

SPECIAL COUNCIL OF AUSTRALIAN GOVERNMENTS MEETING

NATION BUILDING AND JOBS PLAN

CANBERRA

5 February 2009

COMMUNIQUE

Preamble

The Prime Minister, Premiers, Chief Ministers and the President of the Australian Local Government Association, together with Commonwealth, State and Territory Treasurers, held a special meeting of the Council of Australian Governments (COAG) in Canberra today to ensure rapid delivery of economic stimulus measures to support employment and growth and to foster a more resilient Australia.

Against the backdrop of the most testing global economic conditions since the Great Depression, COAG resolved to introduce new implementation and monitoring arrangements to maximise the timely and effective delivery of economic stimulus to reduce the impact on Australia of the global economic recession. These arrangements mean that an early start can be made in implementing key Commonwealth stimulus measures in social housing, building better schools and transport to be delivered by the States and Territories ('States'). This builds on the new cooperative federal financial arrangements agreed at the COAG meeting in November 2008.

A centrepiece of the Commonwealth Government's response to the global economic downturn is the \$42 billion Nation Building and Jobs Plan released on 3 February 2009. The plan includes \$21.5 billion to the States for education, social housing and road and rail infrastructure and complements measures already taken by the Commonwealth and COAG in 2008. An additional \$500 million is to be provided to local government for community infrastructure. Leaders agreed that the additional stimulus needed to flow quickly into aggregate demand through rapid implementation of the Plan.

Domestic and International Economic Conditions

Throughout 2008, the global financial crisis engulfed financial systems across the world. While the global economy has been slowing for some time, the global economic outlook has deteriorated sharply in recent months and it is now clear that the world economy is facing a much deeper and more protracted slowdown than previously anticipated. No economy is expected to escape the effects of the global financial crisis and it is now generally accepted that the world will experience a global recession in 2009.

While advanced economies are expected to experience the deepest recession in a generation, the key emerging economies of China and India, which are vitally important for Australia's growth prospects, are now slowing sharply and weakness in China will be particularly damaging for Australia. China has been the main driver of global growth over the past few years, pushing up commodity prices, driving an investment boom and providing significant stimulus to Australian economic growth and national income.

Although Australia has weathered the early stages of the global recession better than nearly any other country, the weight of the global recession is now bearing down on the Australian economy, with growth expected to be significantly weaker than previously anticipated and unemployment expected to rise. Even with this sobering prognosis, there remain significant downside risks. If the global recession is deeper and more protracted than expected, this would inevitably cause a more severe downturn in Australia. While Australia is unable to resist the pull of global economic forces, we are better placed than most other nations to face this global recession.

Commonwealth Response to the Global Financial Crisis

COAG welcomed and endorsed the decisive action being taken by the Commonwealth to strengthen growth and support jobs through the \$42 billion Nation Building and Jobs Plan. The Plan will help support and sustain up to 90,000 jobs over the next two years. The economic impact of the Plan is that Growth Domestic Product (GDP) growth is expected to be around ½ per cent higher in 2008-09 and around ¾ to one per cent higher in 2009-10 than it would have been without the Plan.

The Nation Building and Jobs Plan delivers a fiscal stimulus package of about two per cent of GDP in 2009.

The Nation Building and Jobs Plan complements the Commonwealth's \$10.4 billion Economic Security Strategy announced in October 2008 and builds on the long-term reforms agreed by COAG in November 2008 and the Commonwealth's nation building agenda announced in December 2008. The Plan includes investment of \$28.8 billion in schools, housing, energy efficiency, community infrastructure and roads and support to small businesses.

- The Building the Education Revolution program will invest \$14.7 billion in building and rebuilding primary and secondary school infrastructure and maintenance and brings forward the funding of trade training centres in schools.
- \$6.6 billion has been allocated to boost the national stock of social housing by around 20,000 and for the construction of an additional 802 defence homes and to fast-track repairs and maintenance for existing public housing.
- The energy efficiency of Australian homes will be enhanced, contributing to reduced greenhouse gases, through a \$3.9 billion program to provide ceiling insulation for home owners, additional assistance to landlords to install insulation as well as increasing solar hot water rebates for households. Around 2.7 million houses could benefit from this measure.
- \$890 million will be allocated to repair regional roads and black spots, the installation of boom gates at rail crossings, and regional and local community infrastructure.
- A \$2.7 billion Small Business and General Business Tax Break will assist small businesses and other businesses by supporting the bringing forward and maintenance of their capital expenditure.

COAG also noted the Commonwealth's support for households in the **Supporting Jobs Now** package, which will provide \$12.7 billion to deliver an immediate stimulus to the economy to support growth and jobs before investment spending and lower interest rates take effect. These measures include an \$8.2 billion Tax Bonus for Working Australians, a \$1.4 billion Single-income Family Bonus, a \$20 million Farmers' Hardship Bonus, a \$2.6 billion Back to

School Bonus and a \$511 million Training and Learning Bonus. These bonuses will be paid from early March.

These measures build on the Commonwealth's responses to the volatile financial market and credit conditions, including:

- guaranteeing all deposits of Australian banks, building societies and credit unions and Australian subsidiaries of foreign-owned banks to operate for a period of three years;
- guaranteeing wholesale borrowing available to Australian-owned banks, Australian subsidiaries of foreign-owned banks, building societies and credit unions, for new and existing term debt issuance out to five years;
- establishing a special purpose vehicle with the support of leading Australian banks to provide liquidity to car dealer financiers who have encountered financing difficulties as a result of the global financial crisis;
- establishing the Australian Business Investment Partnership together with the four major Australian banks to provide liquidity support to viable, major commercial property projects in Australia; and
- establishing a Financial Claims Scheme to provide depositors and general insurance policyholders with timely access to their funds in the event of a financial institution failure and changes to the regulatory framework to allow better management of failing financial institutions.

NATION BUILDING AND JOBS PLAN

Rapid delivery of stimulus

To maximise the timely and effective delivery of the 3 February 2009 Nation Building and Jobs Plan and the December 2008 Nation Building Statement, COAG agreed to new national coordination arrangements, involving national coordinators at Commonwealth and State levels to support monitoring and implementation of the infrastructure and stimulus measures. COAG also agreed to new arrangements to ensure that there is no substitution of effort by States, so that State capital effort already directed at the areas of the Nation Building and Jobs

Plan – schools, energy efficient homes, social housing, roads and boom gates – is maintained, and that the capital investments under the Plan are additional to such effort.

Building the Education Revolution

The Commonwealth will provide \$14.7 billion over three years for major and minor infrastructure projects for Australia's 9,540 schools. This will fund schools to build and upgrade facilities which will be available for broader community use. These include 21st Century libraries, multi-purpose halls, secondary school science laboratories and language learning centres. This funding will help to stimulate economies in local communities through the scale and pace of construction work undertaken. Building the Education Revolution includes:

- \$12.4 billion for Primary Schools for the 21st Century;
- \$1 billion for Science and Language Centres for the 21st Century Secondary Schools;
- \$1.3 billion for National School Pride program; and
- bringing forward up to an additional \$110 million to fund quality proposals in Round Two of the Trade Training Centres in Schools Program, building on the \$277 million currently available.

COAG agreed that bilateral agreements will be entered into by 13 February 2009 with each State and Block Grant Authority (BGA) that specify the conditions, commitments, timeframes, consequences of non-compliance and reporting arrangements to enable rapid delivery of this major investment in Australia's schools.

In recognition of the need to deliver the financial stimulus from Building the Education Revolution as quickly as possible, COAG agreed:

- under Primary Schools for the 21st Century, States and BGAs to prioritise schools into three funding rounds for Commonwealth approval; under Round One construction must start no later than June 2009, under Round Two construction must start by July-August 2009 and under Round Three construction must start by 1 December 2009. All projects are to be completed no later than March 2011;

- under Science and Language Centres for 21st Century Secondary Schools, schools will be funded on a competitive basis where schools can demonstrate need, readiness and capacity to complete construction by 30 June 2010; and
- under the National School Pride program, for Commonwealth approval State education authorities and BGAs to assess applications in each round, with 60 per cent of projects to commence in 2008-09, and the remaining 40 per cent in 2009-10.

Further implementation details that are agreed by Leaders are at Attachment A.

Social Housing

Building on COAG's recognition in July 2008 that there was potential for reform of social housing, the Commonwealth will provide a landmark investment of \$6.4 billion from 2008-09 to 2011-12 for the construction of around 20,000 social housing units and repairs and maintenance to around 2,500 existing public housing dwellings. This assistance is in addition to the nearly \$10 billion announced by COAG last year under the National Affordable Housing Agreement and its associated National Partnerships (NPs), \$2.2 billion of initiatives in the 2008 Commonwealth Budget and \$1.5 billion for the First Home Owners' Boost.

Under this new commitment, the Commonwealth will allocate \$6.0 billion for new social housing:

- Stage One - States will initially be allocated funding (up to \$692 million) for suitable projects already in their development pipelines that can be brought forward and built in the time frame (2008-09 and 2009-10). States have agreed to submit proposals by 15 March 2009 and the Commonwealth will make allocations for stage one construction projects by 1 April 2009; and
- Stage Two - Funds from 2009-10 to 2011-12 (around \$5,296 million) will be allocated to States on the basis of an assessment of suitable proposals. States have agreed to submit proposals by 30 June 2009 and the Commonwealth will make allocations for stage two construction projects by 30 August 2009.

The Commonwealth will also provide up to \$400 million for repairs and maintenance of existing public housing stock over two years, with States agreeing to submit proposals by

15 February 2009 and the Commonwealth agreeing to approve repairs and maintenance proposals by 1 March 2009.

This program will mean that within three and a half years around 20,000 new social housing dwellings will be built and around 2,500 will be repaired for people who are homeless or at risk of homelessness, ensuring that the Commonwealth is well advanced in reaching its target of halving homelessness by 2020.

It will also provide significant stimulus to the building and construction industry. In addition, Leaders agreed that this measure would drive significant reform of social housing through consolidation of waiting lists, growth of the not-for-profit sector, funding reform and reduction of concentrations of disadvantage.

COAG also agreed that the States would:

- identify, manage and report on Commonwealth approved construction projects and repair/maintenance programs in their jurisdiction;
- manage funding for successful proposals, with project payments made on achievement of project milestones with 75 per cent of these new homes to be completed by December 2010;
- ensure recurrent costs of new housing are met, with completed dwellings to be owned by State governments or community housing providers; and
- progress reforms in the sector (details at Attachment B) and report to COAG by December 2009 on these. Further details on timeframes are at Attachment A.

Black Spots, Boom Gates, Repairing Regional Roads and Community Infrastructure

Leaders also endorsed the need for speedy delivery of stimulus to local jobs through helping States address the backlog in highway maintenance and address safety at high-risk rail crossings.

Building on the \$60 million in 2008-09 additional funding announced in the Nation Building package, the Commonwealth will fund around 350 additional safety projects under the Black Spot program (\$90 million over two years). States are to submit nominations for **Black Spots** funding to the Commonwealth by 31 March 2009.

The Commonwealth will provide \$150 million in 2008-09 to help States fund additional **regional road maintenance** projects across Australia, according to the standard formula. States will each be required to sign a Memorandum of Understanding (or National Partnership agreement) with the Commonwealth by 1 March 2009. The States have also agreed to finalise the new Nation Building Program Agreement (formerly AusLink) by 1 March 2009 within the Commonwealth's existing funding envelope.

The Commonwealth will also provide \$150 million over two years to accelerate the installation of boom gates and other active control mechanisms at high-risk **rail crossings** throughout Australia. States will provide submissions to the Commonwealth on their identified priorities by the end of February 2009. The Commonwealth will put in place mechanisms to ensure the funding is directed to new works and not used to offset existing State programs. States also affirmed the need to implement COAG's previous decisions to implement national rail safety legislation and develop a nationally-consistent rail safety regulatory framework.

Further implementation details are at Attachment A.

COAG also welcomed the Commonwealth's commitment to develop further its relationship with local government, with funding of \$500 million allocated over two years to expand the Regional and Local Community Infrastructure Program - Strategic Projects, to address a serious backlog in the provision of community infrastructure across the nation. The funding will be allocated to projects identified as suitable under the program announced by the Commonwealth in November 2008. Priority will be given to local community infrastructure projects that can proceed quickly and where there is co-investment from councils and other partners such as State governments. Projects will be selected through a competitive, application-based and accountable process and funding will be conditional on projects proponents entering into legally-enforceable funding agreements with the Commonwealth.

Energy Efficient Homes

Leaders endorsed the Commonwealth's Energy Efficient Homes package to modernise Australian homes, resulting in the installation of ceiling insulation in up to an additional 2.7 million uninsulated Australian homes. To complement this program, Leaders also agreed that the States would maintain existing energy efficiency funding levels, and re-direct state

funding for other energy efficiency programs such as insulation programs to home energy advice programs, particularly for the most disadvantaged households. Advice programs, such as home energy audits, will help households to maximise the benefits of their new insulation and further reduce their energy costs.

States additionally agreed to audit the energy efficiency of their existing public housing stocks, and consider implementing a program for cost-effective upgrades.

Leaders further agreed to examine and resolve at the next COAG meeting additional measures drawn from the report of the Energy Efficiency Sub-Group of the COAG Working Group on Climate Change and Water to build on the Energy Efficiency Homes package and further improve the energy efficiency of residential and commercial buildings across Australia:

- significantly increase energy efficiency requirements for all classes of commercial buildings in the Building Code of Australia from 2010;
- ensure greater consistency in the application of building standards across all States;
- phase-in mandatory disclosure of the energy efficiency of commercial buildings and tenancies from December 2009;
- increase energy efficiency requirements for new residential buildings to six stars, or equivalent, nationally by 2010; and
- introduce mandatory disclosure of residential building energy, greenhouse and water performance at the time of sale or lease by 2010.

States also agreed to collaborate to use the Commonwealth's on-line portal as a single point of inquiry for all energy efficiency programs for households and businesses, and that a key part of the COAG National Energy Efficiency Strategy be a commitment from Commonwealth and State governments to improve the energy efficiency of their own operations. States also re-committed to expediting the national roll-out of electricity smart meters, agreed by COAG in April 2007.

Microeconomic and Regulatory Reform

Leaders re-affirmed their strong commitment to microeconomic and regulatory reform, recognising that better regulation enhances Australia's productivity and international

competitiveness, deepening the supply potential of the economy, driving its ability to adapt faster and raising the potential growth rate. Further to its National Partnership Agreement on a Seamless National Economy, COAG recognised that despite recent valuable reform, there remains considerable scope for further microeconomic reform in the following areas:

- major city strategic plans that incorporate clear provisions for long-term infrastructure needs;
- planning reforms for individual infrastructure projects;
- regulation of export-related infrastructure; and
- reform of legal profession regulation.

Leaders agreed to support this microeconomic reform agenda and papers will be prepared for discussion at the next COAG meeting.

DELIVERING THE NATION BUILDING AND JOBS PLAN

COAG agreed to new oversight and coordination arrangements to ensure that the stimulus from the Nation Building and Jobs Plan is delivered on time and its impact maximised.

This includes:

- oversight arrangements to support monitoring and implementation of the commitments through new National Coordination arrangements and reporting to COAG:-
 - appointment by the end of February, of Commonwealth and State Coordinators-General to oversee implementation across the Plan and Coordinators in the Commonwealth, and in each State in the areas of social housing, building the education revolution, energy efficient homes and transport and infrastructure, and
 - these Coordinators-General and Coordinators will have ultimate administrative responsibility for implementation of the Plan, which could involve legislative powers;
- a process to ensure that there is no substitution of capital effort by the States in the areas of schools, energy efficient homes, social housing, regional roads, black spots and boom gates, overseen by Heads of Treasuries and reporting to COAG through the Ministerial Council for Federal Financial Relations;

- to ensure that the cost to the Commonwealth Budget is temporary, any ongoing administration or maintenance costs associated with the expenditure responsibility remain with the States;
- the commitment by all jurisdictions within a best-value approach to give priority to in contracting and tendering arrangements to businesses that have a demonstrated commitment to adding or retaining trainees and apprentices; and
- these arrangements are formalised through a new National Partnership Agreement on the Nation Building and Jobs Plan signed today by Leaders.

TIMELINES FOR THE IMPLEMENTATION OF VARIOUS NATION BUILDING AND JOBS PLAN INITIATIVES INVOLVING THE STATES

BUILDING THE EDUCATION REVOLUTION

Primary Schools for the 21st Century

Round 1: 20 per cent of schools

- 4-6 February 2009 – the Department of Education, Employment, Workplace Relations (DEEWR) to convene briefing sessions for government education authorities and Block Grant Authorities (BGAs).
- February–April 2009 – States and BGAs assess proposals incorporating views of Parents and Friends and Parents and Citizens groups as appropriate, and submit lists to the Commonwealth for approval.
- No later than June 2009 – Projects commence.
 - This will be on the basis of a set of design templates that must be used by each project to be submitted by the States to the Commonwealth no later than 16 February 2009, unless a school has a pre-approved design available, or can demonstrate within a specified timeframe that non-use of the template is reasonable, appropriate and that the building process can still be expedited and achieved in the prescribed timeframes.
- No later than December 2010 – Projects completed.

Round 2: 40 per cent of schools

- April-May 2009 – the States and BGAs assess proposals and submit lists to the Commonwealth for approval.
- No later than July-August 2009 – Projects commence.
 - This will be on the basis of a set of design templates that must be used by each project, unless a school has a pre-approved design available, or can demonstrate within a specified timeframe that non-use of the template is reasonable, appropriate and that the building process can still be expedited and achieved in the prescribed timeframes.
- No later than January 2011 – Projects completed.

Round 3: 40 per cent of schools

- June-July 2009 – the States and BGAs assess proposals and submit lists to the Commonwealth for approval.
- No later than 1 December 2009 – Projects commence.
- This will be on the basis of a set of design templates that must be used by each project, unless a school has a pre-approved design available, or can demonstrate within a specified timeframe that non-use of the template is reasonable, appropriate and that the building process can still be expedited and achieved in the prescribed timeframes.
- No later than March 2011 – Projects completed.

Science and Language Centres for 21st Century Schools

- Secondary schools will be funded on a competitive basis where schools can demonstrate need, readiness and capacity to complete construction by 30 June 2010.
- 4-6 February 2009 – DEEWR to convene briefing sessions for government education authorities and BGAs.
- March-June 2009 – the States and BGAs assess proposals and submit lists to the Commonwealth for approval by June 2009 at the latest.
 - This will be on the basis of a set of design templates that must be used by each project to be submitted by the States to the Commonwealth no later than 16 February 2009, unless a school has a pre-approved design available, or can demonstrate within a specified timeframe that non-use of the template is reasonable, appropriate and that the building process can still be expedited and achieved in the prescribed timeframes.
- July 2009 – Projects commence.
- June 2010 – Projects completed.

National School Pride Program

Round 1: 60 per cent of schools

- 4-9 February 2009 – DEEWR to convene briefing sessions for government education authorities and BGAs.

- February-March 2009 – the States and BGAs to assess proposals and submit lists to the Commonwealth for approval by 30 March 2009 at the latest.
- April-May 2009 – Projects commence.
- 31 December 2009 – Projects completed.

Round 2: 40 per cent of schools

- April-May 2009 – the States and BGAs to assess proposals and submit lists to the Commonwealth for approval by 30 May 2009 at the latest.
- Late July 2009 – Projects commence.
- February 2010 – Projects completed.

SOCIAL HOUSING

Repairs and Maintenance to Existing Public Housing Stock

- 15 February 2009 – the States to submit proposals.
- 1 March 2009 - Commonwealth approves repairs and maintenance proposals.

New Social Housing - Stage One

- 15 March 2009 – the States to submit proposals.
- 1 April 2009 - Commonwealth makes allocations for stage one construction projects.

New Social Housing - Stage Two

- 30 June 2009 – the States to submit proposals for new construction.
- 30 August 2009 - Commonwealth makes allocations for stage two construction projects.

BLACK SPOTS, BOOM GATES AND REPAIRING REGIONAL ROADS

Black Spot 2008-09 Funding

- 31 March 2009 – the States to nominate projects to the Commonwealth.
- 30 June 2009 - Funds expended.
- 31 December 2009 - Projects completed.

Boom Gates

- By end February 2009 - States to provide submissions to the Commonwealth based on their identified priorities.

Road Maintenance

- Funds are only available in 2008-09.
- Week commencing 9 February 2009 - Minister for Infrastructure, Transport, Regional Development and Local Government to write to responsible State Ministers to provide further details of this additional funding.
- Before 1 March 2009 – the States to sign a Memorandum of Understanding (MOU) for the Nation Building program for the period 2009-10 to 2013-14. Additional maintenance funding is conditional on signing.
- Payment will be made to each State on the signing of its respective MOU.

Social Housing

Building on COAG's recognition in July 2008 that there was potential for reform of social housing, the Commonwealth will provide a landmark investment of \$6.4 billion from 2008-09 to 2011-12 for the construction of around 20,000 social housing units and repairs and maintenance to around 2,500 existing public housing dwellings.

Under this new commitment, the Commonwealth will allocate \$6.0 billion for new social housing and will also provide up to \$400 million for repairs and maintenance of existing public housing stock over two years.

COAG agreed that the States would progress reforms in the sector and report to COAG by December 2009 on these, including:

- integration of public and community housing waiting lists;
- better social and economic participation for social housing tenants by locating housing closer to transport, services and employment opportunities;
- implementation of support arrangements to assist social housing tenants to transition from social housing arrangements to affordable private rental and home ownership as their circumstances change;
- reducing concentrations of disadvantage through appropriate redevelopment to create mixed communities that improve social inclusion;
- introduction of a national regulatory and registration system for not-for-profit housing providers to enhance the sector's capacity to operate across jurisdictions;
- increased transparency through the establishment of consistent and comparable accounting and reporting standards across jurisdictions that allow clear and objective assessments of performance that meet public accountability requirements;
- social housing providers to be subject to independent prudential supervision to protect public investment in the sector;
- improved tenancy management and maintenance benchmarks for social housing;
- improved efficiency of social housing including through better matching of tenants with appropriate dwelling types and the introduction of rental setting policies that reflect the type of dwellings occupied by tenants;

- introducing contestability in allocation of funds to encourage a range of new providers and create diversification in the not-for-profit sector to enhance the ability of providers to offer housing options to a broader range of client types;
- leveraging of government capital investment to enhance provision of social housing;
- better use of government-owned land to provide more affordable housing opportunities for low income earners; and
- improved procurement practices that promote competition between proponents and provide participation opportunities for small and medium enterprises.