

Western Australian Industrial Relations Commission

Application No. CICS 1 of 2026

2026 State Wage Order

Filed on behalf of: the Western Australian Local Government Association

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Written Submission Western Australian Local Government Association



Introduction

1. The Western Australian Local Government Association (**WALGA**) provides this submission in response to application no. CICS 1 of 2026 regarding the 2026 State Wage Case.
2. WALGA is an independent, member based, not for profit organisation representing and supporting the WA Local Government sector. Our Ordinary Members include all 147 Local Governments and Regional Councils (**Local Governments**) in WA. WALGA uses its influence, support, and expertise to

deliver better outcomes for Local Governments and their communities. WALGA is not a government department.

3. WALGA supports:
 - a. Wage increases that balance the provision of fair and sustainable wages with the capacity of Local Governments to responsibly manage their budgets in the interests of the communities they serve; and
 - b. Wage increases determined in accordance with established wage-fixing principles.

Industrial Relations Context of WA Local Governments

4. There is a total of 147 Local Governments established under the *Local Government Act 1995* (WA)¹, 145 of which are employers regulated by the State industrial relations system:
 - a. 145 (being 137 “Local Government employers” and 8 “Regional Local Government employers”) were declared not to be national system employers.²
 - b. Two of the 147 Local Governments (Shire of Christmas Island and the Shire of Cocos (Keeling) Islands) were not included in the declaration referred to in subparagraph a. immediately above.
5. According to [Australian Bureau of Statistics](#) data released on 6 November 2025, 26,500 employees were employed in the WA Local Government sector at the end of June 2025.³
6. Local Government employers apply one or more of the following industrial instruments:
 - a. State Awards.
 - b. Industrial agreements that:
 - i. were negotiated and registered in the State industrial relations system; or
 - ii. are new State instruments (**NSI**) by virtue of s 80BB of the *Industrial Relations Act 1979* (WA) (**IR Act**).

¹ See definition of local government in s 1.4.

² IR Act s 80A of the *Industrial Relations Act 1979* (WA) and *Industrial Relations (General) Regulations 1997* (WA) r 7 and Schedule 4. Some of the Regional Councils have no employees apart from a Chief Executive Officer.

³ Public sector employment and earnings, Australia 2024-25 financial year.

7. Most employees in the Local Government sector have a safety net for their entitlements determined by an industrial agreement (whether negotiated and registered in the State system or a NSI).
8. Of the 145 Local Governments who are regulated by the State industrial relations system, approximately 105 apply a NSI or a relevant State Award. Specifically:
 - a. 83 Local Governments apply a NSI that mirrors the terms and conditions of the Local Government Industry Award 2020 (being the federal modern award that applied to employees immediately prior to 1 January 2023) **(LGIA NSI)**.⁴
 - b. 32 Local Governments apply the relevant State Awards.
9. Local Governments are classified into different 'Bands' 1 to 4 based on their size (economic and population).⁵
10. Of the 105 Local Governments that apply a NSI or the relevant State Awards, 88 are Band 3 or Band 4 Local Governments.⁶ Approximately:
 - a. 58 Band 3 and Band 4 Local Governments apply the LGIA; and
 - b. 30 Band 3 and Band 4 Local Governments apply the relevant State Awards.
11. Both the relevant State Awards and the LGIA NSIs contain wage rates that are materially affected by movements in the State Minimum Wage. Accordingly, any increase to the State Minimum Wage has a direct impact on the wage costs incurred by Local Governments.

Impact of Geopolitical Events

12. The outbreak of conflict in the Middle East in March 2026 has driven significant volatility in global financial and commodity markets, most notably through sharp increases in oil prices following the closure of the Strait of Hormuz and disruptions to critical energy infrastructure. These developments have materially heightened uncertainty regarding supply chains and input costs in an already fragile global economic environment.
13. Given the critical role that oil plays in the global economy, there are growing expectations of a downgrade in global growth forecasts if oil prices remain

⁴ There may be other Local Governments which are covered by a LGIA NSI because they may have an industrial agreement or a new State instrument enterprise agreement that excludes from its coverage certain senior/executive employees (who would therefore be covered by a LGIA NSI).

⁵ Local Government Chief Executive Officers and Elected Council Members Determination No. 1 of 2025, Schedule 1.

⁶ Two Local Governments apply both the LGIA and a relevant State Award.

elevated at the \$US120-\$US150 range over a sustained period. Not only would high oil prices curtail global economic growth, but it would create inflationary pressures that could require central banks to prioritise inflation risks. The pressure to raise interest rates are likely to be most acute in countries already facing 'sticky' inflation challenges over the second half of 2025, such as Australia.

14. At a local level, the impacts of the conflict in the Middle East are already being felt to the extent that the supply of fuel to Australia has been curtailed, bringing with it supply shortages around Australia, and sharp increases in the price of fuel, with the impacts most pronounced in regional areas. Fuel supply shortages, especially the supply of diesel fuel, are particularly impacting the resources and agricultural industries where diesel is a key input in production processes.
15. Within regional areas of Western Australia, the uplift in the diesel price has been even sharper than those in the Perth metropolitan area, with supply shortages complementing concerns about the sharp uplift in prices. Across the first quarter of 2026, cases have emerged of petrol stations across several regional areas of the state where supplies of unleaded petrol or diesel have run out.
16. As Local Governments frequently operate as primary parties within complex supply chains, they are particularly exposed to price increases and legislative changes that materially affect operating costs. This includes regulatory interventions such as the Road Transport Contractual Chain Order – Fuel Cost Recovery 2026, made by the Fair Work Commission on 20 April 2026.⁷ Such regulatory measures have the potential to impose additional downstream cost liabilities on Local Governments, including through price variation claims and the administrative and governance costs associated with reviewing, approving, and implementing fuel rate adjustments (for example, obtaining legal advice on coverage and convening Council meetings to approve amended payment arrangements).
17. As the cost and availability of essential inputs continue to deteriorate, Local Governments are increasingly exposed to the risk of disruption to the essential services upon which their communities rely. This risk is particularly acute for Local Government functions that are heavily dependent on fuel supply, impacted by regulatory measures such as the Road Transport Contract Chain Order – Fuel Cost Recovery 2026, and are directly affected by escalating prices, including (but not limited to) urgent road maintenance, waste collection services, and water and sewerage operations.

⁷ Road Transport Contractual Chain Order – Fuel Cost Recovery – 2026 (MS2026/1)

18. As a specific example applicable for Local Governments, diesel is critical for all stages of *"road construction and maintenance, from aggregate heating and drying at asphalt plants, to the operation of pavers, rollers, and bitumen sprayers, to material haulage from quarry to site"*.⁸
19. The impact of price movements in the oil price extends beyond diesel prices and flows through to other critical inputs used widely throughout the WA economy, a number of which are critical to the Local Government sector, such as bitumen.
20. Australia imports the majority of its bitumen supply for asphalt and bitumen spray seal applications, primarily from Asian refineries in South Korea, Singapore, and Thailand, which depend on Middle Eastern crude oil as feedstock.⁹ It is understood a number of those suppliers may have cancelled supply commitments or invoked force majeure provisions in response to current conditions.¹⁰
21. This is one example of what are clear and observable relationships between movements in the price of oil, the price of fuel, and associated input and output prices which impact on the costs faced by the Local Government sector in Western Australia.
22. Local Governments, as providers of essential community services, may be required to absorb or mitigate the impacts of fuel price increases and supply disruptions on their workforce. This may include pressure to increase allowances or related entitlements, such as the Award variations sought by the Australian Council of Trade Unions and others in application AM2026/10 currently before the Fair Work Commission.¹¹ Such measures would impose additional cost pressures but may be necessary to maintain essential service delivery.
23. Band 3 and Band 4 Local Governments are particularly exposed to prevailing economic pressures driven by global events and uncertainty, as they comprise the majority of Local Governments operating under minimum statutory industrial instruments. As a result, these Local Governments are acutely vulnerable to increases in the State Minimum Wage, which translate directly and immediately into heightened operating costs.

⁸ Australian Flexible Pavement Association: Industry Statement – Global Bitumen Supply Chain Disruption: Material and Cost Impacts on Australia’s Flexible Pavement Sector (12 March 2026), page 2.

⁹ Australian Flexible Pavement Association: Industry Statement – Global Bitumen Supply Chain Disruption: Material and Cost Impacts on Australia’s Flexible Pavement Sector (12 March 2026).

¹⁰ Australian Flexible Pavement Association: Industry Statement – Global Bitumen Supply Chain Disruption: Material and Cost Impacts on Australia’s Flexible Pavement Sector (12 March 2026).

¹¹ Applications to vary vehicle allowances in over 40 Awards (see AM2026/10, AM2026/11, AM2026/12, AM2026/13).

24. WALGA submits that, in determining the State Minimum Wage and State Award wages, appropriate weight should be given to the cumulative impacts of rising costs, constraints on the availability of essential inputs, and heightened economic uncertainty arising from geopolitical events, particularly as they affect regional Local Governments.

WA Economic Context

Economic Growth

25. The Western Australian economy grew by 1.3% in 2024-25, an increase from the 1.2% growth rate recorded in the previous financial year but lower than the five year post-COVID average of 2.5% per annum. The WA Department of Treasury and Finance (DTF) forecasts that the WA economy will grow by 3.25% this financial year in the 2026-27 State Budget, with medium term economic growth projected to sit around 2.25% per annum.¹²
26. The domestic economy, as measured by State Final Demand, performed strongly in 2024-25 recording growth of 3.2%, with further growth of 3.25% forecast in 2025-26 according to DTF. The domestic economy is forecast to moderate to annual growth of 2.25% in 2026-27, and remaining between 2.25% and 2.75% in the medium term.
27. Economic activity in Western Australia continues to be fuelled by sustained high levels of public and business investment, with strong population growth helping to stimulate household consumption and dwelling investment to further boost domestic economic activity.
28. WA recorded the strongest growth in total population across all States and Territories over the 12 months to June 2025 at 2.2%, with Victoria and Queensland next in line at 1.8%. DTF had forecast a decline in WA's population growth to 1.8% in 2025-26, suggesting continued strong demand for migration into Western Australia.
29. DTF's forecasts for the WA economy in the 2025-26 Mid Year Review suggest a pullback in both public consumption and investment over the years ahead relative to recent history, with average growth of 1.0% and 2.0% per annum respectively in 2026-27 before settling at 2.5% and 1.25% respectively in the medium term compared to growth of 5.7% and 10.2% respectively in the 2024-25 financial year.

¹² 2026-27 Western Australian State Budget.

30. Household disposable income, an indicator of living standards, increased by 1.6% in the March quarter at a national level, bringing year-on-year growth up to 6.3%.
31. There are a range of risks to economic growth in Western Australia, including an extended period of conflict in the Middle East, which presents as a significant risk factor for a further increase in inflationary pressures. Other downside risks to the Western Australian economy centre on continued supply pressures in the building and construction industry, broader geopolitical risks impacting on commodity markets, and sustained pressure on staff and other costs across all sectors of the economy.

Inflation

32. Over the year to the March 2026 quarter, underlying inflation (as measured by the Trimmed Mean) rose to 3.3%, unchanged from the 12 months to February 2026. The re-emergence of inflationary pressures over the second half of 2025 resulted saw the RBA increase the official cash rate by 25 basis points at its February, March and May Board meetings. The cash rate now stands at 4.35%, the highest level since February 2025 and equal to the post-COVID high of 4.35%.
33. Capacity constraints across key markets, including the labour market, as well as supply chains which are yet to fully normalise following the post-COVID upheaval, are conspiring to place upward pressure on inflation and prices.
34. In Western Australia, the Perth CPI increased by 1.2% for the March quarter, which was above the 1.1% increase for national CPI. However, in annual terms, the Perth CPI of 4.6% was equal to the national CPI of 4.6% in March 2026 year end terms, and the equal fourth highest across all Australian capital cities after Brisbane (4.7%), Adelaide (4.9%) and Hobart (5.1%).
35. The Perth CPI has increased at a faster rate than the national CPI in annual terms since the June 2024 quarter, albeit the gap has now narrowed to its smallest margin of the most recent data release. DTF forecasts the Perth CPI to end 2025-26 up 5.5%, before returning to within the RBA's target range of 2% to 3% in the medium term.
36. However, this forecast would be expected to be subject to higher revision given the continued above-target growth observed in the ABS's monthly CPI series, and the significant increase in global energy and other commodity prices flowing from turmoil in the Middle East.

Labour and Wages

37. Wages growth continued in the March quarter with the WA Wage Price Index (WPI) increasing by 3.6% over the last year, above the national figure of 3.2% and the second highest level across all Australian States and Territories after the Australian Capital Territory (3.7%).
38. DTF's 2026-27 State Budget forecast suggested wages growth across the State of 3.75% over the course of 2025-26. Wages growth is then expected to ease marginally to 3.25% over the subsequent three years. As a result, DTF is forecasting growth in real wages over the forward outlook period.
39. A persistent tight labour market in WA, and to a lesser extent nationally, has been a key driver of wages growth. In the 2025 calendar year, 28,800 jobs were created in WA, an increase of 1.8%. This was down from the 65,700 jobs created in the 2024 calendar year (a 4.2% increase).
40. Western Australia's labour market continues to benefit from a persistently higher participation rate than in other States and Territories, sitting at 68.8% as of March 2026. As of March 2026, WA had the fourth lowest unemployment rate across all states and territories in Australia at 4.1%.
41. The total number of job vacancies across Western Australia displayed a high degree of stability throughout the 2025 calendar year, sitting within a range of approximately 40,400 to 43,200 job vacancies over this period. This remains well above the pre-pandemic level of 20,000 – 30,000 job vacancies in WA at any given time.
42. So far in 2025-26, job creation has been below the DTF's expectations from the June Budget, with its job growth forecast revised downwards from 1.75% to 1.5% in the 2026-27 State Budget. This rate is below its updated population growth forecast of 1.8% in 2025-26, suggesting potential relief for the labour market in the short to medium term.
43. Local Governments should expect to continue to find attracting and retaining staff challenging in the short term, however this challenge is expected to ease in the medium term as the tightness in the labour market eases.

Local Government Capacity to Pay

44. Maintaining financial sustainability is important for all Local Governments. However, the objective is to ensure they can deliver services and infrastructure

for their communities and minimise the burden on rate payers, rather than general commercial returns or deliver shareholder value.

45. Local Governments' set their budget with an aim to generate sufficient revenue to meet the needs of the community, as set out in each Local Governments' Strategic Community Plan.
46. Unlike other levels of Government which have a range of revenue generating levers at their disposal, Local Government's capacity to raise revenue is constrained.
47. Local Governments' primary lever for generating revenue is rates – which are a form of property tax levied by Local Governments to fund local infrastructure and services. In 2022-23, rates accounted for approximately 55% of the sector's total revenue and 65% of its own sourced revenue.¹³ Local Governments also rely heavily on grants from the Federal and State Governments to meet their operating and capital needs.
48. As wages paid to Local Government employees are the largest component of Local Government budgets, any increase in wages costs has implications for the rate setting process. Local Governments must determine whether any increase in wage costs should be funded through an increase in rates that are payable by its ratepayers, a commensurate reduction in services to residents in the community, or a combination of both. This is an important consideration in the context of the current economic environment where cost of living pressures are negatively impacting on the community.
49. Recent years has seen above average wage outcomes for Local Government employees, increasing by an average annual rate of 8.5% over 2022-23 and 2023-24, which was significantly greater than the average annual rate of 2.4% over the preceding seven-year period between 2015-16 and 2021-22.¹⁴ Above average wage outcomes place pressure on Local Governments to address the budget shortfall by raising rates, which over the period between 2015-16 and 2022-23 increased by an average annual rate of 4.3%.¹⁵
50. In relation to wage increases provided under Local Government Industrial Agreements, an analysis of 33 Local Government agreements registered since 1 July 2025 demonstrates that those instruments will deliver an average annual wage increase of approximately 3.7% over their term. This rate of increase is broadly consistent with national CPI outcomes for the December quarter and

¹³ <https://mycouncil.wa.gov.au/Home/KeyFacts> (accessed 22 March 2026).

¹⁴ Australian Bureau of Statistics: Government Finance Statistics (2023-24) – Table 335 (General government – local – Western Australia).

¹⁵ <https://mycouncil.wa.gov.au/Home/KeyFacts> (accessed 22 March 2026) – 2023-24 data anticipated to be made available on MyCouncil in 2026.

exceeds the short-term projected Perth CPI rate of 3.25% for the 2025–2026 period.

51. It is also important to note that the Local Government sector is not homogenous. Some Local Governments face significant financial sustainability challenges – typically, those with declining populations which are facing an ongoing underlying operating deficit. Increased wage costs will place further financial pressure on Local Governments, and ultimately its ratepayers and broader communities.

Local Government Costs

52. Local Governments have also been operating in an environment of rising costs in recent years.
53. The Local Government Cost Index (**LGCI**) is an indicator which aims to measure changes in a basket of cost items commonly incurred by Local Governments. The components of the Index capture the key inputs that Local Governments purchase to undertake its activities and include both capital and operating costs.
54. Local Governments have keenly felt the impact of inflation in recent years with the LGCI increasing 4.4% in 2022-23, up 3.6% in 2023-24, and up 3.8% in 2024-25. Over the year to December, the LGCI increased by 4.8%, however has started to slow with the 0.9% increase recorded in the December quarter the smallest quarterly increase since the equivalent quarter 12 months earlier.
55. The main driver of LGCI growth remains wages costs, which make up around a third of the index. Growth in construction costs, which comprise around a quarter of the index, have continued to stabilise primarily driven by the construction market moving closer to a balance between supply and demand, linked to a range of factors including a moderation in supply chain challenges and the completion of major public infrastructure projects, in particular the Metronet program.
56. Macromonitor forecast annual construction cost growth in Western Australia for Non-Residential Building, Non-Road Infrastructure, and Road and Bridge Construction to sit within a range of 2 – 3.5% over the three-year period between 2026-27 and 2028-29.
57. The LGCI is forecast to end 2025-26 up 3.1% and remain at this level in 2026-27. Subsequently, annual growth of the LGCI is forecast to decline marginally to 3% in 2027-28 and to 2.8% in 2028-29.

58. However, the Local Government sector remains highly exposed to renewed cost escalation if fuel supply disruptions and associated price shocks re-emerge under conditions similar to those previously experienced. Adverse movements in a small number of critical input costs have the capacity to materially increase the LGCI above current baseline forecasts.
59. Price shocks affecting key sub-components within the Non-Residential Building, Non-Road Infrastructure, and Road and Bridge Construction categories, which together comprise approximately one quarter of the LGCI and are among the most sensitive to energy-related volatility, may result in a consequential increase in the LGCI. This risk is exacerbated by Local Governments' reliance on fuel, freight, materials, and plant and equipment to deliver essential services and capital works.
60. Under conditions comparable to past periods of upswings in the oil price, specifically December 2007 to December 2008, December 2016 to December 2019, and June 2020 to June 2022, the following shocks could reasonably eventuate over a twelve-month period:
 - a. Fuel prices increasing by approximately 80 per cent (quarterly changes of 75%, 25%, -10%, -10%).
 - b. Material costs increasing by approximately 12 per cent (6% in the March quarter of 2026, then 2% in each subsequent quarter).
 - c. New construction equipment costs increasing by approximately 20 per cent (5% in each quarter of 2026).
 - d. Plant hire costs increasing by approximately 8 per cent (2% in each quarter of 2026); and
 - e. Freight costs increasing by approximately 15 per cent (quarterly changes of 5%, 10%, 0%, 0%).
61. If shocks of this nature were to materialise, the LGCI would increase materially above current forecasts. The scenario demonstrates an LGCI outcome of 4.8 per cent in 2025–26, compared to a baseline forecast of 3.1 per cent, and 3.3 per cent in 2026–27, compared to 3.1 per cent. This illustrates the extent to which the LGCI is vulnerable to renewed fuel-driven cost escalation.
62. In reality, there are likely to be shocks and impacts across all components of the LGCI, such as utilities, which would be impacted by a sustained period of fuel supply issues. These cannot be accounted for within the forecast based on current information. It is considered likely that the actual LGCI forecast will be revised higher over time as more information becomes available.
63. Accordingly, the risk of further and potentially sudden increases in Local Government input costs remains substantial. These risks have direct implications for the financial capacity of Local Governments - particularly

smaller and resource-constrained Councils - and reinforce the need for caution in assuming cost stability in forward-looking wage and expenditure settings.

Restrictions on Fees and Charges

64. Local Governments also impose fees and charges for a range of activities. However, a number of fees and charges are prescribed and restricted by legislation, and are specifically limited to recouping the cost of service provision. This has become an issue because a number of fees determined by State Government legislation represent significant revenue leakage because of:
 - a. lack of indexation;
 - b. lack of regular review (fees may remain at the same nominal levels for decades); and
 - c. lack of transparent methodology in setting the fees (fees do not appear to be set with regard to appropriate costs recovery levels).
65. Examples of fees and charges of this nature include dog registrations fees, town planning fees and building permits. Since Local Governments do not have direct control over the determination of fees set by legislation, this revenue leakage is recovered from rate revenue.

Financial Assistance Grants

66. Financial Assistance (FA) Grants are provided to all Local Government bodies and are an important component of operating revenue for all Local Governments.
67. In 2026-27, the Commonwealth Government will provide \$89.5 million in FA Grants funding to support Local Governments across Western Australia, which equates to 12.4% of FA Grants funding distributed nationwide. FA Grants as a proportion of Commonwealth Tax Revenue in 2026-27 are estimated to be 0.49%, which is a decrease from 0.51% in the 2025-26 Budget, and a decline on the one per cent of Commonwealth taxation revenue in 1996.
68. The methodology adopted by the WA Local Government Grants Commission provides higher levels of funding to Local Governments that are regional, rural and remote, in recognition of the disproportionate effect of population distribution on their comparative ability to raise revenue and the expenditure required to operate a Local Government in a sustainable manner.
69. As outlined by the WA Local Government Grants Submission in their submission to the Federal Inquiry into Local Government Sustainability in 2024, any reductions to FA Grant arrangements could disproportionately impact WA Local Governments, particularly in relation to the ongoing sustainability of those in regional WA.

Local Government Reserves

70. Many Local Governments also have significant assets in the form of reserves, that are generally held for a specific purpose.
71. While the *Local Government Act 1995* does not specify the purpose for which reserves can be used, sound financial management implies that reserves should be used for the purposes for which they have been set aside. Typically, reserves are used for capital projects rather than ongoing operating expenditure.