

9 May 2014

Mr Lyndon Rowe
Economic Chairman
Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Dear Mr Rowe,

INQUIRY INTO MICROECONOMIC REFORM IN WESTERN AUSTRALIA - CITY OF BUNBURY SUBMISSION

Please accept the following as the City of Bunbury's submission in relation to the Inquiry into Microeconomic Reform in Western Australia.

The Terms of Reference for the Inquiry required the ERA to develop the most advantageous package of microeconomic reform measures that the Western Australian Government could implement to improve the efficiency and performance of the Western Australian economy, with a focus on areas of reform that have the potential to achieve the following outcomes:

- improved productivity and flexibility of the Western Australian economy;
- increased choice for consumers and business, leading to net economic benefits to Western Australia;
- increased opportunities for Western Australian businesses to effectively compete for national/international market share; and
- removal or streamlining of unnecessary regulation.

In developing the response to the Draft Report, the City of Bunbury has considered the implications of the recommendations from both a stand-alone and whole of sector aspect.

City of Bunbury Submission

After a review of the draft report the following issues have been identified as primary areas of concern for the City of Bunbury and the local government sector as a whole.

Recommendation 4 – Repeal the Royalties for Regions legislation, or restrict regional funding to an amount determined annually as part of the Budget process and guided by appropriate cost benefit analysis.

The previous arrangements for Royalties for Regions incorporating the Country Local Government Fund (CLGF) provided many benefits to both rural and regional local governments across the State which have allowed Councils, individually and collectively to undertake upgrades to infrastructure and the development of new infrastructure which is a fundamental driver of local economic growth. Whilst some of the smaller scale projects may be considered to be of less value, from a local community perspective they are still considered to be significant drivers of growth. Whilst the hypothecated process and associated legislation may not be the most effective method of securing the funding, a simple repeal of the legislation and not replacing with an alternative model will be a significantly disadvantage to local economic growth.

The current Royalties program should be retained (albeit with some amendments) as it:

- (i) Guarantees that every rural and regional local government receives an as of right allocation from Royalties;
- (ii) Has achieved, and continues to assist with the objectives of the fund, namely:
 - a) Addressing infrastructure (both economic and social) backlogs and support regional capacity building;
 - b) Improves financial sustainability of local governments through improved asset management;
 - c) Has enabled local governments to fund larger scale infrastructure projects.

Based on the above there is a need to consider a review of the funding allocation under the Royalties program to local governments that can demonstrate the capacity to deliver projects which support the development of both social and economic infrastructure. This would be a move away from the current “as of right” allocation to all local governments and move towards the development of infrastructure and projects which ensure ongoing economic benefit to the local, regional or State economy. The development of an effective assessment framework for both projects and the organisations which are to deliver them would be supported as part of any review of the Royalties program.

The Draft ERA Report states (p40) *“The provision of public infrastructure is essential for an economy to function effectively. Anything that constrains a Government from advancing sound infrastructure projects, such as limited funding or poor assessment processes, is likely to have a detrimental effect on the economy”*. This is no different at any level of government and in the case of Bunbury where the City tends to provide all the major regional facilities in the Bunbury Wellington region (Bunbury, Harvey, Collie, Capel, Dardanup and Donnybrook-Balingup), the Royalties program has provided significant economic and social benefits to the region as a whole. This is both during and post-construction of the projects. The establishment of regional groups of local governments which have allocated funding to regional projects is considered an appropriate mechanism in moving forward with Royalties funding.

As such the City of Bunbury is of the opinion that a simple repeal of the legislation should not be supported unless there is a comprehensive review and development of alternative arrangements to be implemented which ensure the ongoing allocation of appropriate levels fixed levels of funding for infrastructure projects strategically located and co-ordinated in advance of need and delivered in a timely and efficient manner by local government.

Recommendation 14. Update the Red Tape Reduction Group’s 2009 assessment of regulatory burden in Western Australia, to measure current levels of regulatory burden in the State.

Draft recommendation 14 is supported, however there is a need to look further at the issues of regulatory burden on other levels of government which have been brought about through changes to State Legislation. Local government is subjected to regulation from both State and Federal Governments and as this has had a major impact on the delivery of infrastructure projects, both by local government and the private sector. Whilst government agencies have made changes to streamline processes at the State level, this has had a detrimental impact on local government through increased compliance and reporting requirements. These impacts are particularly relevant in the areas of the natural and built environment. Councils are required to plan, assess and monitor compliance but lack the ability in some areas to enforce compliance. This creates an environment which sees duplication of effort and creates unnecessary delays in approvals and project completion.

The City of Bunbury supports the update of the Red Tape Reduction Group’s assessment and would welcome a more comprehensive review of the regulatory framework in which local government is required to operate.

25. Establish a review policy to be applied to all new legislation, specifying:
- a. criteria triggering the mandatory inclusion of a Review of Act clause;
 - b. criteria for identifying the most appropriate Government or external organisation to perform the review;
 - c. criteria to guide legislators in identifying how frequently a review should be performed; and
 - d. standard wording for the Review of Act clause.


Draft Recommendation 25 is supported and should consider a further expansion to incorporate current legislation whenever significant amendments are made. The primary example is the Local Government Act 1995 which requires a comprehensive review in line with the Government's structural reform process for local government across the State. There are significant changes proposed to local government which will be required to operate with legislation which is rapidly becoming an impediment to effective governance at the local level. There is an opportunity to move away from prescriptive and regulatory based legislation to a more focused and principle based framework. Whilst this would be a significant shift from the current framework it would also tie into the improvements which are being sought through a reduction in "red tape" as outlined in response to draft recommendation 14.

The City of Bunbury is supportive of the recommendation and would welcome some level of retrospectivity to be applied to legislation which is more than twenty years old.

In addition to the above matters, the City of Bunbury reaffirms its support for the matters previously raised by the West Australian Local Government Association in their submission Proposed Issues for Exploration – ERA Microeconomic Reform Inquiry September 2013, in particular the WALGA Recommendation - *That the ERA investigate the benefits of further reforms to WA's electricity markets, particularly the street lighting market.*¹

On behalf of the City of Bunbury, thank you for the opportunity to provide this submission and I would be happy to provide any further comment or clarification on any of the matters raised.

Should you wish to discuss, please feel free to contact me.

Kind Regards 


Andrew Brien
CHIEF EXECUTIVE OFFICER

¹ September 2013 - Interim WALGA submission to the HVCI Reform Project . P7