



Greening the Built Environment

Introduction – What's this Policy all About?

This is the Property Council's policy on eco-efficiency.

It defines eco-efficiency and provides an action plan for greening the built environment in Australia.

Eco-efficiency and Sustainability

The Property Council champions eco-efficiency.

Eco-efficiency reduces the volume of environmental inputs and waste while increasing the productivity of assets. Environmental inputs include water, energy, waste management, and those factors that influence the indoor environmental quality (IEQ) of buildings.

Eco-efficiency is one element of a larger concept of sustainability.

Sustainability involves better managing community assets - economic, social, environmental and governance - to produce dividends that improve opportunities for all citizens. The aim is to achieve this goal without degrading the natural environment inherited from previous generations.

Potential Eco-Efficiency Dividends

Potential Environmental Returns
<ul style="list-style-type: none">• Lower energy use• Lower greenhouse emissions• Lower water use• Less pollution and contaminants• Less waste and greater recycling• Greater conservation of raw materials• Bio diversity• Less land degradation and more regeneration
Potential Social and Governance Returns
<ul style="list-style-type: none">• Better work and living environments• Greater natural amenity• Higher productivity and individual creativity• More efficient public sector management• Less regulation
Potential Economic Returns
<ul style="list-style-type: none">• Lower overheads and higher investment returns• Higher tenant retention• Higher rents and market values for property assets• Lower risks and insurance premiums• Better community relations• Higher occupant satisfaction and less staff churn• Higher productivity for occupants• Emissions credits to trade• Ethical investment opportunities• Broader investment base <p style="text-align: center;">Asset management and operations leverage</p>

The Property Council champions eco- efficiency...

Eco-efficiency is a key element of sustainability...

Eco-efficiency can deliver many types of dividend...

Barriers to Greening the Built Environment

There are many barriers to moving from a 'business as usual approach' to designing, building and operating greener buildings as a mainstream activity. Here are the big ones:

There are powerful barriers to going green ...

1. the green business case has not been conclusively proven and communicated – many investors are highly sceptical about the 'dividends' arising from green practices;
2. there are no simple financial incentives and leadership programs that help offset the cost of being green;
3. there is confusion about rival environmental rating tools and there is no accepted product labelling system;
4. many investors and their advisors are conservative and risk averse;
5. there is no mainstream commitment to going green by building occupants and users, or their advisors;
6. governments send confusing signals as policy-makers, regulators and occupants;
7. the commoditisation of the management process, which drives down skills, innovation and the quality of services; and,
8. the shallow base of professionals with skills and experience in eco-efficiency along with the absence of mainstream products.

Recommendations for Greening the Built Environment

Green leaders campaign...

1. Launch a high-profile green property leaders campaign – the *Green Star Partnership* - that:
 - makes the case for eco-efficiency
 - provides industry with the tools to change market behaviour;
 - promotes smarter regulation; and,
 - provides incentives and recognition for market leaders.

One set of green rating tools.....

2. Create a single suite of voluntary rating tools, which involves:
 - encouraging the adoption of Green Star as the nation's preferred rating tool suite – the Property Council will assess *each* Green Star tool before providing its specific endorsement of any individual tool in the suite;
 - extending Green Star to cover all building types, new and existing structures, fit-outs, base building and occupant use, subject to rigorous assessment of each tool;
 - reconciling Green Star and other voluntary rating tools;
 - reviewing and updating the AGBR rating suite as part of its ultimate incorporation into Green Star; and
 - reviewing and updating the NABERS suite of tools as part of its integration with Green Star

Use the Building Code of Australia to eliminate poor practices...

3. Building regulations should specify basic levels of eco-efficiency in buildings, which involves:
 - reviewing the Building Code of Australia (BCA) to develop a clearer set of performance requirements across all eco-efficiency categories (water, energy, environmental quality and waste etc);
 - the BCA to represent the maximum level of mandated building performance and provide a starting point for voluntary measures;
 - developing a transparent cost-benefit model that accurately tests the net dividend provided by the mandated eco-efficiency framework; and,
 - developing a model for all jurisdictions in relation to the regulation of eco efficiency for residential buildings within the planning system.

4. Introduce the following incentive schemes:

- increase amortisation allowances for buildings based on
-

Introduce simple incentive schemes for market leaders...

- their environmental rating;
- increase depreciation rates for buildings based on their environmental rating;
- state and local governments to offer planning bonuses, fast-tracked assessment and tax rebates for developments that achieve high environmental rating scores; and,
- continue to explore other forms of incentives.

5. Develop a market-friendly eco-efficiency toolbox – governments and business to develop a one-stop toolbox that contains the instruments for implementing leading eco-efficiency practices.

The toolbox would cover eco efficient design, commissioning and management for major building types across all eco-efficiency categories. It would include an extensive easy-to-use database of case studies.

The tool box should also specifically address the retrofitting of existing buildings.

Develop a green toolbox...

6. Validate the existence of green dividends:

- Government and business to commission research that demonstrates the circumstances in which the implementation of eco-efficiency measures produces green dividends along with evidence of the value of such dividends;
- As part of this project, the Property Council recommends the establishment of a database that captures the factual environmental performance profile of buildings.

Show that green dividends exist...

7. Encourage the inclusion of eco-efficiency parameters into voluntary industry quality standards for buildings.

Link eco-efficiency to building quality standards...

8. Establish a standard eco labelling system for building products, materials and systems.

Establish labeling systems...

9. Integrate eco-efficiency, planning and building regulation frameworks:

- governments should declare a simple set of overarching eco-efficiency goals;
- the plethora of existing local government policies should be replaced by a single set of rules;
- eco-efficiency measures and metropolitan planning strategies should seek to achieve the same goals;
- water, energy and transport planning and pricing should be consistent with governments' stated eco-efficiency goals.

Join up government policies on eco-efficiency...

10. Create a national emissions trading system:

- a. Governments and business to develop an economic-driven system for changing market behaviour that addresses emissions and other green assets, such as water;
- b. Any emissions trading system should extend to `diffuse emitters' such as property owners.

Get moving on emissions trading.....

11. Governments to lead by example:
- a. All governments to commit to a set of eco-efficiency targets for the space they own or occupy.
 - b. All jurisdictions to establish a timetable for meeting these targets, differentiating between new and existing space.
 - c. Develop a green lease on collaboration with the private sector, based on common sense and market realities.

Governments should lead by example....

12. Commit to an industry, occupant and capital markets awareness program. Government to fund a bold awareness program as part of the proposed Green Star Partnership program.

13. Commercialise renewable technology for the building sector. Increase funds to R&D programs focussed on renewable energies that can be commercialised for use by the built environment sector. The solar cities program provides a good example.
-

The Property Council is a leader in eco-efficiency...

What's the Property Council Doing About Eco-efficiency?

Here's a few of the things being done by the Property Council, along with a bit of history:

- we are directly involved in the solar cities bids for Adelaide and Newcastle;
- we are principal partners in Sustainability Victoria's COBE II which provides incentives to businesses;
- we helped establish and continue to support the Green Building Council;
- we helped launch the original SEDA (now ABGR) energy star rating system;
- we are leaders in the South Australian government's *Business of Sustainability* program;
- we are founding members of the Australian Sustainable Built Environment Council;
- we published *Sustainable Development Guide: a Roadmap for the Commercial Property Industry*;
- we published *The Design Dividend* and are working on a follow up;
- we publish monthly updates on green building trends in *Property Australia* and an annual green supplement;
- we developed Australia's first energy use targets and energy budget levels for buildings;
- we publish benchmarks on energy and building operating costs;
- we publish energy management guidelines;
- we participate in the *Your Building* project with CSIRO and CRC for CI;
- we included eco-efficiency in the new *Guide to Good Office Buildings* – the industry's voluntary building quality standard; and,
- we run PD courses and forums on sustainability

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CENTRE FOR
INTERNATIONAL
ECONOMICS

Sustainable Communities

A national plan of action

*Centre for International Economics
Canberra & Sydney*

June 2006

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The Centre for International Economics is a private economic consultancy operating out of Canberra and Sydney. It undertakes economic analysis for clients around the world.

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Summary

ADOPTION OF SEVEN PROPOSITIONS is necessary to support a National Action Plan for Sustainable Communities.

These propositions have been developed by the Sustainable Communities Roundtable. The roundtable brings together a diverse range of stakeholders including those involved in government, business, architecture, planning, environment, social justice and others.

The propositions reflect discussions held at the Sustainable Communities National Summit 2006, which was held in Canberra in April 2006, and builds on two key contributions cited in Appendix B.

The document presents the seven propositions. Each is stated in terms that are intended to guide the next steps, in language consistent with other national strategies. Some additional commentary is also provided as background to substantiate the points made and actions proposed.

The seven propositions are summarised below.

Proposition 1 – a shared vision. Australian governments, community groups, non-government organisations and business should form and adopt a vision regarding urban communities. It is proposed that they should seek *prosperous, fair and sustainable urban communities delivered by governments and their partners working together.*

Proposition 2 – defining outcomes. This proposition sets out what it is that is to be done. The proposed national action plan would direct action to obtain improvements in priority urban communities and address specific problems, issues and opportunities in those communities resulting in improvements in prosperity, quality of life, fairness, sustainability and partnerships. A wide range of indicators will be developed to assess the state-of-play, or current baseline performance, and how outcomes change over time.

Proposition 3 – principles and plans. The National Action Plan for Sustainable Communities would be defined in an agreement formed

between the different levels of government in Australia. An Intergovernmental Agreement (IGA) should specify the principles that would guide the overall strategy, set out how plans of action are to be developed for specific priority areas, establish milestones, and the management arrangements for implementation including the responsibilities of the parties to the agreement.

Proposition 4 – independent review and guidance. There is a need to ensure that actions stay true to the agreed vision and intended outcomes of the National Action Plan. This would be through a new institution. It is proposed that a Sustainable Communities Commission (SCC) would assess and accredit governments' plans and progress in implementing the National Action Plan, as well as assess the suitability of Urban Action Plans for accreditation and progress made against them. It would make independent recommendations regarding the provision of funds under various funding arrangements to be included within the National Action Plan. The Commission would also provide guidance through its team of technical experts within a secretariat and the provision of detailed reports and advice responding to references provided by governments (via COAG). The SCC would operate in a consultative and transparent way.

Proposition 5 – funding increased sustainability. A national sustainable communities fund would be established to assist the implementation of the national strategy, including the Urban Action Plans. Funds would be provided mainly by the Australian Government and would finance four categories or programs: capability payments; infrastructure projects of major significance; implementation payments; and structural adjustment payments.

Proposition 6 – information, governance and performance. Meeting information needs would be pivotal to the proposed National Action Plan for Sustainable Communities. A three tiered model of measures of sustainability will be developed and applied through the National Action Plan. This will include: headline national indicators of community building and sustainability; high level Urban Action Plan indicators (aggregating information about what specifically is being achieved in the priority communities viewed as a whole, linked to national indicators); and local Urban Action Plan indicators. These indicators should be developed at an initial state in the development of the plan through expert input.

Proposition 7 – sustainable regulation. There is a need to review the swathe of regulation that is applied by all levels of government and test its impact upon the sustainability of urban communities. Regulation that

detracts from sustainability should be removed or revised. Regulation that could advance progress towards sustainability should be strengthened.

1

A shared vision

THIS STRATEGY STARTS WITH A VISION. To know what to do, you have to know what you want to achieve. A lot is already known about what should be done at all levels of government to raise the sustainability of Australia's communities. What has been missing is a definitive statement about what all the parties to a national plan of action expect to achieve. This need is met with the proposition provided below.

Proposition 1

The Sustainable Communities Roundtable propose that relevant Australian governments, community groups, non-government organisations and business form and adopt a shared vision regarding urban communities. They should seek the following.

1.1 Prosperous, fair and sustainable urban communities delivered by governments and their partners working together.

Agreement about the need for change

The widespread nature of problems faced in urban communities is reflected in a large number of contributions to the public debate about economic, social, and environmental sustainability. Engineers Australia, for example, have produced many report cards of Australia's infrastructure that highlight shortfalls and areas of poor performance. Leading business organisations such as the Property Council of Australia, the Business Council of Australia, and CEDA to name only a few, have also documented deficiencies in infrastructure provision and their implications. The Planning Institute of Australia and other similar organisations have pointed out the need for a coordinated response to national challenges in urban and regional development.

The key elements of the agreement about the response are that:

- A national strategy is needed to improve the competitiveness, social cohesion and environmental management of Australia's cities and major urban areas. This will raise the sustainability of Australia's urban communities from which the nation as a whole will benefit.
- There is a joint responsibility for the development and implementation of the strategy involving local, state and national governments as well as the involvement of business and the community at large.
- The necessary investment and other actions must be guided by specific plans for specific places to meet specific needs.
- The strategy will involve raising the resources to invest in recapitalising communities. The Australian Government will use its financial resources to purchase outcomes of national significance through the states/territories and other parties. Payment will be contingent upon performance audited by an independent body. All of the governments involved in the strategy and its underlying agreements will be subject to review.
- The strategy should also raise the fairness, effectiveness and efficiency of resources already supporting communities by involving the community in key decisions, reviewing and integrating major public policy programs and using a more coordinated delivery approach.
- An independent expert body should assess consistency of the process and actions against the broad principles. Government parties to underlying agreements will be provided with a financial incentive to follow through with their agreed commitments that will be conditional upon this review.

Fundamentally the proposed strategy is about mobilising additional resources to invest in raising the sustainability of urban communities in Australia under a specific strategy. It also aims to ensure that the increment in investment obtains the best value from the resources invested and so complements investment actions with appropriate reforms. The strategy will not replace, duplicate, overlap or eliminate the normal process of good government throughout Australia. It intends to add to them.

Vision elements

It is expected that the precise form and language used to convey the vision that will guide the national strategy would be for leaders of governments to decide, drawing upon the ideas encapsulated in Proposition 1.

The basis for including key elements of the vision is discussed in the subsections that follow.

Working together

There is widespread agreement that a national strategy to invest in the sustainability of Australian communities is essential. This reflects awareness that there are major challenges that must be addressed and that to be effective the response must involve cooperation on a national scale.

Greater sustainability

Key aspirations are that urban communities would:

- *Have prosperity.* This is mentioned at the outset because material or economic wellbeing is a necessity, partly to pay for the other attributes of sustainability, but also as a desirable end in itself.
- *Be fair.* Social cohesion and stability relies upon people and the community feeling that outcomes are fair and that people have fair access to opportunities.
- *Be sustainable.* This is an overarching aspiration including prosperity and fairness, as well as environmental impacts and maintenance of ecological integrity.

Being ‘sustainable’ is a condition that is difficult to define. There are scientific challenges in determining what use of environmental, social or economic assets is genuinely sustainable. It may well take many years to achieve sustainability even if it was feasible to be definitive that communities had achieved it. In practice strategies and actions should focus upon becoming ‘more sustainable’. That is, they would adjust, reduce, or eliminate activities that are unsustainable.

Focusing upon urban communities

The vision in Proposition 1 relates to ‘urban communities’. The Australian government currently has a national framework to address regions of Australia through the next decade under the banner of *Stronger Regions, A Stronger Australia*. It also has a national strategy in place to address problems in 21 priority regions around Australia through the National Action Plan for Salinity and Water Quality building on the broader strategy for regions provided under the Natural Heritage Trust. All of these

activities are based on comprehensive plans agreed by multiple layers of government. All take a triple bottom line perspective and are well funded.

For these reasons it is proposed that the strategy discussed in this document focus upon the remaining category of regions – urban areas that house the majority of people in Australia, host the majority of economic activity and face significant environmental changes. That is, areas that include cities, towns and urban communities.

It is likely that the strategic planning and other policy frameworks that apply to regional, rural and urban communities would migrate to an integrated framework in the medium to longer term.

2

Defining outcomes

REINVESTMENT IN URBAN COMMUNITIES is needed to address specific problems, issues and opportunities in those communities. The National Action Plan for Sustainable Communities will build in the necessary flexibility to ensure that plans are tailored for specific communities rather than take a 'one size fits' all approach. As a result it is not practical or desirable to specify targets for priority regions. Instead the strategy is to specify the outcomes expected from the activities and investments to be made. These will form a template of measures against which progress will be assessed. This proposition sets out what will be measured.

Proposition 2

The Sustainable Communities Roundtable proposes that:

2.1 The National Action Plan for Sustainable Communities should direct action to obtain improvements in priority urban communities and address specific problems, issues and opportunities in those communities resulting in improvements in:

- Prosperity
- Quality of life
- Fairness
- Sustainability
- Partnerships.

2.2 Indicators should be developed to allow quantitative and qualitative assessment of the current or baseline state-of-play in communities and be useful for assessing change over time. As well as focusing on communities, indicators would be developed to track implications of changes brought about by the National Action Plan at the local, state and national level. These indicators should be aligned with the vision for the strategy and include the following:

a) Prosperity:

- Employment/jobs
- Productivity
- Gross Regional Product (GRP) and Gross Domestic Product (GDP)
- Competitiveness/economic efficiency

b) Quality of life indicators**c) Fairness**

- Health
- Affordable housing
- Access to 'hard' infrastructure services such as transport and utilities
- Access to 'soft' infrastructure such as education and health

d) Sustainability

- Ecological footprint
- Environmental quality
- Resource efficiency
- Climate change

e) Partnerships

- Regulatory and institutional reform
- Government/business/community leverage
- Consultation/collaboration
- Openness and accountability.

2.4. An IGA would outline the priority national headline indicators for attention under the review and performance monitoring arrangements in the agreement.

Agreed outcomes and performance

A key weakness of earlier Commonwealth Government interventions in urban policy issues was that it was difficult to assess what had been achieved (although there is evidence that the various programs did have beneficial impacts). Auditors of urban strategies (as well as other action plans in the area of environmental sustainability) have been critical of

situations where funding was provided without clear expectations of what was to be achieved. If the goals are vague it will naturally be difficult to collect evidence about what has been achieved.

A fundamental aspect of the proposed strategy for Sustainable Communities is that it will involve specific actions to achieve clear outputs and outcomes. This section reviews the threats and opportunities to be addressed and shows how this connects to measures of performance.

Threats to sustainability

Cities and urban areas depend upon a concentration of specific forms of capital. Typically investment over decades and centuries have amassed considerable productive assets that support intense levels of economic activity in cities. Cities are also defined in terms of social investments. For instance, in earlier times a key factor was the presence of a Cathedral. More recently cities are viewed as being places that offer access to comprehensive health care and education, public transport, museums, the arts and other services and facilities. From pre history to modern times most cities also depend upon access to an environmental asset of strategic significance such as a reliable source of clean water, a safe port, or a fiord in a river.

The capital base in Australian cities and urban communities face threats from many directions. These include:

- *Economic assets.* These need to be constantly upgraded to remain competitive against competition from other parts of Australia, cities in Australia's regions and intensifying global competition. There is compelling evidence from successive studies from within Australia and overseas about the link between private sector growth, economic productivity and public investment in infrastructure.
- *Social assets.* There are many gaps and bottlenecks in the delivery of public infrastructure assets. In other areas social assets are overused or subject to congestion. Shortfalls in investment result in social fragmentation, which can be reflected in inequality, increased criminal activity, poor community health and other poor outcomes.
- *Environmental assets.* Many environmental and ecological systems in cities are being eroded and placed at risk from overuse and exploitation. Erosion of these assets undermines the sustainability of economic and social assets and threatens the fundamental viability of a city. Global competitiveness depends increasingly on improving environmental assets, not simply maintaining them.

- *Governance.* Separation of roles and responsibilities between different levels of government in regard to cities results in duplication, overlap, cost shifting and gaps. Disjointed activities are increasingly ineffective and therefore expensive in areas characterised by an interconnected social, environmental and economic base. Making decisions about investments without involving communities brings significant risks.

The asset base and threats in each major urban community are likely to reflect the unique circumstances of that community. Naturally the actions that restore, maintain, and raise sustainability will also be unique. Specific actions are required for specific places. The main intent of the proposed National Action Plan is to determine the measures that are needed for each community.

While the actions or policy measures may differ from place to place, the broad measures of performance are largely similar. They relate to fundamental dimensions of performance expected by most communities. Specific categories of indicators have been proposed to measure performance and include the following.

- a) Prosperity:
 - Employment/jobs
 - Productivity
 - Gross Regional Product (GRP) and Gross Domestic Product (GDP)
 - Competitiveness/economic efficiency
- b) Quality of life indicators
- c) Fairness
 - Health
 - Affordable housing
 - Access to 'hard' infrastructure services such as transport and utilities
 - Access to 'soft' infrastructure such as education and health
- d) Sustainability
 - Ecological footprint
 - Environmental quality
 - Resource efficiency
 - Climate change
- e) Partnerships
 - Regulatory and institutional reform

- Government/business/community leverage
- Consultation/collaboration
- Openness and accountability.

Opportunities from raised sustainability

Lifting sustainability in urban communities will result in a substantial dividend. The expected economic gains are already well documented. A recent report foreshadowed that improved infrastructure provision and regulation throughout Australia could raise GDP by around 2 per cent or around \$16 billion per annum.¹ A further more detailed economic analysis found that failing to contain the problem of traffic congestion on Sydney's roads has a value today of around \$11 billion. More importantly, it was also found that addressing such problems in Sydney would bring benefits for that city as well as surrounding communities such as the Hunter and Illawarra regions and would produce net gains that would be felt across Australia.²

Enhancing social and environmental outcomes within an overall framework concentrating upon sustainability will deliver improvements at lower cost and intercept fundamental threats that would otherwise become very costly.

A lesson learned from the success of the National Competition Policy (NCP) is that while there are sometimes significant transitional costs in regulatory reform, the overall impact is beneficial. Looking back, the benefits have been consistently found to be several times larger than the costs. Given the breadth of the proposed National Action Plan and its magnitude, it is to be expected that the productivity dividend would be as large as the gain from NCP, if not larger.

It is proposed that the strategy should build in arrangements to measure the dividend from raised sustainability. This should be viewed as a normal part of performance accountability. A range of approaches should be employed, which are listed below:

- Growth accounting – isolating gains from a National Action Plan once all the benefits from factors such as increases in capital and labour have been taken into account.

¹ Port Jackson Partners, 2005.

² Centre for International Economics, 2005, *Sydney's Transport Infrastructure: The Real Economics*, prepared for the Sydney Morning Herald, The CIE, Sydney.

- Industry indicators – partial indicators of changed performance in key sectors of activity (energy, water, transport etc) should be tracked and reported. This would show how the National Action Plan results in lower prices for services or increased supply of services that were previously facing shortages.
- Government and infrastructure services performance – expected outcomes of the proposed National Action Plan is to raise investment in high priority activities and to raise the sustainability of activities in general. Among other things this should raise the performance of the delivery of government as well as infrastructure services. The performance of governments in the provision of mainstream services is measured each year in the *Report on Government Services* published by the Productivity Commission. The NSW Government has produced a report regarding the performance of Government Business Enterprises (GBEs) covering many public infrastructure services, but the value of these have fallen considerably with the privatisation and corporatisation of many of these services. It would be beneficial to obtain improved data about infrastructure services in general, no matter what their ownership status was, as a means of assessing performance in the area and the National Action Plan.
- Broader measures – some aspects of the proposed strategy have the effect of raising outputs that are not priced in the market and, therefore, would not appear as gains in traditional economic accounts. It would be valuable to develop a series of indicators that reveal impacts in such areas and seek to account for the change that is attributable to the National Action Plan.
- Area impacts – there is a need to develop indicators of performance at the area level.
- Social and environmental indicators – identifying the dividend here could relate to developing measures to show how the cost of improved performance in these areas under the National Action Plan differs from other measures. It may be feasible, for example, to compare changed performance in greenhouse gas emissions through better planning arrangements with reductions able to be achieved through investments in new technology.

3

Principles and plans

TRANSLATING THE AGREED VISION INTO OUTCOMES requires a process. This proposition sets out the broad elements of the National Action Plan process. It maps the linkages between elements and activities. Subsequent propositions address the key elements in more depth.

Proposition 3

The Sustainable Communities Roundtable proposes that:

3.1 Reflecting the findings of recent inquiries and studies, State Governments, relevant local governments or their representative bodies and the Australian Government should adopt a National Action Plan for Sustainable Communities guided by an agreed vision.

3.2 The National Action Plan for Sustainable Communities should be defined in an agreement that would establish key elements such as:

- **outcomes to be achieved**
- **agreed principles**
- **roles and responsibilities of the parties to the agreement**
- **a Sustainable Communities Commission (SCC)**
- **a Sustainable Communities Fund (SCF)**
- **eligible categories for investment under the SCF**
- **eligible participants in programs of the SCF**
- **funding arrangements**
- **investment rules and criteria**
- **a process of legislation and regulation review**
- **timing and milestones**
- **monitoring, reporting, evaluation and review arrangements.**

3.3 Urban Action Plans should be developed under the National Action Plan that specify local deliverables, milestones, a program of investments and the management arrangements for implementation consistent with the principles and outcomes of the agreement. The National Action Plan would include provisions for preparing Urban Action Plans in the funding arrangements.

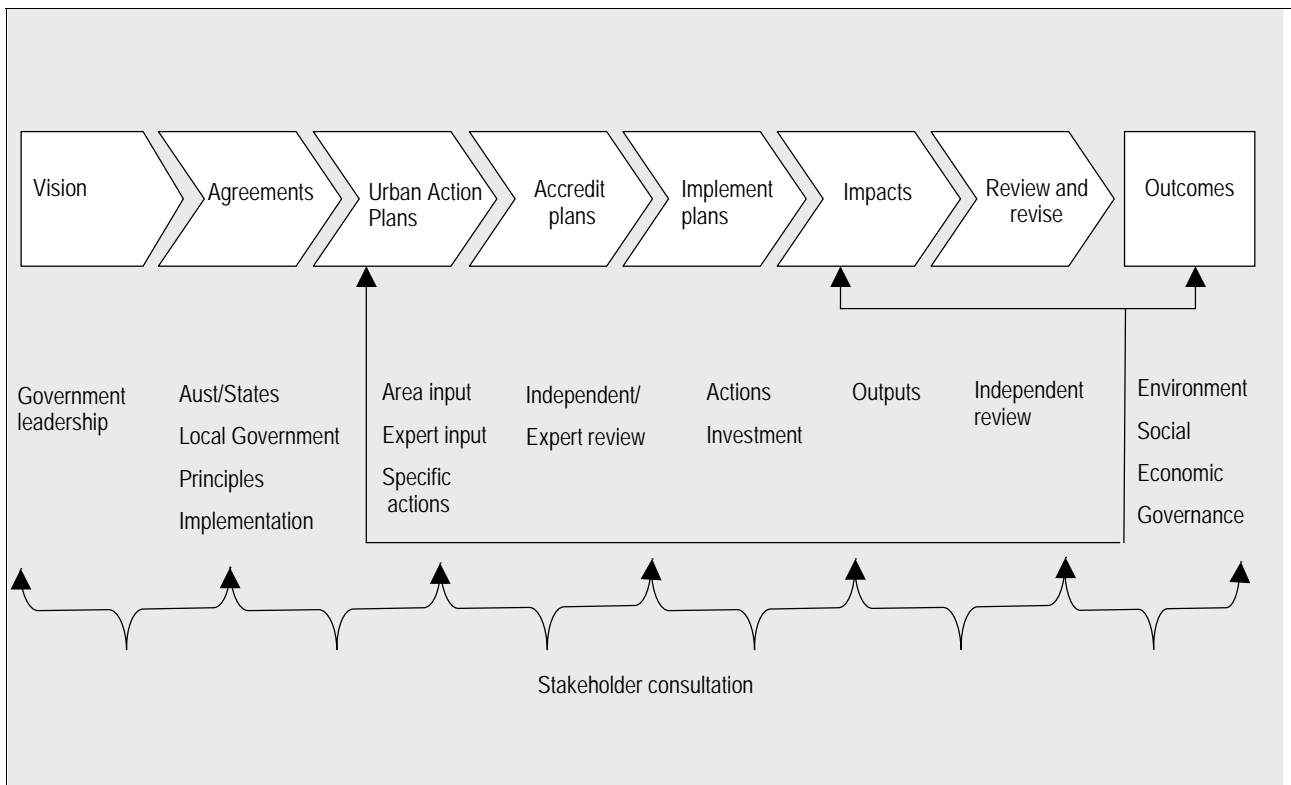
3.4 The process of developing and implementing the National Action Plan for Sustainable Communities should be based upon consultation and inclusive decision-making. In particular Urban Action Plans should be required to draw upon input from government, business and community interests.

Mapping the process

A map of the process proposed for the proposed National Action Plan for Sustainable Communities is set out in chart 3.1.

The vision for the strategy would be influential in shaping an agreement between the Australian Government, State and Territory Governments and

3.1 High level process overview



relevant Local Government bodies framed within the Council of Australian Governments (COAG).

Regional bodies, state/territory governments and the Australian Government would work together to develop an urban action plan for each area.

The Urban Action Plans would detail activities necessary to address the environmental, social, and economic issues identified in an urban community. Urban Action Plans set out targets for performance and the means to achieve those targets. They are shaped and agreed by Governments and the community and define the goals and contributions of all of the parties.

There would be an iterative process of feedback and advice from all levels of Government and specialist advisory bodies leading up to accreditation of each urban action plan by decision-makers.

The parties to the IGA and the agreed Urban Action Plans should then undertake the actions set out in the accredited area plans.

An independent body would periodically assess progress against the Urban Action Plans. Based on this feedback, plans are revised. Recommendations about the appropriate level of payments from the Australian Government to the States and Territories would also rely upon this review process.

Consultation, feedback and negotiation between regional bodies and key stakeholders would be a crucial part of many key steps in the process and a feature of the process at large. Key stakeholders include communities, indigenous people, academic/scientific communities, environmental groups, industry, local governments and state/territory and Commonwealth agencies.

Rather than attempt to specify everything that needed to be done from the outset in the IGA and Urban Action Plans, it may be helpful to bring about change over a number of stages.

More details about key elements of the process are provided in the remainder of this and other propositions.

Principles to guide decision making

The principles that guide the proposed National Action Plan should be defined by the leaders in a Sustainable Communities Intergovernmental Agreement (IGA).

Naturally the principles to be agreed by the leaders would reflect their discussions. Principles that are suggested as a starting point are provided below.³

- a) *Subsidiarity* – provides for decision making at the lowest appropriate level.
- b) *Integration* – many of the characteristic problems of urban areas are multidimensional and can be traced to a lack of integration amongst public sector activities, between different levels of government and between various policy sectors. Basically this principle requires a genuine whole of government perspective.
- c) *Partnership* – this is needed because complex urban problems cannot be solved by single government bodies or agencies alone. It is important to involve citizens, the private sector and community interests at the local level if aspirations are to be crystallised and realised.
- d) *Environmental sustainability* – involves a precautionary approach and the efficient use of natural resources and minimising waste and pollution. Actions and policies have to be reconciled with their implications for environmental systems. Actions and policies should look to enhancing or preserving environmental assets. Managing areas where human communities live and work should also take into account the context of the wider bio-region.
- e) *Equity* – actions and policies taken in communities must be designed to promote equity, equal opportunity and equality of access. Arrangements have to be fair.

³ See The Allen Consulting Group 2002, *Recapitalising Australia's Cities: A Strategy in the National Interest*, a report to the Property Council of Australia. See also European Commission 1998, *Sustainable Urban Development in The European Union: A Framework For Action*, Communication from the Commission, To the Council, the European Parliament, and the Economic and Social Committee and the Committee of the Regions and OECD 2001, *Cities For Citizens: Improving Metropolitan Governance*, OECD, Paris.

- f) *Economic efficiency* – this reflects the imperative to strengthen the economic potential of communities. This principle also recognises that intervention is often required because of market failures.
- g) *Spatial implications* – because the spatial dimension has been underplayed for so long in Australia it is important there is a specific principle included when framing an Australian approach. This would oblige the consideration of actions and policies to take account of the specific urban context. This would be helpful in ensuring that strategy development did not fall into the trap of attempting to merely make standard policies ‘urban’ friendly.
- h) *Accountability and transparency* – there needs to be accountability at two levels (at least): for the process, which has to be open, transparent, fair and consistent with high standards of probity; and for the outcomes of actions, which have to be efficiently and effectively delivered. It is insufficient to only hold decision-makers accountable for inputs, which is a more traditional model of accountability.
- i) *Evidence based* – interventions and investments should be based upon objective analysis and evidence. Where evidence is limited specific expert input should be obtained. In line with other principles, especially accountability, the evidence should be treated transparently and be accessible to those that are likely to feel the impacts that flow from decisions.
- j) *Public/Private neutrality* – given that private investment accounts for the majority of the stock of capital already invested and is making up an increasing share of future capital investment, it is vital that elements of a national strategy that deals with substantive investment should also include private investment. In addition, there should not be a bias toward public entities merely on the supposition that they will be more sustainable.

The national strategy must involve:

- the application of agreed principles to raise sustainability based on expert insight and the values and insight of people within the communities targeted in the strategy;
- formulation of agreed plans, targets, actions and investment plans with clear milestones for specific areas that are consistent with the agreed principles;

- the establishment of an independent review process to assess the consistency of plans against the principles and the performance of actions against targets;
- increased investment drawing upon Australian government funding, state government funding and funding leveraged from other sources directed according to Urban Action Plans and the agreed principles; and
- measures consistent with the agreed principles to raise the effectiveness of existing activities or activities that are currently planned.

National agreement to set directions

The highest level agreement for the proposed National Action Plan for Sustainable Communities should be formed between the Australian Government, the state and territory governments and a representative body for local government. While the content would be the subject of negotiations between the parties, it is helpful to set out what it is likely to contain. Key elements likely to be included are listed below.

- Preamble – including comments on context and broad objectives
- Outcomes to be achieved
- Agreed principles
- Roles and responsibilities of the parties to the agreement
- Delivery mechanism
- Establishment of a Sustainable Communities Commission (SCC)
- Establishment of a Sustainable Communities Fund (SCF)
- Eligible categories for investment under the SCF
- Eligible participants in programs of the SCF
- Funding arrangements including for preparing Urban Action Plans
- Investment rules and criteria
- Source of funds
- Process of legislation and regulation review
- Benchmarking data requirements
- Specification of priority communities
- Area planning framework and obligations
- Capacity building

- Community partnerships and consultation
- Implementation plan or schedule
- Detailed specification of implementation with the allocation of specific roles and times for completion/milestones (normally a schedule to the agreement)
- Development of strategy wide performance indicators
- Monitoring, reporting, evaluation and review arrangements.

This outline follows the broad form taken in recent agreements established between the Australian Government and other levels of government. More detail about these agreement elements and the actions they are intended to help bring about is provided when reviewing the other propositions set out in this document.

Urban Plans to direct action in areas

Urban Action Plans should be developed for specific areas or communities identified as being priority areas under the National Action Plan. In line with the vision of the strategy it is expected that the focus would be upon areas that:

- currently house a significant proportion of Australia's population and/or face pressures to raise population density;
- accommodate a significant proportion of national economic activity and employment across a diverse and complex mix of industry activity or have the potential to do so;
- where failure to address global, national and regional competition would involve a transition of national significance;
- currently face, or are likely to face, significant challenges due to ongoing or emerging structural change (such as the consolidation of categories of industry or demographic change);
- rely upon or need to rely upon investment in social, environmental or economic capital now or over the coming years, including where action could be taken to mitigate against developing disadvantage;
- have the potential to impose significant impacts upon the natural environment; and
- could serve to demonstrate best or good practice, or set high benchmarks, in regard to the application of the principles that underpin the strategy.

Priority areas will normally be areas that are predominantly urban in character, including capital cities, major cities, cities, and some urban centres. The actual boundaries for the Urban Action Plans and subsequent investments will have to be developed in consultation with the parties to the Sustainable Communities IGA. For convenience, it is expected that the priority areas would generally involve the use of existing Local Government Areas (LGAs) or conventional aggregations of LGAs (such as the Regional Organisations of Councils.⁴)

It may be helpful to take a staged approach in identifying and including priority areas for inclusion in the National Action Plan.

The Urban Action Plans should draw upon arrangements to integrate the activities of all levels of government, business and the community at large that are already in place in Australia. Following the lead of the now established National Action Plan for Salinity and Water Quality it is suggested that Urban Action Plans should be:

- focused upon activities, or investments, in social, environmental or economic capital that are in line with the strategy principles;
- based on a 'whole of area' approach drawing together input from the Australian Government, the relevant State or Territory Government, local government as well as business and the community at large;
- be developed by an organised regional or area wide body representing the local community that is able to be accountable for expenditure of public money;
- specify targets for outputs in an area that contributes towards agreed principles and objectives, based on expert input and evidence;
- involve accountability for the process of developing the plan as well as the implementation of the plan; and
- based on meeting a firm timetable that all parties agree to.

The objective is not to replace or duplicate existing planning processes developed and employed by state and territory governments and by local government. The Urban Action Plans are intended as a means of facilitating a specific program of additional activities and investments designed to raise the sustainability of high priority areas where there are national interests at stake. They aim to supplement, integrate and coordinate action rather than interfere with the normal processes of good government in those areas.

⁴ See <http://www.alga.asn.au/links/regionalOrgs.php#a1> for an outline of the nature and role of ROCs.

Following area plans that work

The development and implementation of Urban Action Plans as a key element of the proposed National Action Plan for Sustainable Communities follows a model of regional planning already adopted by the Australian Government. Typically these plans relate to addressing issues regarding coordinated action to combat threats to sustainability. Box 3.2 sets out some background regarding one example.

The overall point is that the policy mechanics of a cooperative approach integrating the activities of three levels of government as well as the investment activities of business and the community at large are already well established.

3.2 Regional plans that are in place

The development of regional plans are a centrepiece of The Natural Heritage Trust and National Action Plan for Salinity and Water Quality. They form the basis for directing regional investment removing the need for individual project plans or applications in order to access different types of Government funding. A summary of their operation drawing on material published on the NHT website is provided below.

Regional bodies, state/territory governments and the Commonwealth work together to develop an integrated natural resource management plan for each region.

There is an iterative process of feedback and advice from all levels of Government and specialist advisory bodies leading up to accreditation by Commonwealth and state or territory ministers.

Consultation, feedback and negotiation between regional bodies and key stakeholders is a crucial part of developing the plan and a crucial part of bilateral agreement conditions (see below). Key stakeholders include communities, indigenous people, academic/scientific communities, environmental groups, industry, local governments and state/territory and Commonwealth agencies.

Regional plans set out the means for identifying and achieving the region's natural resource management targets. They are agreed by Government and the community and, together with investment strategies for implementing the plan, define the goals and contributions that all parties will undertake.

Regional plans detail catchment-wide activities addressing a range of natural resource management issues including land and water management, biodiversity and agricultural practices.

(continued on next page)

3.2 Regional plans that are in place (continued)

Regional plans should be:

- based on a 'whole of region' approach and address significant natural resource management issues incorporating environmental, social and economic aspects;
- developed by an organised 'catchment' or 'regional body' representing the local community and are accountable for expenditure of public money;
- based on meeting agreed targets and outcomes that reflect good science; and
- based on meeting a firm timetable all parties agree to.'

Source: <http://www.nrm.gov.au/about-regions/index.html#plans>.

Timelines and review

A broad outline of the proposed timeframe for the strategy is summarised below:

<u>Milestone</u>	<u>time from today</u>
Agreement to vision	immediate
Draft IGA	+6 months
Agreement to IGA	+1 year
Submit Urban Action Plans for accreditation	+2 years
Accredit/revise area plans	+2 years and 6 months
1st tranche of sustainable community reviews	+3 years
1st performance review	+4 years
Changes in IGA/ Area plans	+4 1/2 years
2nd tranche of sustainable community reviews	+4 years
3rd and subsequent tranches of review	++ annually
other activities	various
2nd performance review	+7 years
other activities	various
3rd performance review (completion)	+10 years

It is proposed that there would be many cycles of review within the strategy. At the highest level the IGA should incorporate a performance review after three years of operation. The IGA (and the linked area plans) may need to be revised based on the findings of this review. Two other reviews are suggested, including the final review in ten years.

There are also reviews of different tranches of the regulation that would be reviewed against the needs of Sustainable Communities (see the details of Proposition 6). Each tranche forms a bundle of regulation scheduled for review. Reviews should be spread out in time so that there is a review completed in most years of the period when the National Action Plan applies. Because it takes some time to commence there may be a some years at the beginning of the National Action Plan period when no reviews fall due. Spreading the reviews out over time will mean that the parties to the agreement can spread out the effort needed to implement change and receive payments evenly over time rather than through large 'lumpy' payments at the end of the National Action Plan period.

Many other aspects of the strategy should be subject to review and revision reflecting the aim to make the process accountable and transparent and to link funding to performance. Other arrangements could be factored in to detailed timeframes to be agreed.

4

Independent review and guidance

INDEPENDENT REVIEW AND GUIDANCE ARE KEY ASPECTS of the proposed National Action Plan for Sustainable Communities. These aspects are vital to ensure that a process which could take many years stays true to the shared vision. Effective accountability is not merely about probity. It is also about improving performance. It involves intercepting issues before they become a problem and providing useful guidance about better approaches. This proposition sets out the nature and role of an institution that would be charged with the responsibility to guide, assess and report on progress made in the National Action Plan for Sustainable Communities.

Proposition 4

The Sustainable Communities Roundtable proposes that:

4.1 The Sustainable Communities Commission (SCC) should be established under the Sustainable Communities IGA consisting of three independent commissioners (including a full time chair) with senior experience in business, community and government.

4.2 The functions of the SCC would include:

- **Independent assessment of:**
 - **governments' plans for accreditation and progress in implementing the National Action Plan for Sustainable Communities, especially obligations established under the Sustainable Communities IGA and to make recommendations regarding payments;**
 - **Urban Action Plans to determine if they are suitable for accreditation; and**
 - **progress made against the Urban Action plans.**

- definition of frameworks for data collection and processing with activities to be outsourced to appropriate existing government agencies;
- making independent recommendations regarding provision of funds under programs of the Sustainable Communities Fund;
- making independent reports to COAG regarding the status of implementation and future development of the inter-governmental agreement;
- technical capability building - it would provide guidance about obtaining technical expertise for the formation and implementation of Urban Action plans; and
- an ancillary role is to provide community education and communication covering the implementation of the National Action Plan for Sustainable Communities.

4.3 Guidance and review arrangements - the strategy will be founded upon working co-operatively to raise capabilities, guide activities and transparently and independently assessing performance against agreed outcomes at many levels.

An independent commission

The SCC would not set policy or reform agendas regarding sustainable urban communities or implement reforms. These matters are the responsibility of governments.

Although the Australian Government would fund the SCC, it would be accountable to all Australian states and territories and the Australian Local Government Association (ALGA) through the Council of Australian Governments (COAG). As a federal body it would provide an account of its performance annually to COAG in a report conveyed through the Treasurer. As a statutory body, the Council is independent of the executive (political) arm of governments.

A board of Commissioners would govern the SCC. In recognition of the partnership approach the Australian, state and territory governments that were parties to the Sustainable Communities IGA would appoint three Commissioners (including the Chair). Commissioners would generally be on a part time appointment, although the Chair of the Commission would be a full time role. Commissioners would be appointed for a three-year term.

The SCC would be supported by a Secretariat that was capable of meeting the substantial analytical responsibilities of the SCC. Staff would be employees of the Commission (rather than being Commonwealth public servants). It is expected that many would be seconded from all three levels of government in Australia while others would be employed to incorporate expertise in the fields of planning, economics, environmental science, social sciences, and many other disciplines.

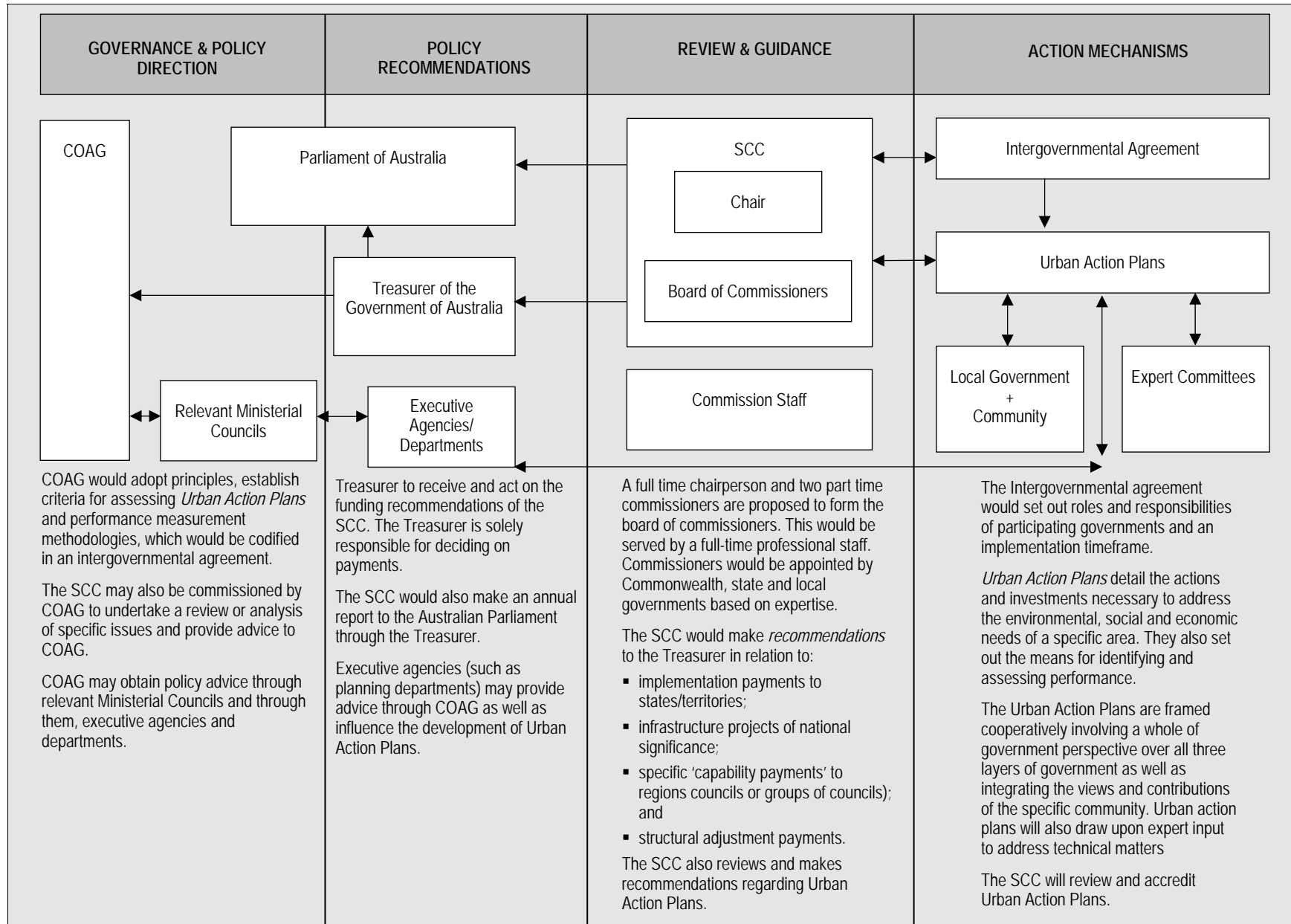
A map of the Commission, its role and interaction with other elements of the process in forming, guiding and implementing the National Action Plan for Sustainable Communities is set out in the diagram on the next page.

Consultation and transparency

To fulfil the principles of the proposed IGA and advance towards the agreed vision it is important that the SCC would incorporate public consultation into many stages of its activities. This would include the following:

- *Plan Development* – community consultation would be a mandatory element in the development of Urban Action Plans and the plans would be assessed by the SCC to ensure that appropriate consultation has occurred and views have been taken into account.
- *Performance* – the SCC's evaluation of the performance of the parties to the IGA and review of performance under the Urban Action Plans and other reports provided by the SCC would be tabled in the Parliament of the Commonwealth of Australia. These reports would also be made widely available to enable scrutiny by the public.
- *Publishing* – publishing other reports and documents produced and received by the SCC would also raise the capacity for broad based community involvement in this element of the National Action Plan.

4.1 A model for capitalising sustainable communities



COAG references

The SCC would provide advice to COAG on issues regarding the sustainability of communities when it receives a reference from COAG to do so. This capability should be used from the outset. Key start up projects would include the following:

- *Infrastructure review* – the SCC would be commissioned to undertake an analysis of the condition of the nation’s infrastructure and anticipated infrastructure needs, identify gaps and shortfalls and provide a framework for assessing priorities when filling identified gaps. The review would span environmental, social as well as economic infrastructure.
- *Best practice principles in infrastructure and management* – this would be a manual or set of guidelines that shows how the principles adopted for the National Action Plan for Sustainable Communities can be applied in practical situations, especially in the implementation of the Sustainable Communities IGA and the development and application of investment in infrastructure under the area plans.

More projects may be added, but it is unlikely that a new organisation could digest many given the likely scale of those proposed above and the other challenges involved in establishing this Commission.

5

Funding increased sustainability

A NATIONAL SUSTAINABLE COMMUNITIES FUND would be established to assist the implementation of the national strategy. Proposition 5 reviews the nature and structure of the proposed funding arrangements.

Proposition 5

The Sustainable Communities Roundtable proposes that:

5.1 A national sustainable communities fund be established to assist the implementation of the national strategy, including Urban Action Plans.

5.2 The Australian Government should provide most of the direct funding sourced from government.

5.3 The fund should finance four categories of ‘program’ on a contributory basis (ie. other parties would also bear financial responsibility for projects):

- capability payments to prepare Urban Action Plans and develop the capacity to implement them;
- infrastructure projects of major significance that would contribute to the principles and objectives of the National Action Plan (these could be financed through Commonwealth or other authorities’ bonds in recognition of the projects’ returns on investments over time);
- implementation payments to parties to the IGA in recognition of the demonstrated contribution to performance of agreed actions (these payments could be issued partly in advance and as progress payments against agreed milestones); and
- structural adjustment payments to assist communities (including industry) to take substantive steps towards sustainability and offset dislocation and transition costs.

Implementation payments

It is proposed that these payments would follow the structure applied to National Competition Policy Payments that formed part of the NCP. The amount of incentive payments would be agreed in advance as part of the IGA. The amounts would be adjusted according to the recommendations of the SCC. The Treasurer of the Australian Government would make the final decision about payments.

Funding would be dispersed in 'tranches' relating to the achievement of bundles of activities established in the IGA (many of which would relate to the implementation of Urban Action Plan activities). That is, funding is provided 'in arrears' or after performance. Given the cascading nature of measures to implement plans and the timing of reviews it is likely that the parties to the IAG would receive payments in most years of the National Action Plan (that is, payments would effectively be made annually).

Funds provided under this program would be untied. That is, the money can be spent according to the priorities of the state and territory government or local government recipient. The funds would appear in the Australian Government's budget as a particular form of specific purpose payment. Payments to local governments would be on a direct 'payment to' local government basis.⁵

A distinctive feature of the Sustainable Communities IGA is that the Australian Government would bind itself to certain obligations under the agreement. To apply an equal incentive binding future governments over the medium to longer term required in the Sustainable Communities IGA, the Australian Government should also be part of the incentive mechanism.

It is proposed that the Australian Government would make the payments under this program. As noted above, funds would be dispersed depending upon performance. This may mean that the Australian Government would make a payment to be held in a trust fund, and obtain only a part of an expected payment if there was a shortfall in performance. It may be appropriate for the Australian Government to delegate the Treasurer's normal role under the Fund to a Committee of State Treasurers from states that were party to the IGA in regard to the Australian Government's payments.

⁵ That is, they would not be made through state governments removing some of the potential problems from cost shifting.

Infrastructure projects of significance

This fund element or program would aim to contribute towards major capital expenditure projects that also contributed towards the achievement of agreed outcomes for community sustainability established in an Urban Action Plan area. This element would essentially purchase facets of an investment that were in the national interest or close gaps in viability that prevent an investment in the national interest from progressing.

Funding under this program would be provided as grants to project proponents. This does not have to be a public sector body. The focus is upon the nature of the investment being made and the benefits it would bring. Funds provided under this program would be tied to the specific infrastructure service investment being made.

It is expected that this program would be involved in a range of activities including those listed below:

- facilitation of major sustainable transport infrastructure provision or improvements;
- facilitation of more equitable access to high quality communications technology facilities, such as true broadband access to the internet;
- investments that raise access to sustainable water resources for use in priority areas that would not otherwise be viable (taking into account other national initiatives in the water area);
- national sustainability initiatives in areas or that span regions;
- demonstration of investment in social or environmental capital of significance; and
- other activities.

There would be a limit upon the proportion of capital expenditure costs that would be funded in this way. Limits may be differentiated so that, for example, projects that deliver social or environmental impacts of significance (but are otherwise less commercial) may obtain a higher level of support.

While the Australian Government would administer the program, the SCC would play a key role in conducting the evaluation of the national interest aspects of projects that were proposed by investors. It is likely that the SCC would have regard to its own work assessing infrastructure gaps and priorities when conducting its evaluation of projects.

Payments under this program may interact with other government programs intended to facilitate investment in major infrastructure activities. Investment in major transport projects under the National Action Plan, for example, may well intersect with activities supported through the AusLink, the Australian Government's policy for improved planning and accelerated development of Australia's land transport infrastructure. Naturally the intent is to facilitate improved and more cohesive decision-making and greater investment, not duplicate costs or processes.

Capability payments

Funds under this program would be provided to particular cities/communities. This would be to provide:

- block funding for communities regarding Urban Action Plans relating to actions identified in those Urban Action Plans on the basis of clear investment principles directed towards the intended outcomes of the National Action Plan;
- for the establishment of a foundation to communities for developing or refining Urban Action Plans; and
- contributions to mechanisms established in each area into which Australian Government and matching state contributions and area/regionally sourced investment contributions are paid, where activities are in line with criteria established under the National Action Plan and set out within accredited Urban Action Plans.

The Australian Government would administer this element of the Fund. The Treasurer would be involved in determining value for money. It is likely that funds would be paid as Specific Purpose Payments direct to local government. That is, these payments would be 'tied'. Payment would be conditional upon the revenue being used for purposes identified in an agreed area plan.

Structural adjustment

Raising sustainability will involve change. The application of the strategy principles will be progressive and beneficial for most areas.

In some areas, however, making substantive steps towards sustainability will dislocate elements of an area's industry and community. In some cases, implementation of an action plan may imply the contraction of an industry that previously relied upon unsustainable environmental resource use. In

some cases this may flow through as a shock to the viability of a community that may be already under stress.

Some regions may face dislocation costs sooner than they obtain the benefits from moving to sustainability. It would be desirable to mitigate the impact of such transitional difficulties.

The structural adjustment element of the Sustainable Communities Fund would aim to facilitate and accelerate change and reduce the transition costs arising from change in communities where needs arise from the implementation of the National Action Plan for Sustainable Communities.

It would focus upon providing assistance where:

- there is verifiable evidence of costs or expected costs arising from structural change;
- intervention is expected to accelerate adoption of more durable outcomes that are more sustainable and consistent with an area plan;
- it is necessary to provide relief from the costs of structural change, but only where such relief is expected to be temporary; and
- a partnership, (pooling resources between private investors and community representatives – with at least 50 per cent of funding being committed from non-Commonwealth Government sources), for a specific plan of action that is consistent with the urban action plan has been formed.

It is expected that the verifiable evidence of the need for intervention would include factors such as:

- high level of industry dislocation;
- employment dislocation;
- social dislocation;
- a previous high level of resource dependence that would be denied under an urban action plan or some other aspect of the strategy; and
- community needs, that is, conditions where a community was already at risk, undergoing significant change, or was particularly needy.

Structural Adjustment payments would be administered by the Australian Government. They would be included in the Australian Government's budget as an expense. Guidance about disbursement of funds in an area that is to receive a structural adjustment package will be guided by an advisory committee formed for this specific purpose. The advisory committee will be comprised of local community representatives (for

example, leaders in local government) and leaders in industry. Criteria that they will apply to assess projects to provide assistance from within their structural assistance budget would be in line with the focus of the fund element (listed above).

Agreements for the provision of funds would be formalised and state the expected outcomes. Fund recipients would be responsible for complying with it. Partners would be advised that non-compliance to the agreement may result in legal intervention.

A performance review process would be initiated in this element of the fund from its outset. Payments to fund partners would include a component part that was conditional upon the results of the review.

Tapping a wide range of funding sources

It is expected that the National Action Plan for Sustainable Communities would mobilise several billions of dollars for investment.

Tapping into a wide range of funding sources would spread the burden evenly and encourage genuine cooperation between different parties including different levels of government and the community.

Key aspects of the strategy would be to:

- obtain significant funds from the Australian Government drawing upon its sound fiscal management, existing revenue raising powers, and ability to mobilise funds at low cost (including, for example, through issuing bonds);
- reinvest a portion of major asset sales currently in process or under consideration through the National Action Plan;
- reduce expenditure and revenue expenditures (that is, tax advantages) upon environmentally damaging activities (reflecting, among other things, reviews of various pieces of tax legislation);
- remove barriers to the restructuring of public sector balance sheets to reduce ownership of assets where there is little advantage in continued public ownership in exchange for assets where public intervention adds considerable value, or where the public sector is the only practicable source of necessary investment;
- remove artificial constraints upon the use of public sector debt for genuine investment in environmental, social and economic assets (providing a licence for lower levels of government to use lower cost

financing instruments such as bonds where this is consistent with the National Action Plan);

- obtain co-investment contributions in some areas (for example, structural adjustment activities);
- leverage from private investment (or investment from infrastructure service providers in general, including potentially public sector owners and operators) through the proposed Infrastructure Projects of Significance element of the Sustainable Communities Fund;
- require specific consideration of PPPs to deliver investment activity within Urban Action Plans while reducing the costs of using this approach and the sometimes hidden distortions that have become associated with it;
- identify where the proposed legislative review processes result in the relocation or redirection of existing funds, or funds that would have been spent on less sustainable activities; and
- identify the productivity dividend that will arise from genuine, well targeted investment.

Some of these sources of funds would be included directly as transactions within public sector budgets. In some cases, such as the productivity dividend, it is notable that following national and international standards for public sector accounts growth 'offsets' are not always factored in a direct way. They could, however, be factored in as parameters that underpin budget forecasts such as in forecasts of GDP/Gross Regional Product, benefit payments and other expenses that are linked to the state of the economy.

6

Information, governance and performance

MEETING INFORMATION NEEDS WILL BE PIVOTAL to the National Action Plan for Sustainable Communities. The application of many of the guiding principles of the plan turns upon the availability and use of information. Inclusive decision-making and subsidiarity in particular depends upon having access to information. This proposition identifies the kinds of information that will be used to guide the development of the National Action Plan and assess its performance. The proposition also reviews how the plan will assist in the generation of data and its dissemination for use.

Proposition 6

The Sustainable Communities Roundtable proposes that:

6.1 There would be a three tiered model of measures to assess progress made under the National Action Plan for Sustainable Communities:

- **headline national indicators of community building and sustainability**
- **high level Urban Action Plan indicators (aggregating information about what specifically is being achieved in the priority communities viewed as a whole, linked to national indicators)**
- **local Urban Action Plan indicators.**

6.2 The Treasurer of the Australian Government should provide an inquiry reference to the Productivity Commission asking it to analyse existing measures and data sources including international best practice and recommend appropriate indicators at each level.

6.3 The SCC would consider the PC report and recommend through the Treasurer to COAG its preferred three tiered model of measures and reporting framework.

6.4 The SCC may commission appropriate external bodies to collect data and prepare performance reports against national indicators.

6.5 The SCC would report through the Treasurer to the Australian Parliament and COAG on national performance and on reports received from each Urban Action Plan.

6.6 Each Urban Action Plan would involve the provision of reports to the SCC to indicate progress against high level Urban Action Plan indicators and local indicators built into Urban Action Plan contracts.

Tiers of transparency

The performance of the National Action Plan will need to be viewed from at least three levels or tiers.

- *Headline national indicators.* Reports and performance information at this level would demonstrate impacts of national significance. Key users of this information will include Parliaments, COAG, the Treasurer and the SCC, as well as the community at large.
- *High level Urban Action Plan indicators* (linked to national indicators). This level of information aggregates specific community impacts as well as identifies broader impacts that spill over or flow on to the wider community and the national interest at large. State and local governments are likely to be key users of this tier of information.
- *Local Urban Action Plan indicators.* This level of information would concentrate upon identifying output and outcomes that arise from actions initiated under specific action plans. Every element of every Urban Action Plan will be linked to performance indicators that are specified in advance. The SCC will be a key user of this information when assessing performance against progress milestones, in addition to use by planners, experts, investors and the community at large.

The IGA for the National Action Plan will set out the details of the reporting structure. Major elements are expected to include:

- *SCC annual report.* An annual report to the Parliament of the Commonwealth will be required to account for funds received from parliament and to meet other accountability requirements. This will be provided through the Treasurer to the Australian Parliament.
- *IGA performance review.* Parties to the IGA will be required to demonstrate progress in meeting their responsibilities under the agreement. The timetable for review will be specified in the agreement

and reflect the points in time where major actions and impacts should be apparent. This may not necessarily be on an annual basis.

- *Urban Action Plan performance reports.* Reports will be provided regarding each Urban Action Plan in line with the cycle of review and decisionmaking. Given that much of the action relates to fundamental structural investments that take time to put in place and time for impacts to be felt, it may not be desirable to report annually. A cycle of reporting based on tranches of activity has been proposed in relation to Proposition 5 regarding funding.

These reports would be in addition to recommendations that the SCC may make under the proposed funding arrangements and other ad hoc reports requested by COAG and other processes.

Baseline data and performance data

COAG has established a process to obtain and share some information about infrastructure issues. This National Action Plan for Sustainable Communities has greater information needs than will be met in the COAG reports that will be on a 5-year cycle.

The broad approach to be used in the proposed strategy is straightforward:

- baseline data across a range of indicators for the three reporting tiers will be established;
- plans (particularly area plans) will establish specific outputs and outcomes for change in these indicators; and
- change in these indicators will be monitored through the implementation of the plan.

It is important to note that while there are problems with information at present, data sets of some value are already available.

State of the Environment (SoE) reporting occurs at both the national and state/territory level in Australia. National SoE Reports provide information about environmental and heritage conditions, trends and pressures for the Australian continent, surrounding seas and Australia's external territories. The reports are based on data and information gathered and interpreted against environmental indicators. For convenience environmental indicators have been grouped into environmental themes including:

- atmosphere;
- biodiversity;

- coasts and oceans;
- natural and cultural heritage;
- human settlements;
- inland waters;
- land; and
- Antarctica and other external territories.

A weakness of current SoE reporting is that comparable data about the range of specific communities to be included in the proposed National Action Plan for Sustainable Communities is not provided at present.

The ABS also produces statistics addressing most of the areas of concern in the proposed action plan. In particular its Measures of Australia's Progress and the indicators such as the Socio-Economic Index For Areas (SEIFA) are of value.

A key contribution of the strategy will be to determine specific data sets needed, using what is available and setting out what will need to be produced. To guide this development the following broad indicators are suggested for consideration.

Environmental

Indicators in this area could include:

- energy consumption per capita;
- greenhouse gas emissions per capita;
- water consumption per capita;
- water quality (domestic consumption);
- retention or reinstatement of current or historic bio-diversity levels;
- tree/native vegetation coverage;
- indoor and outdoor air quality; and
- noise.

Social

Indicators of performance could include the following:

- housing choice and affordability;

- housing density;
- incidence of crime (a key indicator of a lack of social capital);
- indicators of community and individual health (for example, disease, obesity etc);
- access to transport;
- quality of transport; and
- need for transport (better planning would reduce this).

Economic

Indicators of performance could include the following:

- growth in gross regional product and income;
- productivity growth;
- productivity growth attributable to community infrastructure;
- employment and unemployment;
- composition of unemployment (school leavers/long term unemployed/mature workers);
- skills imbalance (deficits/excess supply);
- business starts/business failures;
- housing affordability;
- indicators of household costs to income;
- average journey to work time and cost;
- congestion costs; and
- land value.

Governance

Obtaining data on how the strategy changes and improves the way decisions are made is a vital and in many respects a novel aspect of the National Action Plan for Sustainable Communities. Key areas where indicators could be developed include:

- integrated planning, development and program delivery;
- cooperation between levels of government/areas of non-cooperation;
- community participation in processes;

- regulatory delays;
- disputation of decision making (for example, litigation against regulators/business);
- implementation shortfalls (for example, where planned investments arrive many years later than planned); and
- avoiding cost shifting between different levels of government and the problems that arise from it.

Defining indicators

A key challenge in becoming more sustainable is the lack of information about the sustainability performance of specific areas. Much of the data in the categories identified above is not available for all of the priority urban communities likely to be included in the National Action Plan. This lack of information makes it difficult for urban communities to compare their performance with other communities and therefore improve their performance.

The precise categories of data to be included within the strategy will have to be determined as part of the strategy. A major step in development of information and performance indicators is the specification of guidelines or a template of indicators. To assist the SCC (which is intended to be a lean body) it is foreshadowed that:

- The Treasurer of the Australian Government will provide an inquiry reference to the Productivity Commission asking it to analyse existing measures and data sources including international best practice and recommend appropriate indicators at each level.
- The PC would investigate and identify the performance information that is practical to obtain and useful for decision makers to support the aims and objectives of the National Action Plan for Sustainable Communities and the implementation of the Sustainable Communities IGA.
- The PC would also suggest general categories of performance information that was useful for the development, implementation and review (that is, impact assessment) of Urban Action Plans. The performance information framework would address the sustainable communities principles established in the IGA. The framework would be required to assess the scope for making use of information collected and used by all three levels of government as well as identifying if additional information is required.

- The SCC will consider the PC report and recommend through the Treasurer to COAG its preferred three tiered model of measures and reporting framework.

Information exchange

The relevant government bodies and authorities would remain responsible for the collection and custody of their data. The main approach adopted in the strategy will be to obtain agreement to:

- collect information identified as necessary under the strategy (maintaining existing data as well as adding new data where necessary); and
- make relevant baseline and performance data available to parties to the IGA and Urban Action Plan.

Other elements of the National Action Plan for Sustainable Communities will contribute towards improved outcomes. The SCC may, for example, commission or contract other parties to obtain the collection of key elements of data that are needed. As noted in an earlier Proposition, the SCC will be commissioned to conduct an inquiry about baseline and performance information. It is expected that part of the Sustainable Communities Fund will be devoted to capability building, including capabilities required in this area. These elements of the strategy are documented in more detail in other propositions.

Learning about the best way to do things is often a key input to improving performance. The strategy includes arrangements to contribute towards investment in leading activities. It is expected that these activities will serve a role in demonstrating what can be done. Funds are expected to be provided under elements of the Sustainable Communities Fund. A condition of this funding will be that full information about these demonstration investments will be made widely available.

7

Sustainable regulation

THERE IS A NEED TO REVIEW THE SWATHE OF REGULATION that is applied by all levels of government and test its impact upon the sustainability of urban communities. Regulation that detracts from sustainability should be removed or revised. Regulation that could advance progress towards sustainability should be strengthened. This proposition sets out how this could be achieved.

Proposition 7

The Sustainable Communities Roundtable proposes that:

7.1 Parties to the Sustainable Communities IGA should undertake an independent review of policy, practice, legislation and regulation (or 'government activities') that impacts upon the sustainability of urban communities linking in with the review processes in the National Reform Agenda announced by COAG in February 2006. Activities would be assessed for their consistency with the Principles of Sustainability factored into the IGA and how they advance progress in the headline sustainability measures established in Proposition 2. The review process would commence with the premise that unless the legislation or regulation meets the sustainability principles, it is to be withdrawn or modified so that it does meet the principles.

7.2 The identified policy, practice, legislation and regulation should be bundled or collected within groups or tranches, to be reviewed and then amended or removed and will be subject to performance linked to funding as per the NCP model.

7.3 Governments should also implement arrangements to penalise backsliding where decisions to reform are delayed or new legislation restores legislation that had been removed or adjusted to comply with the sustainable communities principles

7.4 All new legislation and regulations that are subject to a regulation impact statement would also address the impact on the headline sustainability measures and be reported to Parliament and the SCC. Subsidiary regulations would be subject to a sustainability check-list and reported in an open and transparent way

Progress through process

Getting correct investment signals and the removal of regulatory impediments will lower the need for expansion of physical infrastructure in the short term. This could buy time while skill and material availability issues are addressed and reduce the costs of any new investments that are ultimately made. Achieving this will require a process of review and reform.

The proposed process would follow the regulatory reform approach adopted in the NCP. The Australian, state/territory and local government participants in the National Action Plan and IGA would agree to a program under which categories of legislation and regulation would be reviewed in each jurisdiction. Each item of regulation would be reviewed for consistency against the sustainability principles that underpin the National Action Plan for Sustainable Communities.

Scope of regulation to review

The intent is to take a broad approach to the proposed reviews because of the wide range of government interventions that impact upon the sustainability of urban communities. Reviews should be undertaken broadly and include policy, practice, legislation and regulation – basically the full range of ‘government activities’. This broad approach is consistent with the regulation review and Regulation Impact Statement (RIS) processes adopted in the NCP process. The Office of Regulation Review, for example, adopts a very broad view about what regulation is.

The term ‘regulation’ includes primary legislation and subordinate legislation, such as statutory rules approved by the Governor-General in Federal Executive Council and legislative instruments – either disallowable or non-disallowable – made by boards, agencies or departments. Regulation includes international treaties. It also includes quasi-regulation, which refers to a wide range of rules or arrangements where governments influence businesses to comply, but which do not form part of explicit government regulation. Some

examples of quasi-regulation include industry codes of practice, guidance notes, industry-government agreements and accreditation schemes.⁶

The regulation or activities to be reviewed would be subject to agreement between the parties to the IGA and placed on a list. Naturally, the aim would be to include relevant legislation and regulation made by the Australian Government as well as the states and territories and local government.

A list of potential areas for review is provided below.

- Taxation – address areas where the *Income Tax Act 1986*, *Fringe Benefits Tax Act 1986*, and others provide incentives for unsustainable investment. Also review aspects of such legislation that impede private investment in public infrastructure facilities and more sustainable communities.
- Electricity Markets Access Code – review areas where the code could facilitate rather than impede access by more renewable energy, distributed energy solutions and demand management activities.
- Regulation of pricing and access to urban transport services – exploring opportunities to improve price setting arrangements for regulated service providers, giving particular emphasis to enhancing incentives for investment to maintain and augment service capacity and quality and contain or optimise environmental impacts.
- Water – urban water issues not covered in the NWI.
- Development assessment/authority/approval processes – enhancing sustainability through processes that are relevant, efficient, effective, and fair and result in outcomes that are aligned with the aims for specific communities.
- The role of state environmental planning policies.
- The role of regional environmental plans.
- The role of local environmental plans.
- The role of development control plans.
- EIS requirements in environmental planning in general.
- Environmental sustainability requirements for new residential buildings – such as energy star rating systems and BASIX (which applies only in NSW).

⁶ Office of Regulation Review 1998, *A Guide to Regulation (second edition)*, p. A3.

- Building Code of Australia – examining how the code may be altered to enhance sustainability and encourage good design.
- Processes for projects of state significance.
- Fiscal responsibility arrangements in some jurisdictions (including national, state and local levels) setting arbitrary fiscal targets (such as zero debt, or prohibiting increases in public revenue), their implications for public sector investment in infrastructure and the implications of their alteration or removal.
- Processes for obtaining private sector roles in infrastructure (for example, PPP arrangements).
- Migration laws.
- Other items as required.

It will be important to distinguish the priority areas of review from other review processes currently underway or foreshadowed to avoid costly overlap and duplication. It is notable that COAG agreed to a new NCP/national reform agenda in February 2006. Legislation review items include:

- energy;
- transport (including a review of the main causes of congestion in Australia's major cities); and
- infrastructure regulation.

COAG has also agreed to development of best practice regulation. This includes:

- reviews of existing regulation and acting upon reviews;
- establishing and maintaining 'gate keeping mechanisms' to ensure that the regulatory impact of proposed regulatory instruments are made full transparent as soon as possible;
- better measurement of compliance costs;
- better recognition of costs upon individuals and business;
- development of a common framework to benchmark regulation;
- development of strategies to encourage jurisdictions to review local government development assessment legislation;
- trial and review measures to streamline the development application process; and

- report on the content and timetable for further building regulation reforms including a nationally-consistent building code.

Gatekeeping and backsliding

The Sustainable Communities IGA would require that jurisdictions put in place effective arrangements that provide for independent evaluation of new legislation and regulation in specified areas of activity that are identified as having particular significance for Sustainable Communities.

In addition, the Sustainable Communities IGA and Fund arrangements will also involve anti-backsliding arrangements so that there are penalties for subsequent decisions that essentially reverse reforms to raise sustainability.

Other elements of sustainability reviews

Sustainability reviews would build on the experience in conducting Regulation Impact Statements (RISs) required under the NCP. Key variations and distinctions to the RIS process are suggested below.

Sustainability reviews should:

- address all of the related elements of sustainability, that is examine consequences for economic, social, environmental outcomes and governance (against the principles of sustainable communities established in the Sustainable Communities IGA);
- incorporate a specified minimum period of time for public consultation;
- ensure that local government regulations are not exempt (they are currently exempt from the mainstream RIS process);
- require that an independent party conduct reviews. Independent consultants, academics, NGOs, and other public bodies could conduct Independent reviews. Most importantly, the body that administers legislation or is responsible for the policy upon which legislation is based is not a suitable body for conducting a review;
- be subject to an audit (by the SCC or another body such as the Office of Regulation Review (ORR) that current reviews RISs conducted for the Australian Government);
- provide a veto power to the agency that supervises the review process; and

- require Ministerial signoff certifying that the prescribed process has been followed.

A

Context

THIS APPENDIX PROVIDES some background details in support of the propositions contained in the main part of the document.

Agreement about the need for a national plan

There is widespread agreement that a national strategy is essential. Some of the recent contributions include:

- The Property Council of Australia (May 2002) – *Recapitalising Australia's Cities* – flagged the need to raise investment in the economic, environmental and social assets as well as in improved governance arrangements in order to boost the competitiveness and viability of cities. The report also proposed a strategic framework to develop and implement a national urban policy vision through cooperative institutional arrangements that Australia has and which could be developed drawing upon the successful National Competition Policy model.
- Engineers Australia (various) – *infrastructure report cards* – these have reviewed the state of infrastructure for Australia and the Australian states and found deficiencies in many areas.
- State and Territory Planning Ministers' (June 2003) – *The Future of Australia's Cities and Towns Summit* – after looking at the social, economic and environmental capital of Australia's cities and towns and their capacity to compete internationally into the future, the Summit developed a set of strategies to make that future a reality which included:
 1. develop a shared national vision
 2. an integrated governance framework
 3. fostering and improving the information base
 4. developing a national settlement strategy
 5. providing active citizen programs

6. improving infrastructure
 7. conducting a sustainability audit of taxes and charges
 8. investigating the implications of true cost funding and pricing.
- Property Council of Australia (August 2003) – *Funding Urban Public Infrastructure: Approaches Compared* – showed that there was a sustained reduction in investment in public infrastructure provision that has left Australian infrastructure in a precarious position. The report also compared different ways of funding public infrastructure provision and found that debt finance, paying for infrastructure at the time that the benefits were obtained, has lower overall economic costs than other approaches, especially those that imposed costs at the outset. It was also shown that there was capacity to make a further investment of \$5 billion in NSW alone without risk to the state’s credit rating, the budget and economic stability.
 - House of Representatives Standing Committee on Economics, Finance and Administration, (October 2003) – *Rates and Taxes: A Fair Share for Responsible Local Government* – identified that cost shifting was a significant problem costing local government between \$500 million and \$1.1 billion each year. A key recommendation was to call for a national summit on inter-governmental relations where all three levels of government can work out a better way to manage financial relationships and governance issues and in particular to address tripartite partnerships and the state of local government infrastructure and many other issues.
 - Planning Institute of Australia (February 2004) – *Livable Communities* – sets out how the Australian Government can foster sustainable cities and regions through: the adoption of sustainable development targets; investment plans to achieve targets; and establishment of a independent body to review progress and recommend upon the provision of untied Australian Government grants to the state for their plans and performance.
 - Business Council of Australia (March 2005) – *Infrastructure Action Plan For Future Prosperity* – this emphasised the central role of infrastructure and the cost of not addressing major problems as well as proposing a plan.
 - CEDA (April 2005) – *Infrastructure Getting On With The Job* – drew attention to the \$25 billion backlog of infrastructure investment and noted that a key constraint was the lack of a cooperative integrated approach to infrastructure provision.

- Productivity Commission (February 2005) – *Review of National Competition Policy Reforms* – noted that future reform areas need to range more widely than competition policy issues alone and, among other things, cited the need for attention upon ‘promoting the efficient development of our cities and regions, allowing for their diverse circumstances’.
- House of Representatives Standing Committee on Environment and Heritage (August 2005) – *Sustainable Cities* – setting out the need for coordinated and concerted action to address sustainability challenges and identifying the need for the Australian Government to assume a leadership role.

Clearly there is a broad base of support for concerted action.

Stating visions

The *Future of Australia’s Cities and Towns* (FACT) summit identified that:

To be successful into the future, Australia’s cities and towns must:

- be diverse, vibrant and inclusive communities;
- be globally competitive;
- reduce ecological impacts;
- enhance equity of access; and
- demonstrate good quality of design.’

The FACT vision points to some major dimensions of what is desirable. Many government bodies, particularly planning agencies, have adopted many of these elements in their own view about what they aim to achieve.

A complexity with sustainable urban communities is that a key part of the intent is to help governments, communities and people to form and express their own vision and then help them to realise that vision. There is also a need for the different tiers of government to sort out their respective contributions. Essentially improved governance is also required. This throws attention to the idea that the vision could also point to better processes.

The notion that a process is called for is reflected in some recommendations from key industry groups and others. The approach proposed by the BCA provides one example. Thus, while the BCA’s vision is to raise prosperity, doing so requires an action plan that is more of a process than a set of desirable outcomes. While the BCA plan focuses upon the economic dimensions of sustainability, it is still pertinent to the needs of this strategy and is summarised in the box A.1.

Overall, a note of caution about the value of a well crafted vision statement is warranted. Statements of vision are not common in the national action plans that the Australian Government has pursued and invested substantial funds in. The agreements that underpin these major strategies do not generally contain a succinct statement about the state of the world expected to be achieved. Existing national action plans are constrained to a statement of 'purpose' or 'objectives'. Some more general discussion may be included in the preamble.

A.1 The BCA Infrastructure Action Plan for Future Prosperity

The Business Council of Australia (BCA) has identified that quality infrastructure is essential to alleviate capacity constraints within the economy and ensure Australia's continued international competitiveness. The BCA's *Infrastructure Action Plan*, released in March 2005, found that because of poor institutional arrangements and policy choices, Australia's infrastructure is in urgent need of expansion, reform and repair.

The key recommendations of the BCA's plan are reproduced below.

'Together, Commonwealth, state and local governments need to act now to alleviate existing constraints on the nation's infrastructure and develop capacity for future growth:

- Under the auspices of the COAG (COAG reconstituted, or an alternative peak inter-governmental body), develop a national integrated infrastructure reform agenda covering urban and rural water, energy and greenhouse, and road and rail transport.
- Review and strengthen governance and institutional arrangements relating to infrastructure to ensure:
 - a balance of powers between levels of Government;
 - clear articulation of the roles and responsibilities of each level; and
 - transparent lines of responsibility and disclosure.
- Ensure the peak intergovernmental body (COAG or alternative):
 - is accountable;
 - clearly articulates goals for reform, underpinned by a broad set of principles establishing consistency across jurisdictions;
 - develops specific plans and timetables with firm targets for action, and robust mechanisms to prevent backsliding;
 - maintains oversight of implementation of reforms – this authority should not be delegated; and
 - is supported by an independent secretariat with analytical capacity.
- Maintain incentives for reform and utilise Australia's capacity for economic growth.
- Establish independent, transparent and regular assessment, monitoring and public reporting on reform progress, asset performance and condition:
 - publish an annual state of the nation infrastructure report encompassing all jurisdictions.'

Source: BCA (2005), downloaded from <http://www.bca.com.au>.

The general absence of broad vision statements in existing national strategies probably reflects a range of factors. One practical point is that most strategies are framed as a legal agreement or a contract. Lawyers often counsel against the inclusion of statements about aspirations that may be open to interpretation and lead to unintended obligations. The absence of vision statements probably also reflects the consistently held view within the Australian Government that it would only become involved in activities that addressed a clearly defined, concrete problem. The vision then becomes a matter of fixing the problem. The Australian Government

will step beyond a narrow view of its constitutional responsibilities if the issue is well defined and 'fixable'.

Seeking agreement to a statement of vision that has a perceived risk to the Australian Government that it will become entangled in activities that are outside of its responsibility, or are open ended, will endanger the involvement of the Australian Government.

One solution in practice is to state the vision as one discrete document and formalise an agreement in separate documents. The vision still guides to agreement, but does not bind the parties.

Insights from previous national plans of action

There are many examples of areas where national strategies have been developed over recent years to address issues of national significance and involve coordination between multiple layers of government. Leading examples include the following:

- National Competition Policy (NCP)
- National Action Plan for Salinity and Water Quality
- National Water Initiative (NWI)
- Natural Heritage Trust (NHT)
- Regional Partnerships
- Decade of Landcare.

Aspects of some of these initiatives and strategies are discussed below.

National Competition Policy

It is likely that the development of National Competition Policy developed in the mid 1990s provides one of the best examples of National leadership and cooperation. The recent Productivity Commission inquiry into the impacts of NCP to date concluded that the NCP has delivered net substantial benefits to the Australian economy.⁷ The Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) have also affirmed that wide ranging structural reforms and sound macroeconomic policies were the main reasons

⁷ Productivity Commission 2005, *Review of National Competition Policy Reforms*, Report no. 33, Canberra.

Australia's economic performance has strengthened significantly in recent decades.⁸

The PC also found that the benefits from NCP were spread across high and low income earners and that NCP and related reforms have delivered benefits across the community, including most of rural and regional Australia. In tangible terms, analysis undertaken by the PC for its inquiry indicated that observed productivity and price changes in key infrastructure sectors in the 1990s, to which NCP and related reforms have directly contributed, have permanently increased Australia's GDP by 2.5 per cent (or \$20 billion). Box A.2 summarises the NCP.

A.2 The National Competition Policy (NCP)

In April 1995, all Australian governments reached agreement on an ambitious plan to promote enhanced competition in Australia. The rationale for the policy was that fundamental reform — to expose all business activity to greater competition — was needed to improve efficiency and productivity, and enhance income and wellbeing. It was also viewed as essential that action needed to be coordinated across Australia and involve changes at all levels of government, not just in areas of the Australian Government's immediate area of jurisdiction.

Three intergovernmental agreements outlined the reforms which governments undertook through the NCP process. Related reforms in the electricity, gas, water, and road transport industries also form part of the package. While the NCP principles promote competition, they also allow governments to regulate or intervene where they can show that actions are in the public interest.

A significant element of the NCP is the program of legislation review and reform. Under this program, governments undertook to review all legislation that restricts competition, with the objective of ensuring that any restrictions on competition that are not shown to provide a net public benefit were to be removed. This reversed the normal thrust of review. The guiding principle was now that legislation should not restrict competition unless it was demonstrated that the benefits of the restriction to the community as a whole outweighed the costs and that the objectives of the legislation can be achieved only by restricting competition.

Implementation of the NCP is the responsibility of relevant Governments. In the case of the states, the overarching principles and objectives of NCP were also translated into reforms at the local government level.

(Continued on next page)

⁸ COAG 2006, *COAG Background Paper: COAG National Competition Policy Review*, February.

A.2 The National Competition Policy (NCP) (continued)

To facilitate and enforce state implementation of NCP, the Australian Government made available significant sums of money in the form of Competition Payments. These were provided to the states and territories on the condition that NCP and other COAG endorsed reforms (for example, water resource policy) were implemented.

In addition, the National Competition Council (NCC) was established to undertake an independent review of the implementation of the NCP and other reforms by the states and territories, especially obligations to review the legislation review program. It makes recommendations to the Australian Government's Treasurer on whether states should receive all or part of the Competition Payments withheld due to lack of progress with implementation.

It is notable that the program of reviewing the existing stock of legislation is coming to an end.

Source: <http://www.ncc.gov.au> and National Competition Council (2005), *Annual report 2004-05*, Melbourne.

In addition to the tangible gains of the policy, its approach has also shown how to conduct an effective process of change within a cooperative framework. Based upon this evidence and its own review, COAG stated that

A collaborative national approach was the cornerstone of successful implementation of the NCP reform agenda. It drew together the reform priorities of the Commonwealth, States and Territories, to improve Australia's overall competitiveness and raise living standards – with Australian income per head rising from 16th in the OECD in 1990 to 8th in 2004.⁹

The Productivity Commission's recent review identified several key lessons.

Almost a decade of experience with NCP points to a number of lessons with potential relevance to any future nationally coordinated reform agenda.

- A broadly-based reform program improves the prospect that those who might lose from a specific reform will still gain overall. This can make it easier to progress reforms that might be difficult to implement on a stand-alone basis.
- A reform framework which embodies agreed principles, while providing for some flexibility in implementation, is well suited to a multi-jurisdictional reform agenda.
- Reform is likely to progress more effectively where commitments are specified in advance and there is prioritisation of the reform task.
- An effective public interest test is essential to secure beneficial reform as well as community acceptance of the reform process.

⁹ Council of Australian Governments, 2005, *Communique*, 3 June, p. 4.

- Independent and transparent review and assessment processes are critical to secure good outcomes, especially on contentious issues; they help prevent backsliding and promote public understanding of the justification of reform.
- In any reform program, the potential adjustment and distributional implications should be considered at the outset, with decisions about transitional assistance guided by appropriate principles.
- Where reforms involve the establishment of new regulatory arrangements, it is important that those regulations be well scrutinised in advance and periodically reviewed to ensure the benefits continue to exceed the costs.
- Providing financial incentives for jurisdictions to follow through with agreed reforms can be very useful in promoting effective outcomes, although the rationale and value of such payments clearly depend on the nature of the reform.¹⁰

COAG has also noted that it is important not to be complacent about the continued performance of the Australian economy.

While the benefits of NCP reforms are significant, gains from a broader economic reform agenda have the capacity to deliver much more to the community. Collaborative action on issues of national importance is again required, as a fragmented reform agenda will not achieve the momentum and commitment required for sustainable reform.¹¹

As concluded by COAG 'The case for continuing reforms on a collaborative basis is clear.'¹²

The propositions in the body of this document draw upon the lessons learnt from NCP and COAG comments about the need for cooperative reform.

The National Action Plan for Salinity and Water Quality

The National Action Plan for Salinity and Water Quality provides a variant on national cooperation. See box A.3 for a brief outline of the action plan.

¹⁰ Productivity Commission 2005, *Review of National Competition Policy Reforms*, Report no. 33, Canberra, p. 125.

¹¹ Council of Australian Governments 2005, *Communique*, 3 June, p. 4.

¹² Australian Council of Governments, 2005, *Communique*, 3 June, p. 5.

A.3 The National Action Plan for Salinity and Water Quality

The National Action Plan for Salinity and Water Quality (NAP) has become a commitment of \$1.4 billion over seven years for applying regional solutions to salinity and water quality problems. The aim is for all levels of government, community groups, individual land managers and local businesses to work together in tackling salinity and improving water quality.

The Prime Minister announced The National Action Plan for Salinity and Water Quality in October 2000. He foreshadowed a national strategy to address salinity and water quality problems, viewed as two of the most significant issues confronting Australia's rural industries, regional communities and the environment. The strategy he outlined involved:

- conducting detailed scientific assessment to decide the areas needing attention and the most effective action;
- setting targets and standards for natural resource management;
- developing integrated plans for catchments and regions so that solutions can be tailored to the differing problems; and
- empowering communities to help themselves so they play a significant role in developing plans and carrying them out.

The Federal Government committed \$700 million to the strategy. It noted that salinity and water quality are issues that require not only national leadership from the Commonwealth, but also collaboration between all Australian Governments. The Commonwealth therefore sought a dollar for dollar matching commitment from the state and territory governments.

The discussion paper *Our Vital Resources: A National Action Plan for Salinity & Water Quality* was endorsed by the Council of Australian Governments (COAG) in November 2000. Based on the approach agreed by COAG an Intergovernmental Agreement (IGA) was circulated and signed by the Prime Minister and each of the heads of Government in the States and Territories over the period to mid 2001.

Bilateral Agreements between the Commonwealth and state or territory governments are also necessary to implement the IGA and pave the way for the development of action plans in the priority regions. The last Bilateral Agreement to be signed was between the Commonwealth and the Government of Western Australia, signed in September 2003.

COAG confirmed the establishment of a new Natural Resource Management (NRM) Ministerial Council in June 2001. This Ministerial Council subsumed the role of previous intergovernmental bodies and the new Ministerial Council was intended to oversee implementation of the National Action Plan.

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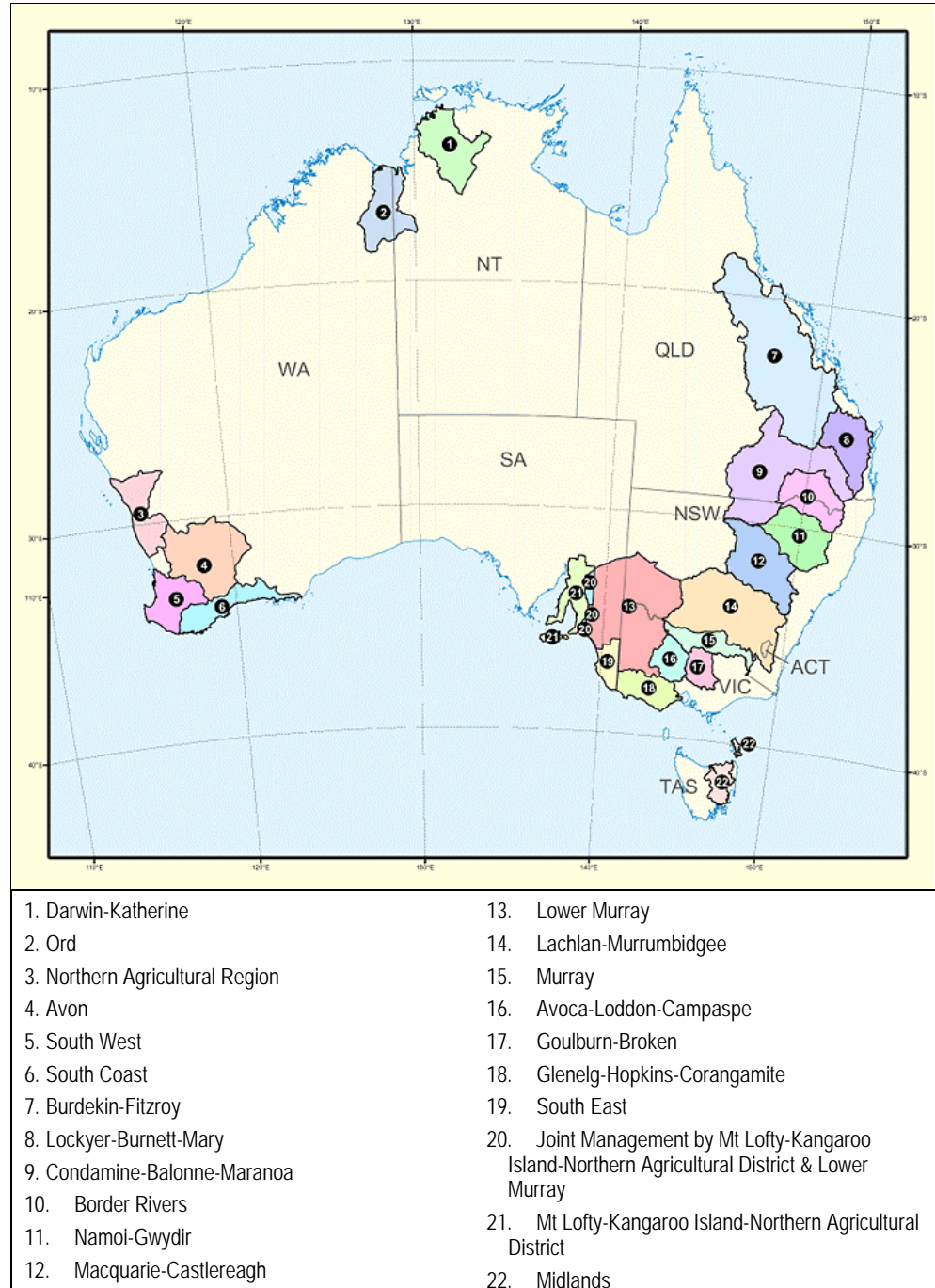
A.3 The National Action Plan for Salinity and Water Quality (continued)

The NAP targets 21 priority regions affected by salinity and water quality problems. Action plans for each region are formed under of the Bilateral Agreements. These facilitate governments and communities working together in planning how to tackle salinity and water quality problems. At the regional level the NAP is delivered jointly with an earlier program, the Natural Heritage Trust.

Source: <http://www.napswg.gov.au/about-nap.html>.

The emphasis in this model is upon overcoming the ‘spatial blindness’ of previous policy approaches to raising sustainability. It involves arrangements to develop and implement plans for specific water catchment areas. There are Commonwealth–state bilateral arrangements and payments as well as arrangements dealing directly between Commonwealth and regional bodies. In this case the Australian Government has effectively invested in the development of Catchment Management Authorities.

A.4 Priority regions under the National Action Plan for Salinity and Water Quality



The National Water Initiative (NWI)

The National Water Initiative (NWI) is the most recent national plan of action. An outline on the initiative is provided in the box A.5.

The NWI follows the successful model established with NCP with the creation of the National Water Commission. It provides an independent review function as well as technical expertise.

A further key feature of interest in the NWI is that the associated funding arrangements span incentive payments to encourage the performance of the participating state governments with independent review, as well as arrangements to facilitate direct payments within communities.

A.5 The National Water Initiative

The National Water Initiative (NWI) is a strategy driven by the Australian Government to improve water management across the country. It starts from the recognition of the need for Australia to continue to improve the productivity and efficiency of water use, while maintaining healthy river and groundwater systems. The NWI encompasses a wide range of water management issues and encourages the adoption of best-practice approaches to the management of water in Australia.

The NWI was agreed to and signed at the 25 June 2004 meeting of COAG. The NWI Agreement was signed by the Commonwealth and all states and territories, with the exception of Western Australia and Tasmania which declined to sign at the time. (It was announced on 6 April 2006 that WA would join the NWI).

National Water Commission

The National Water Commission (NWC) is an independent statutory agency within the Prime Minister's portfolio. The NWC is responsible for driving national water reform through its role in helping to implement the National Water Initiative Agreement, and investing under the Australian Water Fund (discussed below).

The *National Water Commission Act 2004* provides for a Commission of up to seven members, including the Chair. In recognition of the partnership approach to water reform represented by the NWI Agreement, the Commonwealth can nominate up to four Commissioners (including the Chair), with the states and territories who are party to the NWI Agreement able to nominate up to three Commissioners.

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A.5 The National Water Initiative (continued)

The National Water Fund

On 13 September 2004, the Prime Minister announced a major commitment of \$2 billion over five years to the Australian Water Fund. Investment under the Australian Water Fund will be made on the basis that it is consistent with, and helps to achieve, the objectives, outcomes and actions of the NWI.

The Fund is made up of three programs:

- Water Smart Australia;
- Raising National Water Standards; and
- Australian Water Fund Communities.

The National Water Commission will advise and make recommendations to the Commonwealth in relation to the Water Smart Australia and Raising National Water Standards.

Source: <http://www.pmc.gov.au/nwi/index.cfm>.

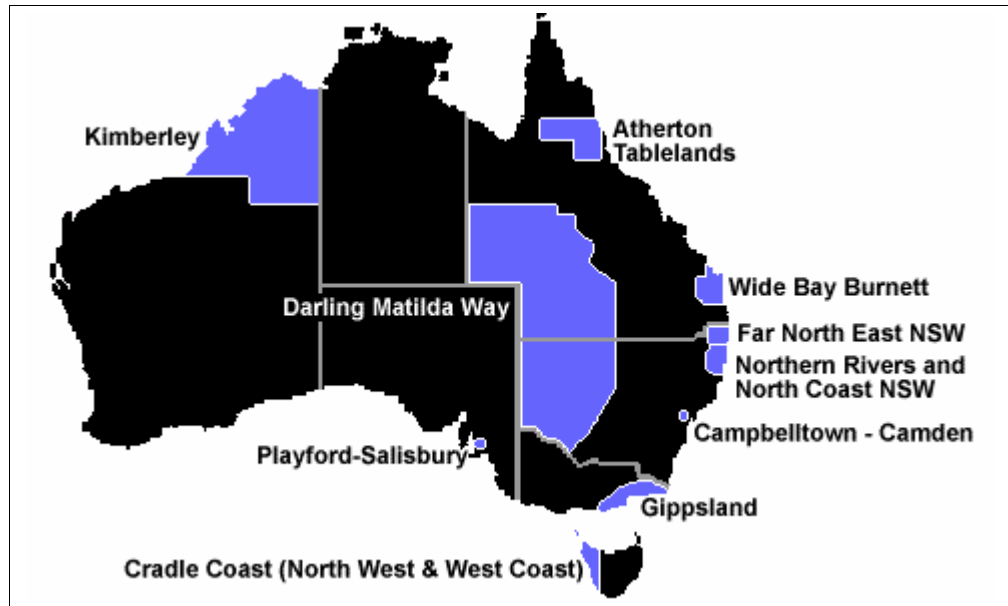
Stronger Regions

The Sustainable Regions Program is the major initiative under the *Stronger Regions, A Stronger Australia Statement* announced by the former Deputy Prime Minister and Minister for Transport and Regional Services, the Hon John Anderson MP, on 29 August 2001.

The Sustainable Regions Program assists regional communities to address priority issues they have themselves identified. The Program offers a planned, integrated approach to regions facing economic, social and environmental change. Assistance under the program will initially be provided to the ten regions located in the map below.

The Sustainable Regions Program provides confirmation that it is feasible for the Australian Government to implement an integrated strategy for specific areas. It also shows that it is practicable to adopt a broad approach to sustainability spanning triple bottom line factors as well as involving all relevant levels of government and the community at large in the program governance framework.

A.6 Sustainable Regions Program — Regional Priorities



Data source: <http://www.sustainableregions.gov.au/index.aspx>.

Problems in current arrangements

There is evidence revealing substantial problems in the way that funds are allocated within and between Australia's three levels of governments. The problem of cost shifting from other levels of government to local government is a particular concern.

A report by the House of Representatives Standing Committee on Economics, Finance and Public Administration tables in Parliament of October 2003 identified that cost shifting was a major problem. The major areas of cost shifting reported were¹³:

- the withdrawal or reduction in financial support once a program is established;
- the transfer of assets without appropriate funding support;
- the requirement to provide concessions and rebates without compensation payments;
- increased regulatory and compliance requirements; and
- failure to provide for indexation of fees and charges for services prescribed under state legislation or regulation.

¹³ House of Representatives Standing Committee on Economics, Finance and Public Administration, 2005, *Rates and Taxes: A Fair Share for Responsible Local Government*, October, Canberra.

That report also indicated that other spheres of government have undertaken extensive cost shifting which is costing local government between \$500 million and \$1.1 billion each year.

The only way to resolve cost shifting, the report found, was for all spheres of government to work together. A key point made in the report is that:

If local government were involved earlier in the process of determining service delivery, this could reduce areas of unnecessary overlap or duplication between the spheres of government. Further, the reduction of duplication in advice and service delivery between the spheres of government would improve the overall cost effectiveness of government services and achieve significant savings.

Local government leaders note that

Cost shifting is, ultimately, a symptom of what has become dysfunctional governance and funding arrangements. It is time to combine the best efforts of governments and choose a better way.¹⁴

The Australian Government formally responded to the report in June 2005. The response has four key elements:

- development of an ICA on cost shifting – still under development;
- a Productivity Commission study on barriers to local government revenue;
- recognition of local government by both Houses of Federal Parliament; and
- review of interstate distribution of the identified roads component of financial assistance grants.

Key intergovernmental arrangements

There are many institutional arrangements to facilitate cooperation between the various levels of government in Australia.

COAG

The Council of Australian Governments (COAG) is the peak intergovernmental forum in Australia. COAG comprises the Prime

¹⁴ ALGA from <http://www.alga.asn.au/policy/finance/costshifting/index.php> accessed on 4 April, 2006.

Minister, state premiers, territory chief ministers and the President of the ALGA.

The role of COAG is to initiate, develop and monitor the implementation of policy reforms that are of national significance and which require cooperative action by Australian governments (for example, NCP, water reform, the reform of Australian Government and state/territory roles in environmental regulation, and many others). Issues may arise from, among other things: Ministerial Council deliberations; international treaties which affect the states and territories; or major initiatives of one government (particularly the Australian Government) which impact on other governments or require the cooperation of other governments.

COAG meets on an as needed basis. However, the Prime Minister stated after the April 1999 Premiers' Conference that, since there would be no further Premiers' Conferences following the Intergovernmental Agreement on the Reform of Commonwealth-State financial relations, COAG would meet at least once a year from 2000. Alternatively, COAG may settle particular issues out-of-session by correspondence. In recent years, a number of issues have been settled in this manner.

The outcomes of COAG meetings are contained in communiqués released at the end of each meeting. Where formal agreements are reached, these may be embodied in Intergovernmental Agreements.

The Prime Minister chairs COAG. The COAG Secretariat is located within the Department of the Prime Minister and Cabinet.

Ministerial Councils

Over 40 Commonwealth-State Ministerial Councils and related fora facilitate consultation and cooperation between the Australian Government and state and territory governments in specific policy areas. The councils initiate, develop and monitor policy reform jointly in these areas, and take joint action in the resolution of issues that arise between governments. In particular, Ministerial Councils develop policy reforms for consideration by COAG, and oversee the implementation of policy reforms agreed by COAG.

Responsible ministers from each government participate in the councils. In certain cases there may be more than one minister from each government represented on a council, however, where voting arrangements apply, each government generally has only one vote. New Zealand Ministers have full membership of councils when matters affecting New Zealand are being

considered, for example, Trans Tasman mutual recognition. Normally, Ministerial Councils would meet only once or twice a year, although they may regularly settle issues by correspondence. (See <http://www.coag.gov.au/>).

Australian Local Government Association

The Australian Local Government Association (ALGA) is the national voice of local government, representing 673 councils across the country. In structure, ALGA is a federation of state and territory local government associations. Since 2001, membership has included the Government of the Australian Capital Territory (uniquely in Australia, the ACT Government combines both state and local government functions).

The Association's policies are determined by the ALGA Board, consisting of two representatives from each of the member associations and two from the ACT Government.

ALGA's current strategic priorities are¹⁵:

- strengthening local government finances;
- sustaining local roads and transport infrastructure;
- improving local environmental outcomes;
- enhancing regional equity and regional development;
- meeting community needs;
- connecting local governments through information technology; and
- collaborating with other governments.

As one of Australia's three spheres of government, local government is represented by the ALGA on the COAG.

The National Reform Agenda

COAG agreed to a National Reform Agenda (NRA) to help underpin Australia's future prosperity at its meeting of 10 February 2006. This includes concrete, practical initiatives in three streams:

- Human capital – including initiatives in health (health promotion and disease prevention and an effective health system), Education and

¹⁵ ALGA from <http://www.alga.net.au/about/>, Accessed on 4 April 2006.

Training (Early Childhood Development, Core skills Attainment: Literacy and Numeracy, Transition from School to Work or Further Study, Adult Learning) and Encouraging and Supporting Work.

- Competition – including a new NCP reform agenda, measures in Energy, Transport and Infrastructure regulation, Infrastructure planning and climate change.
- Regulatory reform – focusing on reducing the regulatory burden imposed by three levels of government and adoption of best practice regulation. Six hot spots have been identified: rail safety regulation; occupational health and safety; national trade measurement; chemicals and plastics; development assessment arrangements; and building regulation.

COAG Reform Council

COAG has agreed in principle to establish a COAG Reform Council (CRC) to report to COAG annually on progress in implementing the NRA. It is envisaged that the CRC will be an independent body that will replace the National Competition Council (NCC) which has played a central role in the achievement of the NCP.

The primary role of the CRC would be to report to COAG annually on progress towards the achievement of agreed reform milestones and progress measures across the broad National Reform Agenda. The CRC is also expected to undertake the current functions of the NCC under Part IIIA of the *Trade Practices Act 1974* in relation to third-party access to infrastructure.

COAG will make a final decision on the CRC subject to further development of a business plan for the CRC, the development of Intergovernmental Action Plans (IAPs), and agreement on financial arrangements under the NRA.

Funding Arrangements

The NRA Communique notes the need for cooperative arrangements. Reflecting the vertical fiscal imbalance that characterises Australian fiscal federal arrangements the Communique also highlights a special role for the Commonwealth.

The Commonwealth has indicated that it will provide funding to the States and Territories on a case-by-case basis once specific implementation plans have been developed if funding is needed to ensure a fair sharing of the costs

and benefits of reform. Payments to the states and territories and, where appropriate, to local government, would be linked to achieving agreed actions or progress measures and to demonstrable economic benefits, and would take into account the relative costs and proportional financial benefits to the Commonwealth, the states and territories and local government of specific reform proposals.

Any funding could take the form of Commonwealth and/or shared funding for specific initiatives, and/or payments from the Commonwealth linked to results. Any funding would be in addition to other Commonwealth funding.¹⁶

The Communique also places weight upon the links between funding and performance. It specifies that the CRC would report transparently to COAG on the performance of all jurisdictions (including the Commonwealth). The Commonwealth would decide on payments to States and Territories, based on those reports.

Infrastructure planning and information

There is increasing recognition that there is insufficient information about the current provision of infrastructure services, emerging needs and future investment plans. Essentially it is very difficult to tell where the gaps are and what is being done to fill them.

Aspects of these issues were discussed at the February 2006 meeting of COAG. At that meeting it was agreed that there was no national infrastructure crisis, but that there was a need for each jurisdiction to provide a report to COAG on infrastructure. The nature and timing of these reports is set out in box A.7.

¹⁶ COAG 2006, Council of Australian Governments Meeting, 10 February 2006 downloaded from <http://www.coag.gov.au/meetings/100206/index.htm> on 6 April 2006.

A.7 Infrastructure reports to COAG

On 3 June 2005 COAG agreed in principle to each jurisdiction providing a report to COAG every five years on infrastructure. The reports will provide a strategic overview of existing infrastructure, a pragmatic outlook for infrastructure demand, and a forward-looking strategic assessment of future needs. A national overview report will also be prepared, in addition to the individual jurisdictional reports. The first set of reports will be provided to COAG by 31 January 2007.

COAG subsequently agreed to a standard structure and content for these reports. This is reported below.

1. Introduction

This section will set the context for the reports. It will provide an overarching perspective on key issues, drivers and trends relevant to all sectors – for example, demographic trends, overall levels of investment in infrastructure, and the roles of the public and private sectors.

2. Sector specific chapters

The reports will then have a separate chapter for each sector:

1. transport: road; rail; airports; ports and intermodal facilities
2. energy: electricity and gas
3. water
4. telecommunications

Each separate sector chapter will be compiled from existing data sources, with quantitative information complemented by a qualitative assessment of the key issues for each jurisdiction. Subject to data availability, this information will be presented in the following sections:

- a) Infrastructure: supply, demand and performance
 - current and future supply and demand in the sector
 - levels of investment
 - key drivers for demand and investment in the sector
- b) Infrastructure planning and regulation
 - description of planning processes that address future demand (including maintaining infrastructure condition)
 - description of policy settings, including regulatory approaches, to ensure future demand can be met
 - meeting demand, including strategies to address current and future challenges and constraints.

3. Conclusion

A conclusion to each report will summarise key issues, challenges and proposed approaches to meeting demand.

Source: http://www.coag.gov.au/meetings/030605/infrastructure_report_template.rtf.

While having a national infrastructure report card produced by government is a significant step forward, the plan suffers a number of deficiencies:

- a five yearly reporting cycle is unlikely to provide enough information to identify problems, implement change and assess outcomes;
- the COAG approach appears to be 'spacially blind' – aggregation to national and state developments provides some information but to be effective information is needed in regard to specific places and communities; and
- it is not clear that the reports will assess the broad range of investment needed to sustain communities spanning environmental, social as well as economic assets.

In addition to the work of governments, research institutions have also identified the need for better information about the range of indicators that reflect the performance of urban areas. The Planning Research Centre at the University of Sydney has a program underway to address this need for the Sydney region. Of course, it would be desirable to have similar information over many if not all urban areas in Australia.

A.8 The Sydney Metropolitan Indicators Project

This project is intended to be the premier data source on the performance of the region in terms of jobs, housing and economic development. The Metropolitan Index will be the most comprehensive industry led analysis of the region and will create the backdrop for policy proposal coming from peak bodies to major policymakers in the State. It will also set the benchmark for comparing Sydney with the other major capital cities leading to a potential National Indicators project that would provide guidance across the nation on matters of real estate and property development. The project will be developed by the University of Sydney in combination with a committee of staff and members so that it relevant to the peak bodies needs. Each year the Indicators will select a theme to focus on but the basic Indicators will remain stable from existing databases or from deep databases designed to examine critical areas in a time series approach.

There are several key features of the project.

1. This effort will be tied more closely to the real time series needs of industry and government;
2. It will pull together databases that are scattered and without a common base for comparison;
3. It will relate to public policy such as the new Sydney Strategic Plan and similar efforts both current and past;
4. It will provide a template for all other data collection efforts and measurement approaches in the Sydney GMR;

(continued on next page)

A.8 The Sydney Metropolitan Indicators Project (continued)

5. It will allow the measurement of sectorial performance of industry and institutional performance of government and civic organisation using the same framework;
6. It will provide a very good link between databases such as Western Sydney, the Hunter and others to examine critical issues from similar frameworks; and
7. It provides a common starting point for dialogues regarding the region's direction.

However, this project is neither a predictive tool nor a modelling tool. It is meant not as a substitute for consultant or government databases but as an augmentation.

Source: Planning Research Centre 2004 Newsletter, Third Edition November and December.

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B

Reconciliation of key elements

TWO KEY CONTRIBUTIONS HAVE shaped the National Action Plan for Sustainable Communities, *Capitalising sustainable communities* and *National Action Framework*. This appendix outlines key elements of these reports and where they have been addressed in the propositions that make up the strategy.

B.1 Capitalising Sustainable Communities

Key elements	Addressed in...
Identify a common vision and goals for the sustainable development of Australia's urban, regional and rural communities	Proposition 1
Establish a suite of performance metrics and targets that address economic, social, natural and governance objectives	Propositions 2 and 6
Clarify the purpose, roles and responsibilities of the sustainable communities Council (SCC) and propose a governance process	Proposition 4
Recommend a program of statutory changes and enabling legislation needed to support the goals of the SCC	Proposition 3 and 4
Provide recommendations for capitalising a sustainable communities Fund	Proposition 5
Establish an evaluation and audit process for sustainability payments	Propositions 4 and 5 (also outlined in Proposition 3)
Devise a risk adjusted benefit-cost methodology for determining annual sustainability dividends and apply it to the proposed program	Payments for performance set out in Proposition 5
Devise a needs based methodology for structural adjustment payments	Proposition 5
Develop a methodology for assessing the basis of sustainability payments	Proposition 5

B.2 National Action Framework

<i>Items</i>	<i>Addressed in ...</i>
Develop a shared national vision	Proposition 1
Establish a benchmarking framework	Proposition 5
Establish a sustainable urban communities commission	Proposition 3
Develop a national information exchange and analytical tools	Proposition 5
Actively engage the community	All propositions
Ensure sustainable transport infrastructure improvements	Proposition 4 (Infrastructure projects of significance)
Provide equitable access to technology and connection	Proposition 4 as above
Develop a National Settlement Strategy	Issue to be addressed when forming vision in Proposition 1
Develop key national sustainability initiatives	Proposition 2 (area plans) Proposition 4 (Infrastructure projects of significance)
	Proposition 6
Develop a national infrastructure funding program	Proposition 4

Sustainable Communities

A NATIONAL ACTION PLAN FOR URBAN AUSTRALIA



URBAN AUSTRALIA: THE NEED FOR ACTION

To be successful Australia's cities and towns need to be diverse, vibrant and inclusive communities.

Our cities are global portals and vital for engagement with the international economy, generating some 80% of GDP. This is an urban nation that relies on its cities to sustain national prosperity. If our cities are not efficient attractors of capital and talent we will not have a sustainable economy.

Our cities also need to be inclusive, healthy environments that are rich culturally and socially. They must be vibrant, exciting, accessible and safe places where our heritage is respected and we can build social capital and reduce poverty.

Creating sustainable cities requires planned action.

A NATIONAL ACTION PLAN

A consensus is emerging for a nationally coordinated approach to the sustainable development of urban communities just as we have national strategies and policies in areas such as competition, salinity, regional development, water and transport.

Four groups have collaborated to develop Sustainable Communities: A National Action Plan for Urban Australia. The bodies are the Planning Institute of Australia, the Property Council of Australia, the Royal Australian Institute of Architects, and the Intergovernmental Planning Officials Group. After two summits, numerous papers and much discussion, what is proposed is a national program to improve the economic, social and environmental performance of Australia's major urban areas.

The National Action Plan comprises seven propositions that are interdependent and will inter-relate at four key levels: governance and direction, policy recommendations, review and funding, and action mechanism.

Elements of the Mix

Governance and Direction	Policy Recommendations	Review and Funding	Action Mechanism
COAG Ministerial Councils	Parliament Treasurer Executive Agencies Departments	Sustainable Communities Commission National Sustainable Communities Fund	Intergovernmental Agreement Urban Action Plans Local Government Expert Committees

PROPOSITION ONE: A SHARED VISION

There is much public debate about economic, social and environmental sustainability. The emerging agreement is that we need a national strategy and coordinated actions at all levels of Government. We particularly need to raise the sustainability of our major urban centres.

Key elements we aspire to are economic wellbeing, social cohesion and stability and, above all, ecological sustainability.

The vision is for prosperous, fair and sustainable urban communities, delivered by governments and their partners working together.

PROPOSITION TWO: NATIONAL PLAN OF ACTION

The National Action Plan will establish the measures that should underpin sustainable urban communities. It will be built on such principles as: integration; partnership; equity; economic efficiency; spatial integrity; accountability; evidence-based decision-making; and public/private neutrality.

An intergovernmental agreement between the Australian Government and participating State and Territory governments and the Australian Local Government Association is proposed as the mechanism for converting the vision and principles into action. The agreement would cover all the key elements of the National Action Plan (i.e. the following steps).

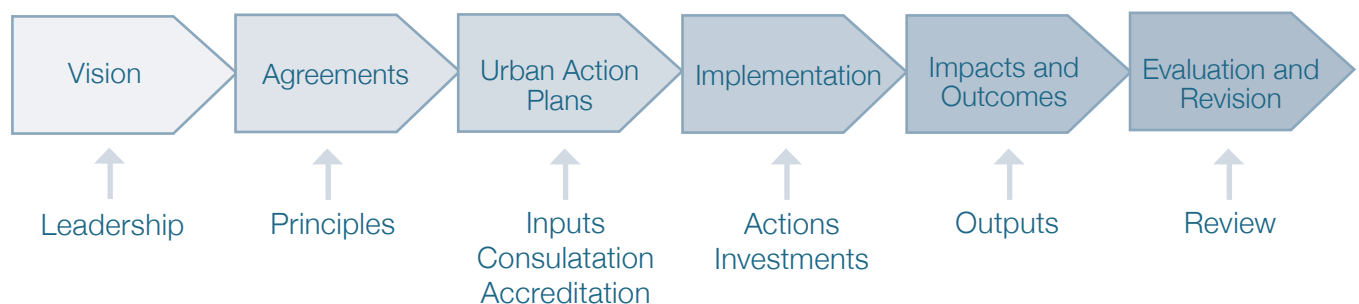
PROPOSITION THREE: URBAN ACTION PLANS

The National Action Plan for Urban Australia will operate at both a national and local level. At the local level, Urban Action Plans will be developed for specific communities identified as being priority areas. The plans will be certified by a Sustainable Communities Commission and funded through a National Sustainable Communities Fund.

The focus will be on areas of significant population density, important economic activity and emerging structural change.

The scope of Urban Action Plans will be developed in consultation with governments and the community. The plans will adopt a “whole of area” approach. They will facilitate a specific program of additional activities and investments, which together raise the sustainability of areas where national interests are at stake.

Process Overview



PROPOSITION FOUR: SUSTAINABLE COMMUNITIES COMMISSION

A Sustainable Communities Commission of three independent commissioners will oversee the National Action Plan.

The Commission will be a statutory authority with responsibility to guide, assess and report on progress, both national and locally. It will be accountable to the Council of Australian Governments (COAG) and will recommend funding to the Australian Government Treasurer. It will not set policy or reform agendas, which is the role of COAG. Instead, it will drive the implementation of the sustainable communities intergovernmental agreement agenda.

The Commission will provide community education and communications on sustainable communities and will conduct public hearings to accredit plans and evaluate performance against them. It will accept references from and give advice to COAG with its reports tabled in Parliament.

PROPOSITION FIVE: NATIONAL SUSTAINABLE COMMUNITIES FUND

Implementation of the National Action Plan will require significant investment of resources. The Plan proposes the creation of a National Sustainable Communities Fund, supported principally by the Australian Government. It will support major infrastructure projects, offset transition costs, provide implementation payments to governments and help develop the local capacity to plan and implement projects.

The National Action Plan will mobilise several billions of dollars for investment by accessing a wide range of funding avenues. Sources will include reinvestment of asset sales revenue, reduced tax advantages for environmentally damaging activities, co-investment contributions and productivity dividends.

PROPOSITION SIX: PERFORMANCE INDICATORS

Performance indicators will be developed and used for quantitative and qualitative assessment of the National Action Plan.

The indicators will be developed via an inquiry reference to the Productivity Commission by the Treasurer. The indicators will include measures of prosperity, quality of life, fairness, sustainability and partnerships. They will facilitate assessment of the performance of each of the steps: the National Action Plan, the Intergovernmental Agreement, the Sustainable Communities Commission, the National Sustainable Communities Fund, the regulation reviews and – at the local level – the Urban Action Plans.

The Commission will be able to engage appropriate external bodies to prepare performance reports. It will report through the Treasurer to COAG and the Australian Parliament on both national and local performance. The National Action Plan for Urban Australia will be accountable to the community that it serves.

PROPOSITION SEVEN: SUSTAINABLE REGULATION

All governments have policies, practices, legislation and/or regulations that impact on the sustainability of our urban communities. We propose that parties to the Intergovernmental Agreement undertake an independent review of the impact of their activities upon sustainability. Activities will be assessed for their consistency with the sustainability principles in the Agreement, and modified accordingly. The review needs to be independent and needs to link in with the review processes of the COAG National Reform Agenda.

Potential areas for regulation review include taxation, pricing of and access to transport, water usage, planning policies, development approval processes, building codes, fiscal responsibility arrangements and migration laws, many of which have already been identified by, which these sustainability reviews will dovetail with.

All new legislation and regulations that are subject to impact statements will also address the impact on sustainability.

TIMELINES

The timeframe for the National Action Plan allows for appropriate negotiation and consultation. It is proposed to have the Vision agreed during the 2006/07 financial year and the National Action Plan and Intergovernmental Agreement drafted by the end of 2007. A finalised agreement could be signed in 2007, with the first Urban Action Plans accredited during 2008 and performance reviews commenced in 2009.

FURTHER INFORMATION

The key source document for the National Action Plan is the June 2006 report on Sustainable Communities: A National Action Plan for Urban Australia prepared by the Centre for International Economics for the Sustainable Communities Roundtable.

