

18 August 2022

Ms Nicole Lockwood and Mr Mike Mrdak AO
Infrastructure Australia
Level 19, 60 Martin Place
Sydney NSW 2000
By email: IA.Review@infrastructure.gov.au

Dear Ms Lockwood and Mr Mrdak,

Submission to Independent Review of Infrastructure Australia

I am writing to provide the Australian Local Government Association's (ALGA) submission to the Independent Review of Infrastructure Australia.

ALGA is the voice of local government in Australia, representing 537 councils who collectively employ more than 190,000 people.

In structure, ALGA is a federation of State and Territory Local Government Associations. Comments made in this submission should be read in conjunction with any separate comments received from State and Territory Associations as well as individual councils.

Local government is responsible for an estimated \$467 billion in infrastructure and \$248 billion in land, which includes local roads and community assets such as sporting, arts and cultural facilities, parks and gardens, and public libraries.

These public assets make a meaningful contribution to national productivity and are critical in building strong, healthy and resilient cities, towns and regions.

Maintaining this infrastructure remains a fundamental challenge for councils. Of the three levels of government, local government has the largest relative infrastructure task in terms of asset management and the smallest relative revenue base, collecting less than 4 percent of Australia's total taxation revenue.

Local governments are responsible for funding, planning, constructing, operating, and maintaining the road network in their local area. Most journeys start and end on a local road, and these roads account for approximately 75 percent of total road length in Australia, or 660,597 kilometres.

The National Transport Commission estimates that 36 percent of all kilometres travelled in Australia are on local roads, which includes the movement of road freight through vital agricultural and mining regions throughout the country.

Unlike other levels of government, local government has no direct mechanism to raise funds for road construction and maintenance such as road user charges, registration charges or other road or transport-related fees or charges.

Over the past three years, natural disasters and COVID-19 have repeatedly shut down local government's community infrastructure and services such as libraries, pools, sporting facilities, arts and culture facilities, parks and sportsgrounds, which all play a significant role supporting community wellbeing.

In addition, population and financial pressures in some locations have meant that these vital community services and facilities can be over capacity, in need of repair and upgrade, or not available.

One of pressing issues many councils are facing is their capacity to maintain current assets given funding programs are often focused on building new infrastructure.

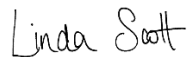
The availability and management of data platforms is also variable across the country, and the availability of data is becoming more important with productivity reforms, for example for national heavy vehicle reform.

ALGA supports the intention of Infrastructure Australia advising upon a deliverable pipeline of nationally significant projects, but strongly recommends that local government infrastructure is within Infrastructure Australia's remit moving forward, as it is the authority best placed to advise upon - and make recommendations - to the federal and state and territory governments to ensure local government infrastructure is properly maintained and sustainably funded.

I have also attached a set of five additional recommendations, attached, along with a more detailed rationale for these recommendations.

Please do not hesitate to contact me at [REDACTED] or [REDACTED], or ALGA CEO Matt Pinnegar at [REDACTED] or [REDACTED] if you have any questions.

Kind regards



Linda Scott
President, ALGA

Attachment: Additional ALGA recommendations to Independent Review of Infrastructure Australia
Further information supporting ALGA's additional recommendations to Independent Review of Infrastructure Australia

Additional ALGA recommendations in response to Independent Review of Infrastructure Australia

Recommendation 1:

A rejuvenated Infrastructure Australia should consider and manage the maintenance of Australia's infrastructure as per international best practice, and not only focus on infrastructure expenditure on major projects, to ensure a whole of life cycle approach is being adopted for maximum value and utility.

Recommendation 2:

The relative lack of a national focus on local government infrastructure maintenance has left councils across Australia with a multi-billion infrastructure backlog that only a rejuvenated Infrastructure Australia can properly address at a national scale if it is included as part of its remit.

Recommendation 3:

Local government infrastructure must be part of the planning and decision-making process for a rejuvenated Infrastructure Australia to help ensure that local government infrastructure does not continue to deteriorate, and in order to:

- a) help properly address the ongoing and unacceptably high levels of trauma on local roads;
- b) address the ongoing first and last mile bottlenecks on the local road network resulting from decades of systemic underfunding that is acting as a handbrake on the national economy; and
- c) reduce Australia's emissions and address the impacts of climate change.

Recommendation 4:

Local government infrastructure must be overseen at a national level by Infrastructure Australia to ensure:

- a) a more sustainable funding model is developed to help prevent the ever-increasing local government infrastructure maintenance backlog from increasing;
- b) better targeted investment on local roads that yields complete freight routes, rather than the current pockets of uplift resulting from once-off grants programs that councils are forced to compete for; and
- c) future road investment helps to properly address the high levels of road trauma on local roads which is currently at unacceptably high levels.

Recommendation 5:

Infrastructure Australia's remit should also include social infrastructure, across the local government sector. Infrastructure Australia is the agency best placed to assess the needs of communities across the country and provide advice to the federal and state and territory governments about how to meet these needs.

Further information supporting ALGA's additional recommendations to Independent Review of Infrastructure Australia

Recommendation 1:

A rejuvenated Infrastructure Australia should consider and manage the maintenance of Australia's infrastructure as per international best practice, not only focus on infrastructure expenditure on major projects, to ensure a whole of life cycle approach is being adopted for maximum value and utility.

State of the Assets Report 2021

ALGA, in conjunction with IPWEA, routinely undertakes a stock take of council assets across the country, including a condition report. This State of the Assets Report¹ provides a striking insight into the scale of assets owned by councils but also the way that systemic underfunding of councils to undertake maintenance work is leading to the deterioration of these assets.

The report is based on survey data provided by professional officers responsible for engineering and asset management from 454 councils (85% of all councils) across seven asset categories. These include roads, bridges, buildings and facilities, parks and recreation, stormwater and wastewater, airports and aerodromes.

The report reveals that 10 percent of local government infrastructure is in poor condition, which would cost an estimated \$51 billion to replace. Further, 26 percent of local government infrastructure is assessed as only being in fair condition and would cost between \$106 billion to \$138 billion to replace. In the report, condition is defined as being a measure of the quality of the services provided by local government infrastructure and helps us understand how good the service is and where it is in its lifecycle.

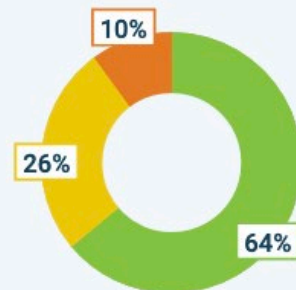
CONDITION

On average:

10% of local government infrastructure assets are in poor condition with significant defects and requires higher order cost and interventions.

26% of local government infrastructure assets are in fair condition with defects requiring regular and/or significant maintenance to reinstate the service.

64% of local government infrastructure assets are in good condition infrastructure has minor defects but will require increasing planned maintenance.



¹ https://alga.com.au/app/uploads/ALGA_NSotA_SummaryReport2021.pdf

While this assessment does not mean that all poor or fair infrastructure needs immediate replacement, it does highlight the need to continually assess this infrastructure for potential safety risks and service level limitations as they continue to deteriorate and/or be consumed.

With Infrastructure Australia's focus on new infrastructure megaprojects, local government infrastructure has largely been kept out of the national lens, contributing to an ongoing decline in its condition².

As the 2021 ALGA State of the Assets Report highlights, maintaining infrastructure is just as important as building new infrastructure. In the case of local government infrastructure, significant intervention is needed now.

As the World Economic Forum explains:

*While building new infrastructure assets ranks high on the global agenda, governments in both developed and developing countries often neglect their existing infrastructure assets – witness the increasing congestion, unnecessary operational costs and inadequate maintenance. Against the backdrop of increasing user demand, constrained financing and an ageing asset base, it is imperative for governments to make the most of their existing infrastructure assets – specifically, to increase the assets' productivity and longevity.*³

But, as a GHD report "Infrastructure Maintenance"⁴ commissioned by Infrastructure Australia found, "Data on infrastructure maintenance and analysis of that data is surprisingly limited." Further, the report concludes that this "...limits the potential for effective asset management and prioritization of effort." The same report also acknowledges that "Insufficient maintenance on local roads could affect future freight productivity and economic growth," and this is occurring in the face of local governments "...facing significant challenges in regard to their financial sustainability, which impacts on their ability to deliver road maintenance programs."

Recommendation 2:

A lack of a national focus on infrastructure maintenance has left councils across Australia with a multibillion infrastructure backlog that only a rejuvenated Infrastructure Australia can properly address at a national scale if it is included as part of its remit.

Recommendation 3:

Local government infrastructure must be part of the planning and decision-making process for a rejuvenated Infrastructure Australia to help ensure that local government infrastructure does not continue to deteriorate, and in order to:

- a) help properly address the ongoing and unacceptably high levels of trauma on local roads;

² <https://grattan.edu.au/news/australia-should-shift-from-megaprojects-to-maintenance/>

³ https://www3.weforum.org/docs/WEF_IU_StrategicInfrastructureSteps_Report_2014.pdf (p.7)

⁴ <https://www.infrastructureaustralia.gov.au/sites/default/files/2019-07/GHD-Infrastructure-Maintenance.pdf> (p.iv)

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| <ul style="list-style-type: none">b) address the ongoing first and last mile bottlenecks on the local road network resulting from decades of systemic underfunding that is acting as a handbrake on the national economy; andc) reduce Australia's emissions and address the impacts of climate change. |
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Local government infrastructure must be included as part of Infrastructure Australia's remit

The Terms of Reference for the review of Infrastructure Australia, state that it "was created to provide expert advice to government regarding infrastructure priorities *across the nation*."

This definition should not exclude Australia's regional and rural towns and areas, and the local governments that support these communities.

In fact, given the long-term systemic issues with establishing and maintaining freight corridors across regional and local road networks, Infrastructure Australia could also consider how Australia's economy could benefit from properly addressing the structural under investment in regional and rural infrastructure.

It is arguable, then, in having IA address the challenges faced in regional and rural areas, that this could constitute a nationally significant investment in infrastructure, which is currently the legislated function of IA. As the World Economic Forum explains:

*A country's competitive economic advantage clearly depends on a properly articulated infrastructure vision and long-term planning... In addition, governments need to develop a holistic and long-term strategy for operating and maintaining their physical assets that may represent a considerable financial burden for future taxpayers.*⁵

Taking a holistic view of Australia's assets should also include taking holistic a view of local government assets and offering advice to federal and state governments to help shape the necessary investment in those assets to optimize their maintenance and utility to the communities they service.

This is a role that can, and should, be played by a rejuvenated Infrastructure Australia, to ensure that solutions are strategic, long-term and effective.

The lack of a coordinated national response to local government infrastructure has resulted in the condition report outlined in ALGA's 2021 State of the Assets Report. If the current approach continues, we will see regional communities suffering from ongoing high levels of road trauma, and the trucking industry with ongoing first and last mile bottlenecks hampering national productivity.

The State of the Assets Report makes it clear that state and federal governments have not done enough to help local governments invest in preventative and predictive maintenance of their multibillion-dollar infrastructure portfolio.

⁵ https://www3.weforum.org/docs/WEF_IU_StrategicInfrastructureSteps_Report_2014.pdf (p.3)

Yet, at the same time, councils are also being asked to better support the increasing freight task which is predicted to treble by 2050.⁶

Also, little is being done to help local governments enhance the disaster resilience of their infrastructure, which has become even more imperative with the devastating effects of climate change already upon us. In the recent fire and flooding disasters in New South Wales and Queensland, hundreds of millions of dollars of infrastructure were lost to the ravaging effects of these natural disasters with little done in terms of preventative measures to protect this infrastructure from these disasters.⁷

We believe that regional road infrastructure should be viewed no differently to construction of other major projects – and in aggregate be in line with the size of the projects typically identified by Infrastructure Australia.

However, local road infrastructure has never been properly addressed at scale and has instead been the subject of drip-fed funding that is failing to keep up with the maintenance task, let alone building the type of road network that is safe for regional and rural road users and supports productivity gains that the heavy vehicle industry has been advocating for.

Recommendation 4:

Local government infrastructure must be overseen at a national level by Infrastructure Australia to ensure:

- a) a more sustainable funding model is developed to help prevent the ever-increasing local government infrastructure maintenance backlog from increasing,
- b) better targeted investment on local roads that yields complete freight routes, not the current pockets of uplift resulting from one-off grants programs that councils are forced to compete for, and;
- c) future road investment helps to properly address the high levels of road trauma on local roads which is currently at unacceptably high levels.

Other pieces of the puzzle have fallen into place

Several initiatives that have been established since Infrastructure Australia was established that can help it address the challenges facing key road and transport related infrastructure across the country holistically.

This could help to reinforce the value of Infrastructure Australia as it is ideally placed to help coordinate these efforts. For example, in the road freight space, the following programs have been initiated: the Freight Data Hub; the National Freight and Supply Chain Strategy; the NHVR SGLAAP Program; iMove Key Freight Routes Program; Freight Data Hub, Heavy Vehicle Road Pricing, and the National Service Level Standards among others.

⁶ <http://infrastructure.org.au/wp-content/uploads/2017/06/Freight-2050-Final-Multi-Colour.pdf>

⁷ <https://www.abc.net.au/news/2022-06-01/flood-costs-for-nsw-and-queensland/101118358#:~:text=Messenger-Insurance%20Council%20says%20cost%20of%20northern%20NSW%20and%20south%20Deast,floods%20now%20at%20244.3%20billion>

The increasing visibility of these freight movement programs is an opportunity for Infrastructure Australia to help facilitate more targeted road investment than in the past.

This will inevitably yield greater economic benefits from road infrastructure investment much more quickly.

BIS Oxford Economics estimates that for every \$1 million invested in road construction in Australia, the economic impacts are \$2.9 million of output to the economy and \$1.3 million of value is added to Australia's GDP⁸.

According to the same report, the estimated \$106.8 billion of investment in road construction to take place over the period 2021-22 to 2024-25 will contribute an estimated \$306.2 billion in output to the economy over the same period.

However, much of this investment is skewed to bigger projects, resulting in the local road network acting as a handbrake on the economy. A lack of investment in freight access on the local road network means trucks must take longer routes than they would otherwise need to, leading to supply chain inefficiencies and increased emissions.

Recommendation 5:

Infrastructure Australia's remit should also include social infrastructure, across the local government sector. Infrastructure Australia is the agency best placed to assess the needs of communities across the country and provide advice to the federal and state governments about ways to best meet their needs.

Social infrastructure

Social infrastructure has the potential to unify people and communities through services and opportunities that improve the quality of life of all citizens and promotes a safer, healthier and productivity society.

While access to these services is prevalent in some communities, it is lacking significantly in rural and regional parts of Australia.

While broadening the scope of social infrastructure is a necessary change, access to these services, particularly within rural and regional parts of Australia are what underpins its social and economic potential. In 2021, social infrastructure represented only 4% of nationally significant projects in the Infrastructure Priority List.⁹

It is also our view that the scope of *social infrastructure* be broadened within Infrastructure Australia's remit to include the following six sectors:

1. social housing;
2. health and aged care;
3. education;

⁸ https://roads.org.au/wp-content/uploads/FINAL_2021_RA_BISOE_ImpactReport.pdf

⁹ https://www.infrastructureaustralia.gov.au/publications/Infrastructure_Priority_List_2021

4. blue, green and recreation infrastructure;
5. culture and arts; and
6. emergency services and justice.

All Australians deserve a good quality of life wherein they have access to good public education, quality social housing, exposure to arts, culture and recreational facilities, access to health and aged care services and exposure to blue and green infrastructure.

Conclusion:

Infrastructure Australia is the federal agency best placed to account for, and consider, the importance of local government infrastructure and its contribution to the nation's overall prosperity.

This would position it to provide the best advice to the federal and state and territory governments on how funding should be allocated to the sector to meet the substantial infrastructure challenges that it is facing.

Unless local government infrastructure is considered through a national lens along with other major infrastructure portfolios, we will continue to see issues such as unacceptably high road tolls occur on local roads, poor access for heavy vehicles and communities routinely cut off from essential supplies, health, education and other services when these assets fail or are impacted by adverse weather – all of which are acting as a handbrake on the national economy and overall wellbeing of all communities across the country.