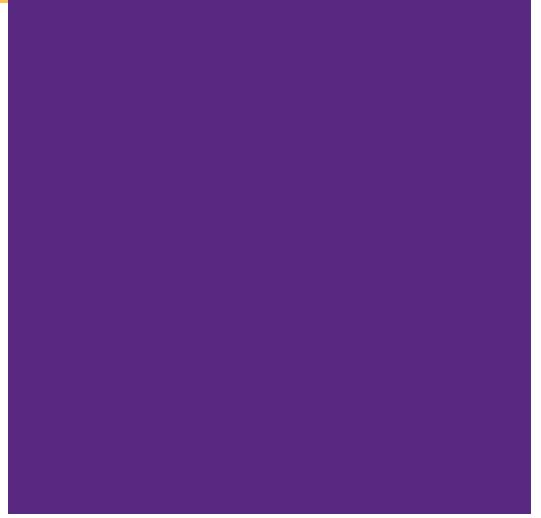
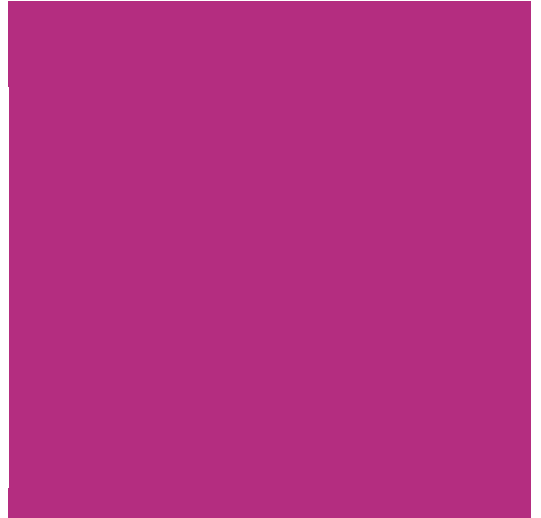




COUNCIL OF CAPITAL CITY LORD MAYORS

Pre Budget 2023-2024 Submission

Final – 27 January 2023



CCCLM Chair foreword

The Council of Capital City Lord Mayors (CCCLM) consists of the Lord Mayors of Adelaide, Brisbane, Darwin, Hobart, Melbourne, Perth and Sydney, and the Chief Minister of the ACT.

As the 2023 Chair of the CCCLM it is with pleasure that I submit this Pre-Budget submission.

The CCCLM's budget submission focusses on actions that contribute to national outcomes across the policy areas of:

- climate change mitigation and adaptation, and
- housing and homelessness.

Australia's capital cities are facing many economic and challenges in the immediate and longer term, including continuing impact and recovery from the COVID-19 pandemic and current economic climate.

According to the 2022 Population Statement¹, capital cities' populations declined for the first time during 2020-21; this was due to the impact of the COVID-19. However, the report indicates a return to pre-pandemic patterns, with capital city growth projected to return to 1.5 per cent in 2023-2024.

CCCLM has commissioned research aimed at measuring the economic recovery of our capital cities. The January 2023 quarterly report² indicates that whilst the economy is showing signs of recovery, cities are still hampered by the impact of slow return of international students and tourism, as well as work-place behaviour shifts.

It is vital that investment in city infrastructure keeps pace and supports the increased population, ensuring that Australia's cities remain globally competitive and liveable.

The CCCLM acknowledge and welcomes the Albanese Government's commitment to Australian cities and look forward to ongoing engagement as previous commitments are fulfilled and commence. We would welcome the opportunity to further expand upon our submission.

Sally Capp
Lord Mayor of Melbourne
Chair, Council of Capital City Lord Mayors

¹ <https://population.gov.au/publications/statements/2022-population-statement>

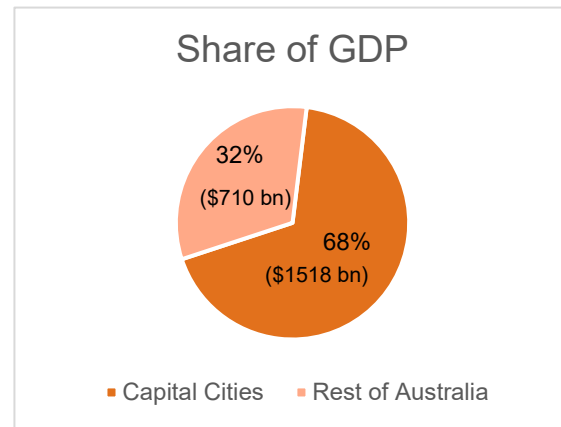
² [Economic research – Council of Capital City Lord Mayors](#)

City economies

Strong city economies are crucial to a strong national economy. Our cities are where Australia’s future jobs are being created, and investments are being made. Jobs in health, education, advanced manufacturing and professional service sectors continue to grow in cities.

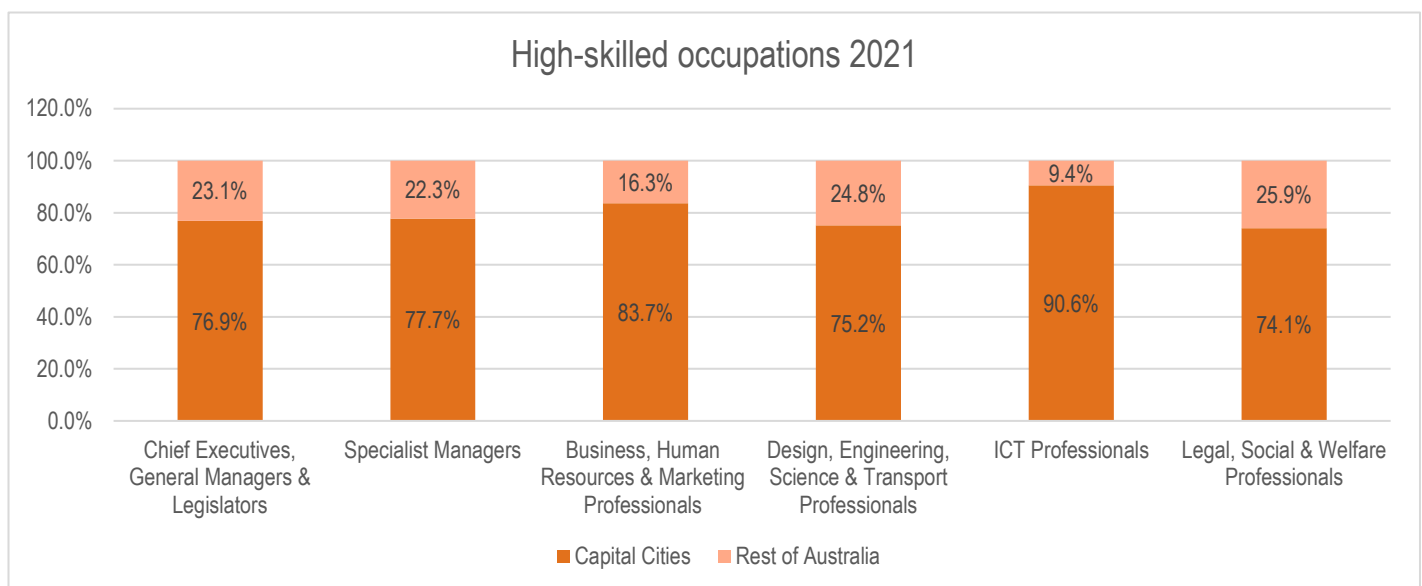
Capital Cities account for:

- Almost \$1,500 billion of economic activity in 2020-2021³
- 68% of Australia’s GDP³
- 73% of GDP growth since 2000-01³
- 69% of Australia’s 2.2 million businesses⁴
- 69% of Australia’s employed labour force, with 9.3 million workers in our cities⁵
- 67% of SMEs⁴
- 79% of large corporations⁴
- Employment growth of more than 385,000 in the year to November 2022⁵
 - 71% of Australian employment growth in last decade (1.6 million jobs)
 - 71% of employment growth in last two decades (3.1 million new jobs)
- The estimated cost of urban transport congestion was \$13.7 billion in 2011. The Australian Infrastructure Audit Report projects the costs of congestion on urban roads will grow to \$39.6 billion in 2031.⁶



High value adding jobs and productivity

- Capital cities generate productivity and high value jobs.⁷
- Cities are also our country’s educational hubs – and capital cities host many of our universities, including the ‘Group of 8’ institutions. Over 90% of all tertiary and university students are in capital cities.⁷



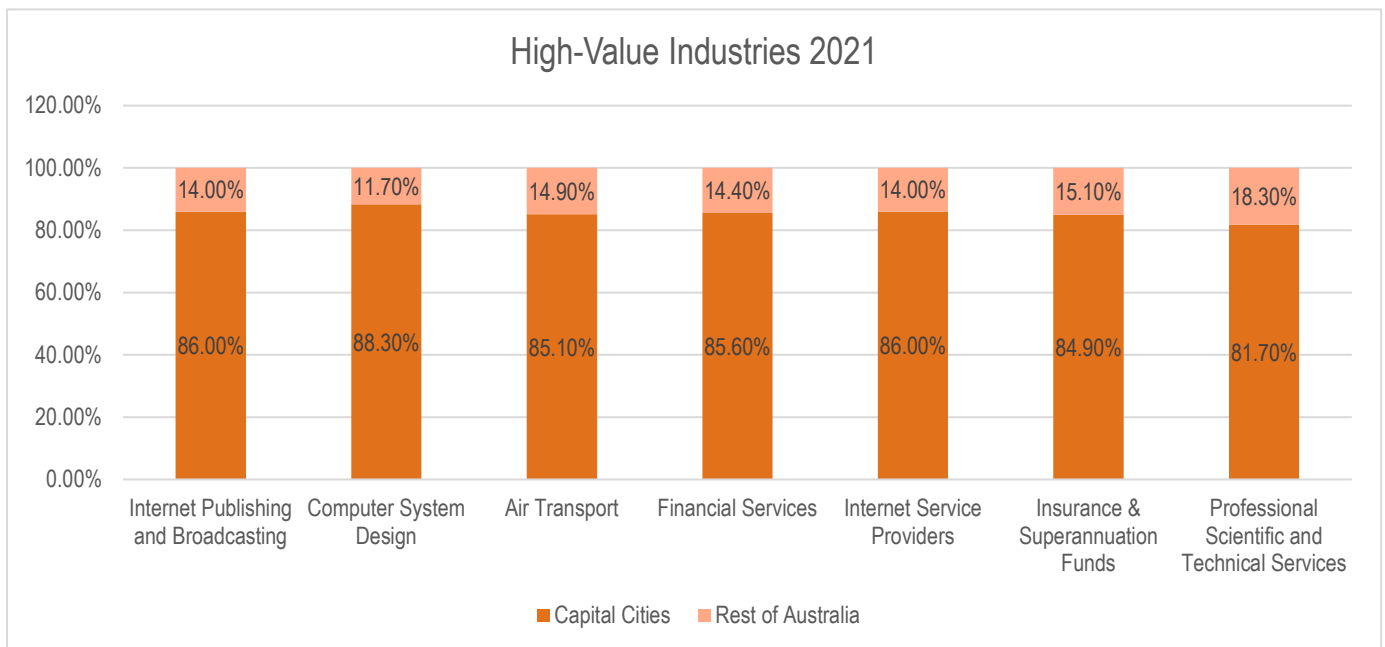
³ SGS Economics, Australian Cities Accounts 2020-21, Dec 2021

⁴ ABS, Counts of Australian Businesses (Cat. No. 8165.0), 2022

⁵ ABS, Labour Force Australia, Detailed (Cat. No. 6291.0.55.001), Nov 2022

⁶ Cited in Infrastructure Australia, Australian Infrastructure Audit Report 2019, p.365

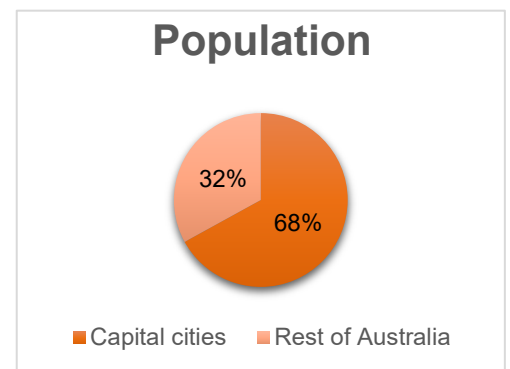
⁷ ABS, Census 2021, Community Profiles-Place of Work



Home to two-thirds of our population - and growing

Capital Cities:

- are home to 17.26 million Australians – more than two-thirds of Australia’s population ⁸
- grew by 2.5 million people in the decade to 2021 – 75% of total population growth⁹
- are forecast to grow by 14.2 million more Australians by 2066 – 80% of future population growth ¹⁰



Gateways to the World

- Capital cities are Australia’s Gateways to the World with over 10.5 million international visitors in 2019.¹¹
- These international visitors stayed over 210 million visitor nights in the capital cities – 79% of all visitor nights spent in Australia.¹¹
- This visitor-night share was even higher for business visitors (83%) and for those visiting Australia for Education reasons (90%).¹¹
- These visitors to the capital cities spent a total of \$25.6 billion or 81% of total visitor spending in Australia – our largest services export.¹¹ⁱ
- As a consequence of the COVID-19 pandemic, according to Tourism Research Australia, by December 2021 it was estimated that capital cities had lost \$42b (58%) of domestic travel expenditure and regional areas \$14b.(19%). Capital cities accounted for 74% of total domestic overnight spend loss.¹²

⁸ ABS, Population by Age and Sex, Regions of Australia, 2022 (Cat. No. 3235.0)

⁹ ABS, Regional Population Growth, Australia 2021-22 (Cat. No. 3218.0)

¹⁰ ABS, Population Projections, Australia 2017-2066 (Cat. No. 3222.0)

¹¹ Tourism Research Australia (TRA), State of the Industry 2021

¹² Tourism Research Australia (TRA), State of the Industry 2021, p.20

Summary of recommendations:

Climate action:

The CCCLM seeks collaboration with the Federal Government to achieve a climate safe future, focussing on initiatives that provide emissions reductions and support climate adaptation and resilience including:

- Policy reform and investment to allow greater penetration of localised and distributed renewable energy generation close to demand and storage through innovative and new distribution and storage technologies.
- Establishment of a national commercial building retrofit incentive fund with provision of a training and skills package to build capability and capacity within the construction sector.
- The phase in of fuel efficiency standards to reach zero emissions, while tax deductions for liquid fuels are phased out.
- \$50 million for capital cities from the Recycling Modernisation Fund to expand waste processing options for organic waste and recyclables, generating market creation opportunities that accelerate the nation's transition to a circular economy.
- Allocation of funds from the *Driving the Nation Fund* to overcome technical and commercial barriers that prevent uptake of electric fleets, particularly in waste management.
- Establishment of an additional \$500 million urban resilience investment fund in collaboration with capital cities, along with the development of nationally led and consistent climate risk framework and transition plan to reduce the un-insurability of properties.

Housing and homelessness

- Increased investment in city housing and homelessness services through the new National Housing and Homelessness Agreement.
- A national housing and homelessness strategy with clear targets informed by a 'housing first' approach.
- Increased and sustained investment in social and affordable housing and support services.
- Resolution of inequities in national programs and policies that contribute to housing stress and homelessness.

Climate action

Energy and Emissions

Federal Government investment is needed to:

- decentralise renewable energy and support infrastructure for cities;
- incentivise commercial building upgrades;
- lift standards for new buildings, and
- introduce zero emission fuel efficiency standards for vehicles.

Australian cities have been at the forefront of climate action for many years, and capital city councils have implemented innovative policies and programs that have generated successful emission reduction outcomes.

The CCCLM is calling on the Federal Government to collaborate with capital city councils to achieve a climate safe future, focussing on support for initiatives that provide emissions reductions and climate adaptation and resilience.

Energy

- Electricity grids in urban environments will increasingly be constrained due to increasing demand.
- CCCLM welcomes the Rewiring Australia's prioritisation and funding commitment of \$200 to build 58 batteries in sites across Australia. CCCLM recommends that the Federal Government collaborate with local governments to ensure this investment continues to be prioritised to support the strategic planning and proliferation of Distributed Energy Resources.

Buildings

- The CCCLM seeks Federal Government investment aimed at transitioning Australian cities to best practice climate-ready and environmentally sustainable buildings, including retrofitting existing buildings to reduce energy consumption and improve thermal comfort.
- CCCLM proposes this be achieved by the establishment of a national commercial building retrofit incentive fund with provision of a training and skills package to build capability and capacity within the construction sector.
- This should be supported by implementing changes to the Commercial Building Disclosure Act and fast track changes to the National Construction Code to deliver zero carbon, climate ready buildings.

Transport

- The CCCLM proposes the National Electric Vehicle Strategy phase in fuel efficiency standards to reach zero emissions and to phase out tax deductions for liquid fuels.

Environment and Waste

Federal investment in infrastructure will advance capital cities' transition to a circular economy and minimise the impact of waste transportation.

The origin, transportation and disposal of waste currently cause significant greenhouse gas emissions and other environmental challenges. There are proactive steps that local governments can take to mitigate greenhouse gas emissions at each stage of waste management, but it requires a strong partnership with all levels of government.

Support green fleet for waste collection, including electric and hydrogen charging capabilities, and policy incentives for fleet transition.

CCCLM is encouraged by the Federal Government's commitment to delivering a \$500 million Driving the Nation Fund that will build a National Electric Vehicle (EV) Charging Network and invest in Hydrogen Highways for heavy transport.

Financial support from the Driving the Nation Fund within capital cities will enable councils to overcome technical and commercial barriers that prevent further uptake of electric fleets, particularly in waste management.

CCCLM welcomes any opportunity to partner with the Australian Renewable Energy Agency (ARENA) to ensure these funds don't duplicate efforts in our cities but enable quieter, greener, and economical waste collection.

Infrastructure to support capital cities engaged in expanding processing options for organic waste and recyclables.

CCCLM shares the Federal Government's desire to improve Australia's use of local recycled material. However, increasing the use of local recycled materials is also conditional on recycling infrastructure capacity.

Capital cities have the insight and influence with neighbouring councils to drive change in how waste is processed.

Innovative new recycling solutions are needed to achieve landfill diversion targets, particularly from households in densely populated areas. Capital cities understand their unique issues and with support from the Federal Government can deliver the changes needed.

CCCLM seeks \$50 million for capital cities from the Recycling Modernisation Fund to expand waste processing options for organic waste and recyclables. This will provide the jump start needed to generate market creation opportunities that accelerate the nation's transition to a circular economy.

If Australia increased its recycling rate by 5% this would add an estimated \$1 billion to Australia's GDP.¹³

Adaptation and resilience

Key actions:

- **Federal Government establish an additional \$500 million urban resilience investment fund in collaboration with capital cities.**
- **Develop a nationally led and consistent climate risk framework and develop a transition plan to reduce the un-insurability of properties.**

The CCCLM supports increased climate adaptation and emergency preparedness action for cities, including mitigating risks to property, health and emergency services, as well as urban habitat restoration.

Capital cities have high value assets and are vulnerable to disasters. The scale and value of properties and land in cities at risk to climate related impacts is unfathomable. Cities need consistent and standard climate

¹³ CSIRO (2021) 'Circular economy roadmap for plastics, glass, paper and tyres', pg. 8 – website: <https://www.csiro.au/en/research/natural-environment/circular-economy>

risk forecasts to enable proper land use planning that reduces these risks to properties and removes people from harm's way.

Whole-of-city policies and plans are needed - underpinned with a nationally consistent framework and funding.

Economic modelling shows that the top two regions with the largest cost increases from 2020 to 2060 are the urban areas of Melbourne and Brisbane.¹⁴

Unless responsibly managed and mitigated, insurance will be un-fundable leading to cascading impacts to the banking sector (mortgage default), the insurance industry, and sovereign risk for state and federal governments.

Preparedness takes many forms and will require investing in infrastructure, subsidies for insurance, better building standards and land use planning, relocating people and buildings, better information about climate impacts and vulnerability, and working with Aboriginal and Torres Strait Islander people on nature-based climate adaptation and mitigation.

Resilience networks (for example Resilient Sydney) work closely with their communities to effectively identify and respond to acute and chronic shocks and stresses. Such networks should be considered as a conduit for funding and delivery of Federal Government resilience programs.

Current proposed Government funding is targeted at regional and rural areas. Whilst there is no argument that these areas are urgently in need, dedicated funding for capital cities is also required to deliver climate adaption and resilience for these major population centres and mitigate future costs.

Natural disasters currently cost the Australian economy \$38 billion per year, with this cost to increase to at least \$73 billion per year by 2060. The Productivity Commission estimates that currently 97% of all disaster funding is spent on recovery and clean-up while just 3% is spent on mitigation, preparedness and resilience.¹⁵

As the frequency and severity of natural disaster events increase, it is critical to identify opportunities to mitigate future costs through continued investment in disaster resilience and adaption.¹⁶

CCCLM welcomes the Federal Government's commitment to a Disaster Ready Fund that invests up to \$200 million per year on disaster prevention and resilience. CCCLM recommends that the Federal Government collaborate with local governments to ensure the investment is fairly distributed across urban, regional, and rural areas.

While the existing funding commitment is no doubt a step in the right direction, we believe further funding is required to ensure all local governments can appropriately improve their resilience.

That is why the CCCLM seek a further \$500 million urban resilience investment fund in collaboration with capital cities.

¹⁴ Deloitte Access Economics special report: update to the economic costs of natural disasters in Australia (2021): Building Australia's resilience to natural disasters | Deloitte Australia | Deloitte Access Economics report

¹⁵ National Recovery and Resilience Agency website: 97% of disaster funding is spent on recovery and just 3% is spent getting communities prepared | National Recovery and Resilience Agency

¹⁶ Deloitte Access Economics special report: update to the economic costs of natural disasters in Australia (2021): Building Australia's resilience to natural disasters | Deloitte Australia | Deloitte Access Economics report

Housing and Homelessness

Australia has a housing and homelessness crisis, and it is most severe in Australia's capital cities. Homelessness is concentrated in our capital cities, with the rate increasing significantly since 2001.

Almost two-thirds of people experiencing homelessness now take shelter in inner urban municipalities, either in severely crowded dwellings or sleeping rough on the street. Nearly half (47 per cent) of all people sleeping rough in Australia do so in capital cities. A high percentage of First Nations people are experiencing housing crisis or homelessness, which is significant when compared to the rest of the population.

Relying on emergency and crisis support services to meet the demands of people experiencing homelessness in cities is not sustainable. Investment in social and affordable housing will serve to reduce levels of homelessness, ensure key workers are able to afford to live in the city and prevent people from becoming homeless in the first place.

Capital city councils are responding to homelessness at the crisis point, however Federal and State/Territory governments have a role in addressing and preventing the increasing rates of homelessness in our capital cities.

The CCCLM is encouraged by the Federal Government's commitments in addressing the issues that contribute to housing affordability and homelessness. Solutions will require all levels of government working together with private industry and non-government organisations. Capital city councils have a role to play in addressing affordable housing and homelessness and would welcome continued engagement on these issues.

Key actions

The CCCLM is seeking:

- Increased investment in housing and homelessness services through a new National Housing and Homelessness Agreement.
- A national housing and homelessness strategy with clear targets informed by a 'housing first' approach.
- Increased and sustained investment in social and affordable housing and support services, including from the Federal Government.
- Resolution of inequities in national programs and policies that contribute to housing stress and homelessness.

Benefits - outcomes

The solution to homelessness is a home – by investing in social and affordable housing, combined with relevant support services will deliver well documented benefits for individuals, communities and our nation.

Further information

- 2022 – Submission to the Productivity Commission's National Housing and Homelessness Agreement Review¹⁷
- 2020 – Submission into the Federal Government Inquiry into homelessness in Australia¹⁸

¹⁷ <https://www.lordmayors.org/?p=1565>

¹⁸ <https://www.lordmayors.org/?p=1487>