



AUSTRALIAN
LOCAL GOVERNMENT
ASSOCIATION

Submission to Senate Standing Committee on Rural and Regional Affairs and Transport References Committee

In response to the Inquiry into the importance of a viable, safe,
sustainable and efficient road transport industry

1 November 2019

Table of Contents

INTRODUCTION.....	3
AN OVERVIEW OF LOCAL GOVERNMENT NATIONALLY	3
LOCAL GOVERNMENT’S ROAD INFRASTRUCTURE TASK	4
THE OVERALL FUNDING CHALLENGE FOR LOCAL ROADS	5
THE FIRST MILE LAST MILE CHALLENGE AND THE NATIONAL FREIGHT AND SUPPLY CHAIN.....	5
FIRST/LAST MILE ISSUES FACED IN URBAN AREAS.....	7
ROAD USER CHARGING AND HEAVY VEHICLE ROAD REFORM.....	8
THE ROAD SAFETY CHALLENGE	8
CONCLUSION	9

Introduction

The Australian Local Government Association (ALGA) is pleased to provide this submission to the Australian Senate's Standing Committee on Rural and Regional Affairs and Transport inquiry into the ***Importance of a viable, safe, sustainable and efficient road transport industry.***

The scope of the Senate Standing Committee's inquiry is, understandably, broad but the issues of major concern to Local Government relate primarily to the role of councils as infrastructure providers.

Local roads constitute 75 per cent of the nation's roads by length. Most road freight journeys start or finish on a local road and the freight industry has consistently nominated first and last mile issues on local roads as a major impediment to a more efficient national freight system. For Local Government, efficient infrastructure – particularly roads, rail (for bulk products such as grain) and airports - is vital to ensure the sustainability of our cities and regional and rural areas which enables them to maintain their significant contribution to the Australian economy.

The current approach to planning and funding of Australia's roads could be more efficient and there have been calls for reform by Infrastructure Australia (see the 2015 Australian Infrastructure Audit) and the Productivity Commission (in its 2014 Public Infrastructure Inquiry Report). In addition, there has been a focus on improving our national freight and supply chain and a renewed drive to improving the nation's road safety outcomes following a review of progress in implementing the 2011-2020 National Road Safety Strategy. Local Government is a key player in these efforts for reform and the road transport industry would benefit from the implementation of reform initiatives.

An Overview of Local Government Nationally

The Australian Local Government Association is the national voice of local government. It is a federated body of state and territory local government associations that represent 537 local government authorities across the country.

Local Government nationally employs just under 189,500 Australians (around 10 per cent of the total public sector), owns and manages non-financial assets with an estimated written down value of \$426 billion (2017-18), accounting for 33.1% of Australia's public infrastructure, raises around 3.5 per cent of Australia's total taxation revenue per annum and has annual operational expenditure of around \$37 billion (2017-18), six per cent of total public sector spending.

Local Government's expenditure is directed towards the provision of local infrastructure and services across the nation. These include: housing and community amenities; transport and communications; recreation and culture and general public services.

It should be noted that, at an aggregate level, local government undertakes its work while being more than 80% self-funded. However, many rural and regional councils do not have the means to collect the same revenues as their urban and larger regional counterparts and are consequently much more reliant on external funding sources, including grants from other levels of government. Adequate grant levels are absolutely critical for these councils to be able to function in the best interests of their residents and to equalise the availability of services and infrastructure across the community.

Considerable local government funds are also spent on work that relates to broad national issues. As the level of government closest to Australians, ALGA is aware of, and understands the myriad of challenges faced by local and regional communities as they live, work and interact in an increasingly complex domestic and global environment. Local and regional communities require support to respond and adapt to factors they cannot control, such as drought, natural disasters and economic upheavals.

Local Government strives, wherever possible, to assist communities to overcome these types of challenges, enhance their capacity to respond to new and unforeseen challenges and identify opportunities that can help build resilience and increase overall prosperity.

The Australian Government has shown that it understands and appreciates that Local Government's strength lies in its capacity to identify and respond to the diverse and emerging needs of communities across Australia. It has also shown its commitment to working with Local Government to achieve real and meaningful outcomes for local and regional communities. ALGA looks forward to the Government continuing this important partnership.

Local Government's Road Infrastructure Task

In 2018, the BITRE Infrastructure Statistics yearbook estimated the local roads network to be around 660,000 kilometres in length, about 75% of the nation's total road length of 877,650 km.

Annual expenditure on Australia's local roads was estimated to be \$8,786.2 million with local government's own source revenue accounting for \$5,701.3 million and funding from the Commonwealth and states/territories amounting to a further \$3,085 million.

ALGA's State of the Assets report in 2018 estimated that of \$426 billion of assets, \$150 billion was roads and bridges.

The report estimated that of roads, which represent \$136 billion of local government's infrastructure, 10% (\$13.6 billion) were in poor condition, the function of 7.3% of roads (valued at \$9.9 billion) was poor and the capacity of 6% of roads (valued at \$8.2 billion) was considered poor.

Bridges represented \$14 billion or 4% of total infrastructure value for local government and 5.8% (\$813 million) were in poor condition, the function of 5.4% (\$754 million) was poor and the capacity of 5.3% (\$739 million) was poor.

The State of the Assets report estimated that the overall backlog for all infrastructure renewals (not just roads) was \$30 billion.

Against this background, one of ALGA's key advocacy priorities has been to urge the Australian Government to partner with local government through additional funding to better meet the safety, productivity and sustainability challenges facing local roads.

The Overall Funding Challenge for Local Roads

Many local governments lack the financial capacity to adequately fund their road network. The BITRE figures cited above indicate that around 35% of local government's expenditure on its road networks was provided by intergovernmental transfers from the Federal and State and Territory governments although this figure includes the identified road grants component of the Financial Assistance Grants program and this funding is actually untied in the hands of councils.

Of particular note is the fact that local government does not generally receive any share of the estimated \$3.3 billion collected from heavy vehicle through the Road User Charge and registration. The exception is Western Australia where a proportion of the revenue from motor vehicle registration charges is provided to local government. The result of this situation is that while heavy vehicle operators believe that their payments made on heavy vehicle cost recovery basis should cover local road use there is no direct link between payments to councils and this revenue.

The First Mile Last Mile Challenge and the National Freight and Supply Chain

Almost all freight journeys begin and end on a local road and ALGA strongly supports the focus on achieving improvements in productivity through investment in infrastructure. Local roads play a vital role in the nation's transport network. Increasing the productivity of that network through investment that improves access for freight vehicles and connectivity between regional freight roads, plus local collector roads and state and national freight routes, are important issues for Local Government, and the nation as a whole.

The first mile last mile issue, which refers to the constraints which freight operators face on local roads and bridges because of their relatively poor condition and limited capacity, is a priority issue identified by industry in the Australian Government's 2017 National Freight and Supply Chain Priorities Discussion Paper. ALGA has long recognised this issue and the reality that many local governments lack the financial and technical capacity to address these problems and that is why ALGA has sought Federal funding for its **Local Freight Productivity Investment Plan**.

ALGA believes that first/last mile is a national, state and industry matter, as well as a local government issue. Local Government needs access to an initial five-year grant program to effectively play its role in providing a national transport network fit for purpose which is capable of supporting growth and national productivity. ALGA has proposed a Productivity Investment Plan to facilitate increased freight access on local roads by addressing current barriers to effective implementation of the Heavy Vehicle National Law. The Plan recognises that regional groups of councils may be at different stages of maturity in developing regional transport plans and implementation. Some groups of councils will require funding to address one or all of the gaps.

The gaps in the existing system and capabilities that need to be addressed are as follows:

Systems Gaps: Local Government must work with the National Heavy Vehicle Regulator and jurisdictions to enhance the heavy vehicle access permit system, including addressing the following systems gaps:

- all relevant route and vehicle information needs to be provided to local government road managers;
- local government staffing capacity and administrative systems need to be enhanced to process consents;
- adequate information on key road assets needs to be developed to inform council decisions;
- systems developed to share relevant information between neighbouring road managers to avoid discontinuity, and to inform investment decision-making;
- systems developed to reduce administrative burden, particularly duplicated decision making.

Planning Gaps: Funding for five years to facilitate and support Regional Groups of Councils to liaise with jurisdictions and industry to undertake demand forecasting, initial route assessment and prioritisation and the development of Regional Freight Plans.

Knowledge Gaps: Funding for five years to undertake assessments of key local road assets including up to 24,000 strategic bridges on designated freight routes.

Funding Gaps: Funding to address pinch points and improve vital infrastructure that limits capacity on designated freight routes.

ALGA is proposing this Plan be funded at \$200 million per annum over five years.

While the Australian Government has not directly responded to this proposal, the 2019-20 Budget included \$6m in funding to the National Heavy Vehicle Regulator to fund engineering assessments for local government-owned road network infrastructure.

ALGA also called for and welcomed the establishment of a funding program to assist councils to address ageing bridges which were creating pinch points because of limited access. The Government's Bridges Renewal program, established in the 2014-15 Budget is an important program and ALGA welcomed the increase in base funding for the program from \$60 million per annum to \$85 million per annum, announced in the 2019-20 Budget. ALGA also called for the program to be made permanent, given the scale of the problem, and ALGA is pleased that the program is funded into the Budget outyears.

First/Last Mile Issues Faced in Urban Areas

First mile/last mile issues affecting freight vehicles are not restricted to regional areas. ALGA is a member of Austroads at Board director level, as well as involved in Austroads' transport research projects, principally via our membership on the Network (including Freight) Task Force, the Assets Task Force and the Road Safety Task Force.

In recent years, a number of Austroads urban freight projects have been commissioned. In particular three projects stand out, which ALGA is currently closely associated with, namely:

- FS1806 – Development of a Policy Framework to Support Safety, Efficiency and Productivity of Freight in an Urban Context;
- FS1999 – Overcoming Barriers to the Off-peak Movement of Freight in Urban Areas. Phase 3 of this project identified potential trials to assess the benefits of extended/out-of-hours deliveries; and
- The recommendations from FS1999 then led to the new project, *Establishing Extended Hours Delivery Trials*.

It's worth noting from the FS1999 final report that "One of the reasons for the challenges in urban freight, including first/last mile, is that the logistics of freight pickups and deliveries is complex and requires balancing many competing demands: customer demands, contractual obligations, environmental impacts, workforce issues and technical requirements to list a few. Not all of these are logical or sensible, but they are required nonetheless, and often each decision maker in the supply chain is motivated by different criteria."

Local Government is one of a range of key stakeholder needed to address this urban challenge. It has and will continue to engage responsibly for sound policy outcomes. As the FS1999 final report's recommendations note, "A partnership approach can work well, if managed well and if there are benefits to all stakeholders in the partnership." The Freight Quality Partnerships initiative has been implemented successfully in United Kingdom clearly demonstrates this, and local councils have been an integral part of their success.

Road User Charging and Heavy Vehicle Road Reform

Concern about the long-term sustainability of the current model of road charges which rely on the collection of revenue through fuel excise and registration has led to consideration of alternative models in recent years. The move to fuel efficient vehicles and potentially to electric vehicle in the future has reduced, and will continue to reduce, revenue and governments are considering options for land transport market reform.

An early candidate for reform is the heavy vehicle industry and the TIC is considering Heavy Vehicle Road Reform. ALGA is participating in those considerations although local government roads are expected to be considered in a later stage of the reform process.

A key issue for local government is how revenue will be raised through heavy vehicle charges, how a proportion of that revenue might flow to councils and whether, and how, existing local road funding streams will be impacted.

The consideration of road funding reform has included consideration of the use of road funds.

The Productivity Commission's 2014 *Public Infrastructure* inquiry final report stated "... substantial gains could be achieved by transitioning to an economically sustainable approach to the provision and funding of roads. The first step the Commission envisaged in this transition was the establishment of road funds at the state, territory and local government levels. In particular, councils could be supported by the state government and local government associations to adopt the road fund approach using regional road groups, particularly in regional areas."

ALGA supports exploring the possible use of regional road funding arrangements in future road funding reform, recognising that there are many examples of existing regional road groups among councils across several states.

The Road Safety Challenge

"Local Government, despite owning the majority of all Australian roads, is not sufficiently engaged or resourced to deliver road safety. Local government is in an unenviable position, being both dependent on state legislation for its authority and revenue, limited in its ability to commit to sustained road safety outcomes in its areas and with a significant proportion of fatalities occurring on local roads". This was one of the findings of the recent National Road Safety Governance Review commissioned by the COAG Transport and Infrastructure ministerial council (TIC) in response to the findings of the Inquiry into the National Road Safety Strategy (2018) undertaken by Associate Professor Jeremy Woolley and Dr John Crozier.

Local governments are responsible for managing around 75% of the road network in Australia where 52% of all casualty crashes and 40% of all road deaths occur. This means that driving on a local road involves an increased risk of being seriously injured that is 1.5 times higher than driving on a state road (Austroads AP-R518-16).

Of particular concern is rural roads. Rural road crashes account for 65% of the Australian road toll.

At its most recent meeting in August 2019 the TIC, of which ALGA is a member, agreed that all jurisdictions would work with local governments to improve engagement and resourcing for road safety.

ALGA welcomed the Australian Government's commitment in the 2019-20 Budget to increase the base level of annual funding for the Road Safety Black Spot Program from \$60 to \$110 million from 1 July 2019. ALGA also welcomed the decision to increase the base level of annual funding of the Roads to Recovery program to \$500 million (from an expected \$400 million) from 1 July 2019. These are much needed increases which will assist in addressing the road safety issues on local roads although they do fall short of the recommendation of Professor Woolley and Dr Crozier for an additional \$3 billion per annum for a road safety fund.

The next meeting of the TIC scheduled for 22 November 2019 will consider a report from all governments on an Implementation Plan that includes measures to improve road safety outcomes in including adoption of new technology, speed management initiatives, road network risk assessment and better targeting of infrastructure funding.

Conclusion

ALGA welcomes the opportunity to provide this Submission in response to the Australian Senate's Standing Committee on Rural and Regional Affairs and Transport inquiry into the ***Importance of a viable, safe, sustainable and efficient road transport industry.***

We recognise that the priorities of ALGA which relate to infrastructure are only part of the broad issues the Committee is considering but the need for adequate funding to maintain and improve local roads is essential to ensuring a safe and efficient road transport industry.



Adrian Beresford-Wylie
Chief Executive