

17 July 2023

The Independent Panel  
Infrastructure Investment Program Strategic Review  
By email: [IP.Review.Submissions@infrastructure.gov.au](mailto:IP.Review.Submissions@infrastructure.gov.au)

Dear Panellists,

### **ALGA Submission to the Infrastructure Investment Program Strategic Review**

#### **What are your views on the current suite of sub-programs and how they align with local government priorities?**

The flexible sub-programs including the Roads to Recovery and Local Roads and Community Infrastructure Program are applied by local governments to be aligned with the priorities set out in their strategic plans and asset management plans. These programs usually contribute to more equitable outcomes, because funding is allocated on an assessed needs basis and is less dependent on the resources and capability within a local government to prepare strong grant submissions. The flexible sub-programs also provide a degree of certainty regarding funding that enable local governments to build a base level of construction/maintenance capacity, establish term contracts with key suppliers to secure better value for money, and build local and regional capacity.

Overall, feedback from councils is very positive about the sub-programs and their alignment to the roads, transport and infrastructure priorities of local government. These programs are vital to councils and the communities they serve as they target funding to vital areas of infrastructure renewal and maintenance.

As councils are [often a major employer in their local communities](#) (pdf) (sometimes the biggest employer in regional and rural communities), the continuation of these programs is considered essential to the financial sustainability of councils and their ability to maintain current staffing levels. The programs also deliver vital funding that helps drive and sustain local supply chains and overall localised economic activity that naturally contributes to the overall health of Australia's national economy.

Where sub-programs are terminating, we strongly urge the government to consider replacement programs. In particular, the Local Roads and Community Infrastructure Program has been very well received by councils and has delivered significant benefits to local communities, particularly in the area of community infrastructure. It is many years since council have received this level of funding support for community infrastructure that has been subsequently left to decline and has been in urgent need of renewal. This program has helped councils build and renew libraries, sporting facilities, community and cultural centres that have delivered a substantial uplift in liveability. Ideally, the Local Roads and Community Infrastructure Program would be preserved, but it must be replaced by an equivalent program if it is indeed to conclude.

The targeted programs including Bridges Renewal and Black Spot recognise that some issues and impacts are regional and national, rather than local. These sub-programs are appropriate but should be designed and funded in a way that considers the costs to local governments of a competitive application process. A continuous process, such as Bridges Renewal, is helpful in this regard as bridge inspection, maintenance a renewal planning is a continuous process.

Local governments are concerned about the termination of the Road Safety Program with no clear replacement approach. The National Road Safety Strategy clearly articulates the need to support local governments who are

responsible for funding, planning, design and operating the road and path networks. Contemporary systems-approaches focus on addressing issues at a network scale – mass action treatments (such as audio tactile line marking and shoulder widening) should continue to be funded to address priority crash types that are leading to death and serious injury.

It should also be noted that because of historical systemic underfunding of these sub-programs, councils have been forced to utilize Commonwealth Financial Assistance Grants to supplement roads and other infrastructure projects throughout their communities. This makes it imperative that the Commonwealth takes action to restore Financial Assistance Grants to 1 percent of Commonwealth taxation revenue as a result.

**Recommendation 1:** Return Commonwealth Financial Assistance Grants to at least 1 percent of Commonwealth taxation revenue as councils utilise this vital funding for the benefit of their communities in many ways, including supplementing funding for roads and infrastructure because of systemic underfunding in the current infrastructure subprograms.

**Recommendation 2:** Retain the infrastructure sub-programs as they align closely with the objectives of both the Commonwealth and local government to support safety, resilience and maintenance outcomes.

**Recommendation 3:** Where sub-programs are terminating, it is vital they are replaced with programs that deliver on similar objectives as they have proven very effective at meeting local government objectives to deliver safer and stronger communities.

#### **Could you share with us your members' experiences of navigating sub-program guidelines, applications and administration?**

While the sub-programs are highly valued, the overarching feedback from councils is that sub-programs that use a grant application process are typically onerous and time-consuming. Further, not all councils have the resourcing to apply for all the various grant-funded programs available to councils, including the IIP sub-programs. This means that some councils will not be able to apply for these grants or not be able to make a competitive bid. Where possible, direct funding models like Roads to Recovery and the Local Roads and Community Infrastructure Program are preferred. Councils have also demonstrated over many decades that they are trusted partners of government and deliver these projects reliably, efficiently and effectively.

Councils also advise that the administration of some these programs can be very labour and resource intensive and this is time that could be better spent on project delivery. Where possible, red tape needs to be cut with administration focused on enablement of project delivery, not unintentionally hamper it. Councils do not object to reporting and accountability, but simply ask that systems and processes put in place to administer these programs are cognisant of council time and resourcing constraints.

The requirement for co-contributions for some grants programs can also be problematic for many councils, particularly those in regional and remote areas, leading to adverse and unintended outcomes. It is often the case that councils in regional and remote areas often the most in need of access to grants programs, but inability to raise the necessary funds to make a co-contribution can often leave the very councils some of these programs are targeted to unable to access the necessary funding.

**Recommendation 4:** Revise the infrastructure sub-programs to follow the Roads to Recovery formula-based funding model as this greatly reduces the burden on councils by removing grant applications and minimises red tape.

**Recommendation 5:** Discontinue the co-contribution grant funding model as it is leading to adverse and unintended outcomes where councils that are most in need of the funding are unable to access it because of this requirement.

## Do you have any comments specifically on Roads to Recovery as a funding model?

The Roads to Recovery distribution model is widely accepted within the sector as providing fair and reasonable outcomes. Councils see Roads to Recovery as being central to their ability to service their local road networks. Features of the program that councils have highlighted to ALGA as being particularly positive include:

- Funding certainty over the five-year period, with flexibility to manage delivery within the cycle;
- Ability to align with the local government's 10-year road asset management plans and other strategic plans;
- Enables the implementation of safety improvements for all road users;
- Does not require a laborious grant application process.

Councils report favourably about the administrative arrangements for Roads to Recovery, commenting that the systems are streamlined and making reporting relatively straightforward. Opportunities to improve the portal were also identified with some councils advising ALGA that intensity of quarterly reporting could be better aligned with the level of risk associated with each project. For example, the need to report during a quarter could be deferred if the requested funding for that quarter was below a threshold.

Roads to Recovery, along with all of the sub-programs, must also be indexed to ensure that the program's value is not diminished in real terms. The feedback ALGA has received from councils is that the current economic climate has highlighted the lack of indexation in the sub-programs to accommodate for inflationary pressures as an issue.

**Recommendation 6:** Retain the Roads to Recovery funding model and adapt it to other sub-programs (as per Recommendation 4) as it provides funding certainty necessary for optimal forward planning.

## What are the key land transport infrastructure priorities for local government?

Councils manage around 77 percent of the road network (678,000km) but only collect around 3.5 percent of the total tax revenue raised by governments in Australia. This severely impacts on local government's capacity to maintain these roads to an acceptable standard. [ALGA's 2021 National State of the Assets Report](#) (pdf) shows roads make up 39% of the total local government infrastructure and have a replacement cost estimated at \$204 billion. Of this stock, \$17.8 billion is rated as being in poor condition. It is important to keep in mind this data was collected ahead of the severe wet weather events that hit the eastern seaboard and parts of WA resulting in billions of dollars in damage to local government infrastructure. More recently, the Northern Territory has also been hit by severe flooding as well.

[ALGA's 2023-24 Pre-Budget Submission](#) (pdf) outlines the key infrastructure priorities for local government. It is worth noting that these asks have been broadly [supported by the National Farmers Federation, Grain Growers and The Australian Livestock and Rural Transport Association](#), and include:

- An increase in funding for the Roads to Recovery program to \$800m p/a (up from \$500m p/a as local roads are in a state of disrepair posing a risk to road safety and acting as a handbrake on productivity).
- Making the Local Roads & Community Infrastructure Program permanent at \$500m p/a as it has been extremely successful in supporting councils to renew and deliver new community and local road infrastructure across Australia improving liveability. ALGA notes this program has been terminated following the 2023-24 Budget but calls on a program to replace it.
- A proposed Regional Infrastructure Recovery Program with \$250m p/a over four years on top of Disaster Recovery Funding for disaster declared regional councils to help repair the billions of dollars in damage to the road network and ensure that they are more resilient to future adverse weather events.

- A proposed Freight Productivity Program of \$300M p/a over four years for local roads tied to the rollout of the National Automated Access System to ensure that key freight routes (2,000 of which have recently been identified by the NHVR) on these roads are able to deliver appropriate levels of service and access, which is essential in driving productivity outcomes for Australia.

Integrated into this project will be the introduction of heavy vehicle telematics which will deliver a paradigm shift in asset maintenance from being scheduled to being predictive, as councils will have visibility of heavy vehicle movements on their networks and thus how these networks are being consumed. It will also ensure, as a result, the road funding can be targeted and needs based, eliminating for most councils the need to apply for grants. This will also enable the most efficient expenditure of government investment roads to date. Consequently consideration of this project as part of the larger infrastructure investment pipeline is warranted as improving freight access outcomes and road investment across the rural and regional road networks nationally will deliver a [dramatic uplift in productivity](#) (pdf).

As the Grattan Institute has identified, the time is ripe to [shift from megaprojects to maintenance](#), most of which are unfairly skewed towards metropolitan areas at the expense of regional communities for more base political reasons than for the public good. The IIP Review provides an excellent opportunity to ensure a more equitable distribution of the Government's \$120B infrastructure pipeline and the program proposals outlined in ALGA's 2023-24 Pre-Budget Submission provide pathways to achieving this in ways that deliver nationally significant benefits.

**Recommendation 7:** Use the IIP Review as an opportunity to ensure that the \$120B infrastructure pipeline funding is equitably distributed and can be used to help fund the key land transport infrastructure priorities for local government as identified in the ALGA Pre-Budget Submission 2023-24:

- Increase funding for Roads to Recovery to \$800m p/a to help address the multi-billion dollar national local road maintenance backlog identified by the [ALGA's 2021 State of the Assets Report](#).
- Make the Local Roads and Community Infrastructure Program permanent at \$500m p/a and indexed annually. (Or replace it with a similar program, if it is indeed terminated as advised by the Commonwealth).
- Implement ALGA's proposal for a Regional Infrastructure Recovery Program at a cost of \$250M p/a funded over four years.
- Implement ALGA's proposal for a Freight Productivity Program of \$300M p/a over four years.

### **Are local governments able to access a sufficient workforce to deliver on projects, particularly in regional and remote locations? If no, what could be done to address this?**

Most councils are equipped with an in-house workforce to deliver roads and infrastructure projects, including in regional locations. Workforce capability and capacity may vary in remote locations. The biggest challenge that councils face in the current climate is the rising cost of materials and market capacity, which is felt uniformly by all councils regardless of geographical location.

Price increases in materials reported by councils in WA, for example, are as high as 35% over the past two years. Councils have highlighted that the levels of funding provided and caps in grants or project size have not been adjusted to reflect these significant cost increases. Councils have, however, appreciated the flexibility shown by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts in relation to certain program like Local Roads and Community Infrastructure Program which have seen program delivery times extended to reflect the challenges faced by current market conditions. Coordination between the Commonwealth, State and Territory governments with regard to their respective grants programs can also be helpful to councils in enabling them to better sequence project delivery.

Where councils do not have a sufficient workforce to deliver on projects in-house, they have been able to acquire third party contractors to support project delivery on their behalf. However, as with large scale infrastructure projects in metropolitan areas delivered by governments, the capacity of the labour market is very tight, and this is leading to delays in being able to deliver projects within certain timeframes. More broadly, however, it is well known that councils – and businesses more widely – in regional and rural areas are facing skills shortages that need to be addressed as a matter of critical urgency.

Another area for consideration to support councils where technical skills shortages (for example, access to appropriately qualified engineers), is for the Commonwealth to support councils by providing access to suitably qualified and skilled staff within state agencies who could lend their technical expertise to councils. ALGA understands that such a program may have existed in the past. This approach could also help with the mentoring of new council staff and ensuring the uplift in skills needed so that the regions can once more be self-sufficient.

**Recommendation 8:** The infrastructure sub-programs should be designed to allow for flexibility in project delivery times, particularly where they can be impacted by market forces beyond the control of councils.

**Recommendation 9:** Commonwealth, State and Territory governments should work to coordinate their respective funding programs for councils so that they help facilitate the sequencing of project delivery by councils.

**Recommendation 10:** The Commonwealth should consider coordinating with State and Territory government agencies to facilitate outreach and support to councils of skilled engineers to help mitigate against skills shortages and mentor younger council staff.

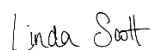
#### **Conclusion:**

Councils have demonstrated over many decades that they are trusted partners of government. As the ALGA and SGS Economics & Planning [Research for Submission to Local Government Productivity Inquiry](#) (pdf) shows, councils use their money more effectively than any other tier of government and make a significant contribution to the productivity of other sectors as well. The amount of bureaucratic red tape that councils must navigate in a number of the sub-programs is unwarranted and the focus needs to be shifted to enablement. Investment in the local government sector also has many nationally significant economic benefits and greater investment in the sub-programs – as well as the new sub-programs we have proposed here – will help to drive greater regional resilience and liveability, as well as deliver greater productivity for the country at large.

Although beyond the specific scope of this review, ALGA has been calling on the Australian Government to return Financial Assistance Grants to at least 1% of Commonwealth taxation revenue. ALGA's research (conducted by AEC) on the [Importance of the Financial Assistance Grants](#) (pdf) shows these grants comprise 20% of the annual operating revenue for many councils, and they are used to supplement funding for road maintenance, footpaths and cycleways and stormwater drainage. This highlights just how much the sub-programs are valued by and necessary to local government sustainability and viability, and that any redirection of the \$120B infrastructure pipeline funding to councils will yield local, regional and national benefits.

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Your sincerely



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