details on how this would be done. It is concerning that the Government response did not accept IPART’s recommendation.

IPART recommended that councils’ rates income should increase over time in line with the growth in Capital Improved Value (CIV) arising from new development. This was fundamental to the IPART solution. It would enable growth in the rate base to keep pace with real growth and the associated increase in demand for council infrastructure and services. LGNSW agrees with IPART’s findings that application of CIV would be more equitable and efficient than the current UV based methodology, in that current ratepayers would not subsidise future ratepayers and it would better capture the costs of new developments.

The Government response defers consideration of the introduction of CIV although LGNSW is not aware of any consultation by the OLG on an alternative solution to date. LGNSW requests the Productivity Commission to recommend that the State Government establish a consultation process with LGNSW and other local government stakeholders to progress the removal of rate pegging.

This change has the potential to significantly improve the financial sustainability of growing councils and as such represents one of the most important recommendations that the Government has left open for consultation. CIV would also enhance the equity and efficiency of State land taxes.

Emergency Services Levy (ESL)

The 2019/20 bushfire disaster has renewed the focus on the funding model for emergency services in NSW (RFS, FRNSW and the SES). It highlights the need for the emergency services to have a strong funding base, but it has also highlighted the need for the funding model to be equitable, transparent and accountable.

LGNSW welcomes the Green Papers recommendation that the ESL on insurance policies be removed and replaced with a broad-based land tax. This is consistent with the FFR recommendation. We endorse the arguments that it is inequitable, lacks transparency and distorts the operation of the NSW insurance market. When combined with the cascading effect of the additional taxes - Stamp Duty and GST - that are applied on top of the combined value of the insurance premium and the ESL, insurance can become prohibitively expensive. This has no doubt contributed to higher incidences of underinsurance and non-insurance in NSW. It also distorts the taxation system as these are literally taxes on top of taxes which challenge taxation principles and clouds transparency.

However, LGNSW is disappointed that the Green Paper and the FFR review have failed to identify and address the ESL that applies to local government. Local government is required to fund 11.7% of the combined budgets of the RFS, FRNSW and the SES. LGNSW maintains that this is also a distortionary tax that lacks equity and transparency.

The ESL on local councils is inequitable as it does not apply consistently/evenly across all councils. While the levy is now collected centrally through Revenue NSW, each of the services have different budgetary structures and cost allocation mechanisms. There are different regional structures and allocations are variously based on land valuation and/or population. This complex budgetary process is largely incomprehensible to councils and the general public. Apart from the obvious lack of transparency in the budgetary process one of the consequences is that the cost burden occurs disproportionately across councils and therefore ratepayers. The cost burden on councils is greatest on rural and regional councils with small rate bases and a relatively large RFS component.

For example, the 2.6% rate peg will provide an additional \$120,000 in revenue to Tenterfield Shire Council in 2020/21 but \$81,000 of the increase will be consumed by the increase in ESL. Leaving little to offset increases in other expenses. This is a common result, particularly among rural and regional councils with small rate bases and high RFS costs.

The ESL on local government also lacks transparency as it is invisible to ratepayers. The levy is not calculated for individual properties but like other council costs, is embedded in general rates. Ratepayers are not able to identify their contribution to the funding of the emergency services and are generally not aware. Given that the majority of ratepayers are insured they are effectively being double taxed.

The ESL on councils, like the ESL and associated GST and stamp duty on insurance policies, are part of the same hidden tax regime. Ratepayers and the insured are largely unaware of the levies they are paying. There is also a concern that the lack of transparency combined with the

fact that the ESL on both insurance and local government funds 85.4% of the emergency services budget, may have enabled the emergency services to avoid the same budgetary scrutiny and accountability that other agencies are subject to.

These views have been supported by numerous inquiries and reviews of fire and emergency services funding over decades.

NSW is now the only mainland state that does not fund its fire services by a broad-based property levy. Other states have already introduced variations on this model - Queensland (1985), South Australia (1999), Western Australia (2003) and the ACT (2006–07).

All these States removed levies on local government when introducing the new funding models.

A property-based levy would ensure that all property owners finance the emergency services in an equitable manner.

Other Comments/Issues

Rating System - Rate Exemptions

LGNSW recommends that the Productivity Commission also consider other reforms to the NSW rating system beyond rate pegging, particularly rate exemptions.

Rationalisation of the current system of rate exemptions would also improve the revenue base of councils and provide more capacity to support growth and address infrastructure backlogs. It would also improve competitive neutrality.

It is LGNSW's policy position that all land used for commercial or residential purposes should be subject to rates regardless of tenure. This accords with IPART recommendation 14: *Sections 555 and 556 of the Local Government Act 1993 NSW should be amended to:*

- *exempt land on the basis of use rather than ownership, and to directly link the exemption to the use of the land, and*
- *ensure land used for residential and commercial purposes is rateable unless explicitly exempted.*

In some cases, rate exemption should simply be abolished (e.g. Forests NSW). In other instances it may be a matter of legislating tighter eligibility criteria and/or introducing a system of partial exemptions as applied in other jurisdictions.

Many current exemptions serve to provide financial benefits to numerous religious organisations, benevolent institutions, private schools, universities and some government business enterprises that are no longer justified in terms of principles of optimal taxation, particularly principles of equity and efficiency.

The distinction between charitable and social activity and commercial activity has blurred progressively over time with community orientated enterprises increasingly engaging in more commercially focused activity. Often it is no longer appropriate for local ratepayers to subsidise activities of exempt institutions where institutions act commercially, benefit from council services, and have capacity to pay.

LGNSW acknowledges that this is a complicated and contentious area. However, there are a number of exemptions where there is a strong case for reform to correct current anomalies and distortions. These include exemptions applying to:

- the commercial forestry operations of Forests NSW;

- leasehold commercial and private commercial operations in national parks; and
- social housing owned/managed by Community Housing Providers (CHPs).

Forestry Corporation of NSW

LGNSW has long argued that the commercial forestry operations of the Forestry Corporation of NSW (FCNSW) should be subject to rates. This view is strongly held in all local government areas that FCNSW operates. Local government strongly supports IPART's recommendation that these operations should be rateable.

The current exemption is a blatant anomaly that should have been addressed in past. The exemption is inconsistent with the treatment of other State-Owned Corporations (SOCs) which are subject to rates on lands used for commercial operations. It also contradicts competitive neutrality principles as its competitors, privately owned commercial forestry operators are subject to rates.

It should be noted that forestry operations have a major impact on local roads, bridges and other infrastructure and it is unfair that FCNSW does not contribute to the costs of maintenance and repair.

The Government's recent announcement that it is reviewing the potential privatisation of FCNSW provides bold confirmation that it is a commercial business operation and should be subject to rates. It is imperative that this anomaly is addressed prior to the sale and local government seeks a guarantee that the State Government will not allow the rate exemption to be carried forward into private ownership.

Commercial Leases in National Parks

Private and commercial leases in National Parks are exempt (such as leases for ski resorts and holiday accommodation), which is inconsistent with the treatment of private and commercial leases on Crown Lands that are subject to rates. This is clearly an anomaly that should be addressed. There is no justification for the difference in treatment.

Social Housing

Rate exemptions for social housing is an emerging problem for councils and growing at a rapid rate. The problem has largely resulted from a change in Government policy on the delivery of social housing and the emergence of new delivery mechanisms.

The Government is increasingly handing over management and ownership of social housing stock formerly controlled by State Government agencies (i.e. Department of Family and Community Services (FACs) and predecessors Housing NSW, Department of Housing, (Housing Commission) to Community Housing Providers (CHPs).

The issue is not the provision of community housing - councils support affordable housing. The issue is that the Government previously paid rates on these properties whereas CHPs are seeking and often achieving rate exemptions as Public Benefit Institutions (PBIs) through the Courts. As a result, many councils face large reductions in their rate base. These reductions can be significant, particularly for councils with large stocks of social housing (e.g. Campbelltown City, Blacktown City, Nambucca Shire, and Port Macquarie-Hastings Councils).

It is unfair to burden local communities with the costs of subsidising social housing, particularly as stocks of public housing are not evenly distributed. Councils are not in the position to subsidise welfare measures. Such subsidies should be funded through the broader revenue bases of State or Federal Governments.

As this growing inequitable impost has directly resulted from changes to State Government policy it is incumbent on the State Government to correct it. The problem should not be left to grow. The impacts are potentially very large.

IPART provides the example of Campbelltown which has over 5,500 social housing properties. Campbelltown currently receives around \$6.5 million in rates from these properties which would be lost if the properties were transferred to PBIs. This represents a cost of \$109 per year to each of the remaining ratepaying households. Canterbury-Bankstown with 4,250 social housing properties stands to lose around \$5 million.

Local government strongly supports IPART's recommendation to make all residential land use rateable.

Waste and Recycling

Waste has barely been mentioned in the Productivity Commission's Green Paper despite it being an essential service just like water and energy. In particular, the delivery of waste infrastructure and waste planning have not been considered.

Avoiding the generation of waste, recovering resources and appropriately managing residual waste are fundamental to improving NSW's productivity and sustainability. Innovation and investment in a circular economy can create jobs and contribute to a robust regional, state and national economy.

Our report '[At the Crossroads – the state of waste and recycling in NSW](#)' outlines how NSW is failing when it comes to waste. The quantity of waste being generated is increasing, our waste infrastructure is barely keeping up with demand, and recycling and waste diversion rates are stagnating. COAG has also committed to waste export bans, adding pressure to manage our own recycling in Australia.

LGNSW is advocating for the waste levy that is currently collected by the NSW Government to be reinvested to:

1. Fund regions of councils to develop regional waste plans for the future of waste and resource recovery in their regions, which include infrastructure and circular economy solutions to address the needs of our cities and regions.
2. Fund the delivery of priority infrastructure and other projects, procured by local government, that are needed to deliver the regional-scale plans, particularly where there is market failure identified in the regional plans.
3. Increase local and state government procurement of recycled goods made with domestic content, for example by:
 - a. adopting recycled content targets to help drive demand and provide incentives to deliver on these targets
 - b. funding further research, development and delivery of recycling technologies and products generated from recyclables, particularly by local or regional councils.
4. Fund and deliver state-wide education campaigns on the importance of recycling to encourage the right way to recycle, the purchase of products with recycled content, as well as promote waste avoidance
5. Work with the Federal Government to introduce producer responsibility schemes for soft plastics and other emerging problem wastes.

Conclusion & Recommendations

LGNSW appreciates that creating an environment that fosters productivity growth is a complex task. LGNSW commends the NSW Government for initiating what is proving to be a timely review with the onset of COVID-19 induced recession. LGNSW is pleased to participate in the "Productivity Conversation" as local government has an important role to play in generating productivity growth.

LGNSW has responded positively to the majority of recommendations contained in the Green Paper and we have provided explanations where recommendations have been opposed or where support is qualified.

LGNSW looks forward to continuing the conversation, so in addition to comments on the Green Paper recommendations, LGNSW also makes a number of recommendations on issues that would constructively expand the ongoing conversation. LGNSW recommends that:

- Further analysis be undertaken of the potential social and economic implications of the COVID-19 pandemic. This would include:
 - impacts on the demand for housing, changes to work practices and culture
 - a long term decline in population growth
 - falling property prices
 - potential geographic shifts of economic activity, employment and population and related infrastructure demands
 - industry restructuring
 - changes in consumer behaviour.
- The review pays additional attention to potential productivity gains that may be made in other major sectors such as mining, agriculture, manufacturing and transport.
- That the Productivity Commission recommend that the NSW Government:
 - engages with industry bodies in the collection of data on skills shortages, skills gaps and training needs to ensure the advice and training available to students reflects the requirements of employers.
 - introduce financial incentives for employers to participate in work experience and/or employment programs to facilitate the longer-term placement of reskilled workers
- That the Productivity Commission consider additional policy mechanisms to realise the net zero emissions goal.
- That the Productivity Commission remains technology neutral in supporting emerging technologies for energy generation.
- LGNSW recommends that the Productivity Commission recommend that obstacles to the roll out of smart street lighting be identified and removed.
- The discussion on 'housing supply' be expanded to cover the broad spectrum of housing, rather than being limited to certain elements like market housing. The focus in the paper is on housing supply for private tenure, at the expense of strategies to deliver housing to meet the needs of low and moderate income earners for social and affordable housing.
- The Productivity Commission to recommend that the State Government establish a consultation process with LGNSW and other local government stakeholders to progress the removal of rate pegging.
- The Productivity Commission also consider other reforms to the NSW rating system beyond rate pegging, particularly rate exemptions. Rationalisation of the current system of rate exemptions would also improve the revenue base of councils and provide more capacity to support growth and address infrastructure backlogs. It would also improve competitive neutrality.
- The Productivity Commission expand discussion on the replacement of the ESL on insurance policies with a broad based property levy to include removal of the ESL on local government.

LGNSW looks forward to the next stages of this conversation.

If you would like further information relating to this submission please contact Shaun McBride, Chief Economist on Ph: 9242 4072 or email: shaun.mcbride@lgnsw.org.au.