Capitalising Sustainable Communities
A Program for Urban, Regional and Rural Australia
December 2004: Draft Eight
Capitalising Sustainable Communities

The sustainable communities program aims to unleash **massive dividends for all Australians**.

These dividends include:

- vigorous GDP growth and greater international competitiveness;
- more fulfilling jobs and higher living standards;
- a healthier environment;
- better quality community services; and,
- a smaller ecological footprint.

The project reinvigorates Australia’s long running macro and micro economic reform project and places it **within a triple bottom line framework**.

The sustainable communities project seeks to weld major public policy programs (such as health, education and the environment) to more coordinated infrastructure delivery through **smarter planning, clearer governance and more efficient funding**.
The centrepiece of the project is the establishment of a **Sustainable Communities Council (SCC)** that would advise on:

- the sustainable development of the nation’s social, natural economic and governance resources;
- programs for more equitably and efficiently investing in urban, regional and rural communities; and,
- strategies for more effectively connecting the Australian, state/territory and local spheres of government.

It is anticipated the Sustainable Communities Council would make recommendations to the Australian Treasurer about **annual payments to the three spheres of government based on an investment reform program and associated performance targets**.

The investment reform program and targets would be settled by the Council of Australian Governments (COAG) on the advice of an independent public inquiry.

This paper outlines how the SCC might operate. It is divided into the following sections:

- the need for reform;
- an examination of the key dividends of a sustainability program;
- a process for establishing an SCC;
- a potential governance and organisation structure for the SCC.
Rationale for the Sustainable Communities Program
Rationale for the Sustainable Communities Program

One: **Australia needs a new prosperity booster.** With its macro and micro economic reform agendas tailing off, Australia needs a new means of leveraging international competitiveness. Previous economic reform agendas lifted Australia’s productivity and the nation’s economy to a top global ranking. That economic dividend paid for additional social benefit programs. The next step is better co-ordinated infrastructure investment proposed by the Sustainable Communities project.

Two: **Investment in public infrastructure drives productivity growth and economic prosperity.** There is compelling evidence of this link in Australia and many comparable countries. Preliminary research indicates better targeted infrastructure deliver within a triple bottom line framework will deliver a $400 billion boost to the economy over 10 years. This boost in turn delivers a significant taxation dividend to governments.

Three: **The national dividend from the Sustainable Communities program would exceed the benefits of competition policy.** In addition to underpinning economic performance, public infrastructure investment also enhances the social and environmental capital that binds our communities and makes them liveable.

Four: **Community services will improve.** Better planning management and more co-ordinated infrastructure allocation will improve the efficiency and effectiveness of community programs, such as health, aged care, skills training etc.

Five: **Welfare dependence will decrease.** Poorly managed urban, regional and rural development can trap successive generations in welfare dependency. Well planned, capitalised and connected communities can unleash talent and creativity by providing the building blocks to helping individuals, families and businesses to help realise their aspirations.
Six: **Australia’s natural assets will be better managed.** The natural and built environments are a public policy double helix. Sustainability cannot occur unless major decisions about social and economic programs are viewed through the prism of their impact on natural assets. Water quality and salinity are leading examples.

Seven: **Governance and public trust will improve.** Governments, including the Australian government, already spend huge amounts on infrastructure. They also develop many policies with spatial impacts. However, these programs are overwhelmingly disjointed. On a more political note, the public sometimes perceives government programs as ad hoc and self-serving. A Sustainable Communities Council would inject legitimacy into what is currently a mystery.

Eight: **Intergovernmental approaches are the best means of addressing national issues.** IGAs are now the leading policy mechanism for tackling overarching national challenges and opportunities. They have a successful track record and provide an effective means recognising distinct jurisdictional responsibilities within the context of common national objectives.

Nine: **Waste will be reduced.** Greater co-ordination through an IGA approach will reduce the waste that occurs through poor planning, duplication of effort, poor governance and cost-shifting.

Ten: **The price for ‘business as usual’ is lower living standards and political alienation.** Australia faces huge challenges in an increasingly competitive world. An intergovernmental approach to improving the management of our four national assets is our greatest opportunity.

The alternative is lower productivity driven through an increasingly obsolete infrastructure tool kit, greater misuse of our natural wealth through poor planning and greater public cynicism about the political process.

Failure to provide sufficient infrastructure in a well-planned manner erodes the competitiveness of communities along with their social and environmental sustainability.

The biggest losers will be future generations of Australians.
Describing the Benefits of Sustainable Communities
## ASSETS & DIVIDENDS OF SUSTAINABLE COMMUNITIES

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<thead>
<tr>
<th>SUSTAINABLE DIVIDENDS</th>
<th>SOCIAL DIVIDENDS</th>
<th>ECONOMIC DIVIDENDS</th>
<th>NATURAL DIVIDENDS</th>
<th>GOVERNANCE DIVIDENDS</th>
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<tbody>
<tr>
<td>Diverse, vibrant and inclusive communities</td>
<td>• balanced &amp; diverse lifestyles</td>
<td>• more jobs</td>
<td>• enhanced biodiversity</td>
<td>• increased institutional legitimacy</td>
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<td>Global competitiveness</td>
<td>• equity</td>
<td>• higher financial rewards</td>
<td>• lower greenhouse emissions</td>
<td>• clearer rights</td>
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<td>Reduced ecological impacts</td>
<td>• greater individual control over life choices</td>
<td>• higher living standards</td>
<td>• less waste</td>
<td>• more transparent decision making</td>
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<td>Enhanced equity of access</td>
<td>• life long learning</td>
<td>• greater innovation</td>
<td>• water management</td>
<td>• increased integrity</td>
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<td>Good quality inspirational design</td>
<td>• healthier lifestyles</td>
<td>• affordable shelter</td>
<td>• renewables</td>
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<td>• growth</td>
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A Six-Step Process Toward Capitalising Sustainable Communities
A Process for Capitalising Sustainable Communities

1. Commit to the principle of a sustainable communities IGA
2. Conduct an independent public inquiry
3. Sign a sustainable communities IGA
4. Establish a Sustainable Communities Council
5. Capitalise a Sustainable Communities Fund
6. Administer payment program & evaluate performance
Commit in principle to entering into an intergovernmental agreement (IGA) designed to reward governments that support sustainable development in Australia’s urban, regional and rural communities consistent with a common national vision.

Provide four classes of payments:

- **annual sustainability payments** to states/territories – “untied” but dependent on applicants achieving agreed outcomes/targets;
- funding for **projects of national significance**;
- **sustainability project payments** to regions; and,
- structural adjustment or **lagging region payments**.

The national vision and criteria for sustainability payments to be recommended by a national inquiry.

Recommendations for initial (and continuing) payments to be made to the Australian Government Treasurer by a Sustainable Communities Council (SCC).
Conduct an independent, public inquiry, led by a prominent Australian, that will:

- identify a common vision and goals for the sustainable development of Australia’s urban, regional and rural communities;
- establish a suite of performance metrics and targets that address economic, social, natural and governance objectives;
- clarify the purpose, roles and responsibilities of the Sustainable Communities Council (SCC) and propose a governance process;
- recommend a program of statutory changes and enabling legislation needed to support the goals of the SCC;
- provide recommendations for capitalising a Sustainable Communities Fund;
- establish an evaluation and audit process for sustainability payments;
- devise a benefit-cost methodology for determining annual sustainability dividends and apply it to the proposed program;
- devise a needs based methodology for structural adjustment payments; and,
- Develop a methodology for assessing the basis of sustainability payments.

A draft terms of reference for such an inquiry has been prepared.
Sign a sustainable communities IGA

The Australian government along with all state and territory jurisdictions and local government to sign an intergovernmental agreement (IGA) on developing sustainable communities.

The IGA would draw on recommendations made by the public inquiry.
Establish a Sustainable Communities Council (SCC). A model for the governance and operation of the SCC is shown overleaf.

The SCC to be formed under an IGA that will codify the major recommendation of the proposed public inquiry, including national targets. A key role of the SCC would be to independently evaluate applications for funds against the vision, goals and targets outlined in the IGA.

The SCC would make recommendations on spending to the Australian Treasurer.

The SCC could also provide advice to COAG on:
- the state of the nation’s infrastructure and anticipated infrastructure needs;
- appropriate accounting standards, impact statement and data collection methodologies;
- best practice principles in infrastructure provision and management;
- the integration of infrastructure provision with broader public policy goals and good planning, including ESD.
A MODEL FOR CAPITALISING SUSTAINABLE COMMUNITIES

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<th>GOVERNANCE &amp; POLICY DIRECTION</th>
<th>POLICY RECOMMENDATIONS</th>
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<tr>
<td>Australian Parliament</td>
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<td>COAG</td>
<td>Treasurer of Australia</td>
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<td>Relevant Ministerial Councils</td>
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<td>Commission Staff</td>
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| Treasurer to receive and act on the recommendations of the SCC. The Treasurer is solely responsible for deciding on payments. | The Sustainable Communities Council would make recommendations to the Treasurer in relation to:  
- ‘sustainability payments’ to states/territories;  
- projects of national significance;  
- specific ‘sustainability project payments’ directly to regions (groups of councils, catchment agencies etc); and,  
- structural adjustment (or lagging region) payments.  
The infrastructure Advisory Panel would recommend capital spending priorities and provide advice on best practice.  
The Applications and Audit Panel would assess applications for payments and audit successful applicants. | A full-time commissioner and several part time commissioners are proposed as the backbone of the SCC, which would also be served by a full-time professional staff.  
Commissioners would be drawn from major stakeholder groups. |

The Sustainable Communities Council (SCC) would report to COAG through the Treasurer of Australia.  
COAG would adopt priorities, targets, evaluation criteria and performance measurement methodologies, which would be codified in an intergovernmental agreement.  
The SCC would also make an annual report to the Australian Parliament.
Capitalise the SCC by way of a Sustainable Communities fund.

The proposed inquiry will explore funding and financing mechanisms, including:

- existing Australian Government program expenditure;
- productivity dividends;
- public borrowings – bonds;
- a fixed portion of any Telstra sale;
- re-assigning environmentally damaging subsidies; and,
- PPPs.

A multi billion dollar fund is anticipated.

A review of existing tax frameworks is also proposed. Such a review would examine any distortionary or dead weight impacts of current regimes.
SCC to administer the payments program in line with the IGA.

Conduct an annual audit based on:

- agreed goals and performance targets for sustainability payments;
- IGA principals; and,
- the benefit – cost methodology.