NATIONAL *State of the Assets* 2014
Local Roads Infrastructure Report

A REPORT PREPARED BY JEFF ROORDA AND ASSOCIATES FOR THE
AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

Key Messages

1. Australia has under invested in infrastructure renewal
2. Local Government must manage and communicate the risk
3. All of Government shares the risk because of vertical fiscal imbalance
4. It can be solved – but needs a 10 year plan by whole of government to balance funding, service levels and risk
5. State of the Assets reporting communicates risk and provides a call to action.

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Australia and North America Both Have a Problem with Deteriorating Infrastructure

Infrastructure Costs go up faster than CPI

Grants don't keep up with infrastructure costs

Cost Shifting by Federal and State Governments

Vertical Fiscal Imbalance

Why Does it Matter?

It matters because underfunding Infrastructure increases community risk

Condition   Risk

Risk of Failure

Delaying renewal increases life cycle cost

Condition

Risk

Risk of increasing financial liability

What are the less visible high risks?

▸ Most of the first generation of infrastructure was funded by growth, not property tax

▸ The task now is to maintain renew and upgrade infrastructure for a future Australia for the next 20 – 50 years **with far less growth and a big change in landuse**

▸ Can this be funded by Local Government property tax increases without social equity risks?

▸ Asset and Risk Management Plans provide an evidence base to align government investment with benefit/cost/risk

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Government policy response so far

- Australia – National Asset Management Framework

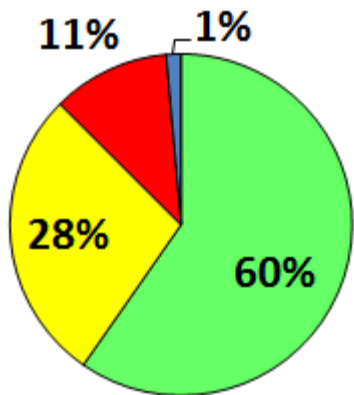 **Asset and Risk Management Plans – State by State Implementation. No ties to funding.**
  ALGA "State of the Assets" will be able to report risks and investment opportunities

- USA – MAP – 21

  "State of Good Repair"
  Asset and Risk Management Plans Will be Tied to Funding

Condition only tells part of the story

11% 1%

28%

60%

Poor **condition** needs renewal to control life cycle cost

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Poor **function** needs upgrade to meet future needs

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Poor **capacity** needs additional assets to meet future needs

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Why isn't Government Getting the Message?

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Condition

Risk

Because we don't have this

We have this.

- Gradual deterioration managed by increasing maintenance
- Roads to Recovery was survival funding for many
- Invisible risk (for now).
  - Economic, Social, Environment, Safety

Condition Function Capacity

Risk

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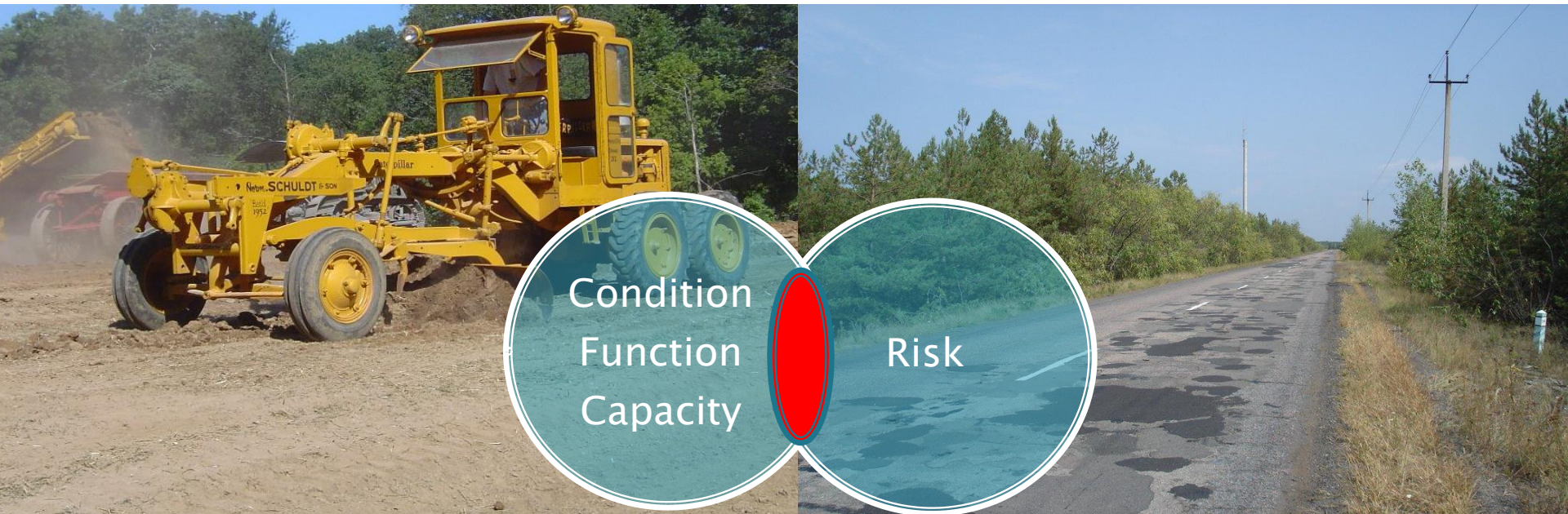
ALGA is building an improving evidence base

- 1998 – National Local Roads Data System commences
- 2010 – Funding Gap Report
  ($1.2b shortfall to maintain services)
- 2012 – National State of the Assets Pilot

  11% Poor to very poor condition – 55 councils
- 2013 – National State of the Assets Report

  12% Poor to very poor condition – 344 councils
- 2014 – National State of the Assets Report

  12% Poor to very poor condition – 396 councils

Looking Forward

- 2015 – National State of the Assets Report
  - All Assets, all Councils
  - Clearly communicate risks and opportunities for a whole of government approach to infrastructure
  - A call to action

- 2016 - 2026 – National Infrastructure Plan
  - All Assets
 - A plan to reverse the current trend

In Summary

▸ $11.7b (11%) of local roads are reported in a poor to very poor condition.

▸ This represents a $11.7b risk and investment opportunity for government. Of this:

◦ $8.8b is sealed roads

◦ $2.3b is unsealed roads

◦ $0.3b is concrete bridges

◦ $0.3b is timber bridges

| 2014			Confidence High
Good/Very Good	Fair	Poor/Very Poor	Unknown
60%	28%	11%	1%
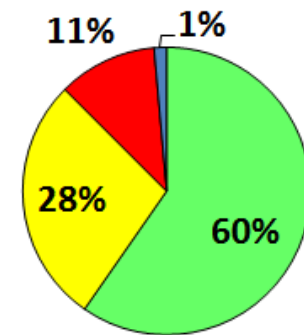
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Response improves every year

▸ Data provided in a web based form by 396 local governments across Australia with $104.8b in road assets under management.

▸ This was based on a voluntary response.

▸ State Local Government Associations are the key to success

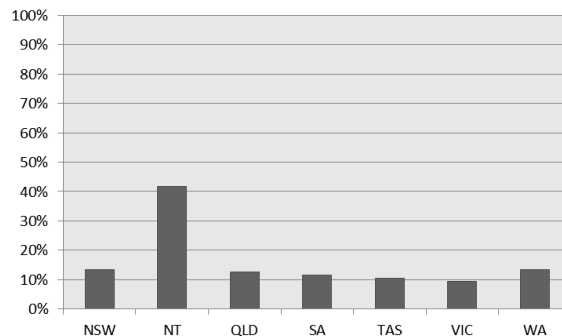▸ Online database enables efficient update for Councils.
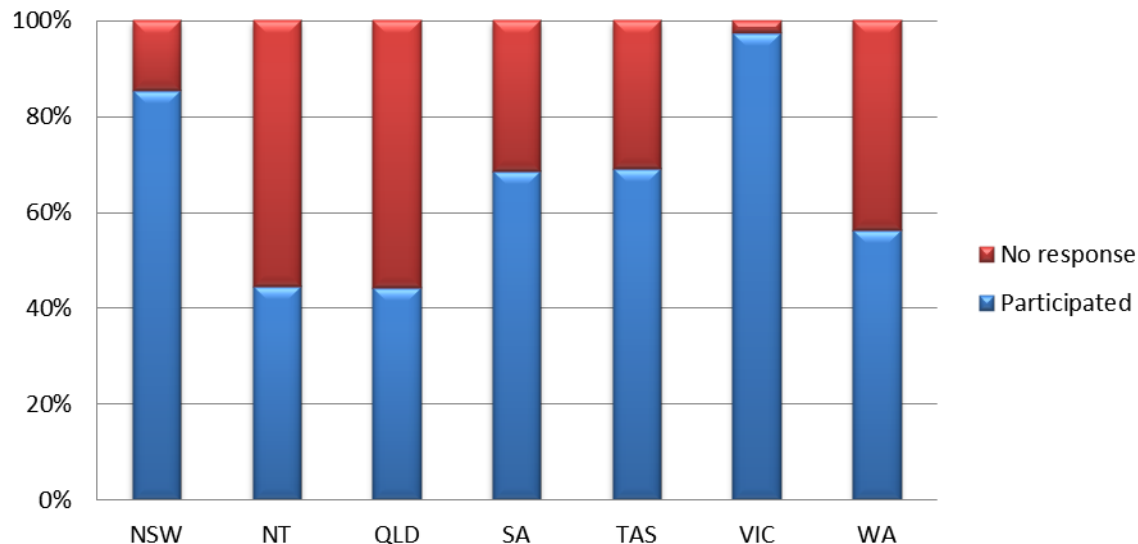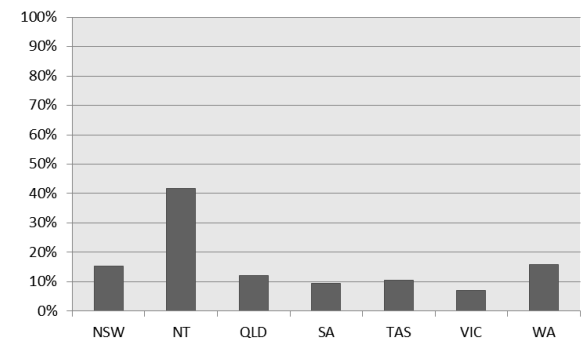
Data confidence will improve over time

- Data confidence levels are reported for each of the four asset categories.
  - High – Reliable asset register and AM Plan ± 10%.
  - Medium – Sampling and AM Plan ± 25%.
 - Low – Expert judgement with minimal data ± 40%.
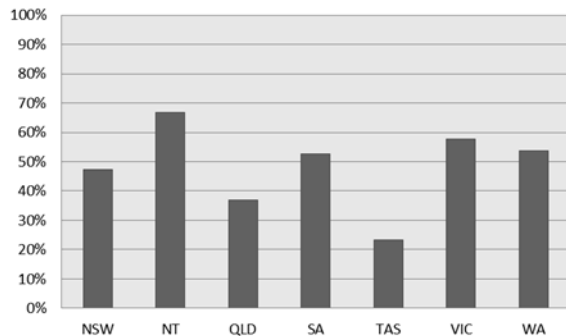
High Confidence - Quality **High Confidence - Function** **High Confidence - Capacity**

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Asset Management Plans are improving

- Adopted AM Plans for sealed roads is high and consistent across the states.
- While 396 responded some 170 did not.

AM Plans adopted for Sealed Roads by State & Northern Territory
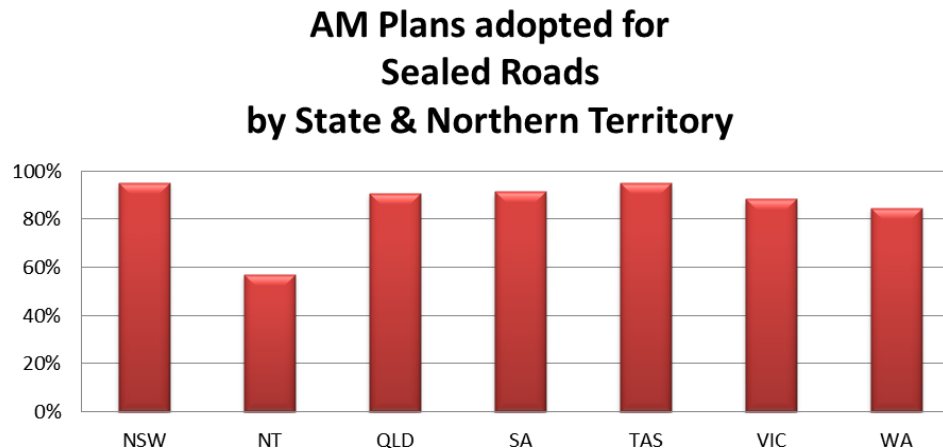
Long Term Financial Plans are improving

▸ While AM Plans for all local road asset classes are in place in 88% of the councils, LTFPs are in place in 73% of those councils.

▸ Financial projections included in AM Plans are incorporated in the LTFP in 91% of instances. A notable 24% increase from 2013.

LTFP Adotped

AM Plan projections included in LTFP

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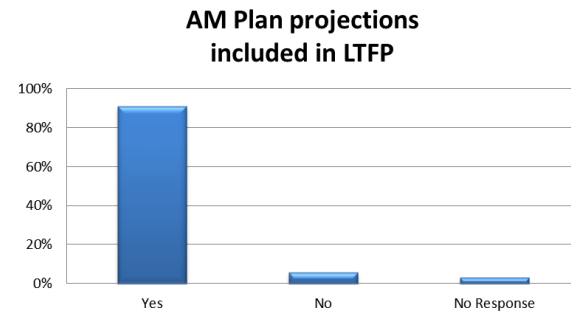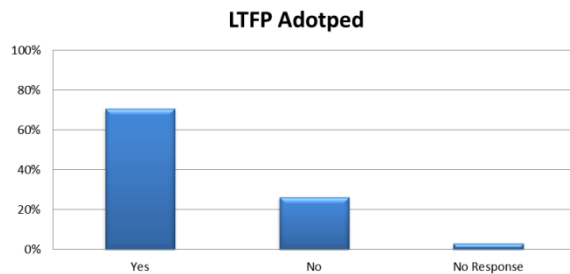
The message so far…

- Total value of local roads is estimated at $165 billion.
- So if 11% is in poor condition there is $18 billion of local roads in poor condition.
- It is estimated to be much worse for some Councils
- We don't know the cumulative impact on other services and infrastructure
- **HOW MUCH OF THIS $18BN IS HIGH RISK?**

2014			Confidence
			High
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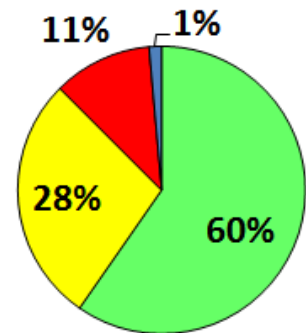
Conclusions

1. Australia has under invested in infrastructure renewal
   - Costs are increasing faster than CPI because of cost shifting and increasing maintenance from delayed renewal
   - Local Government must manage and communicate the risk
   - All of Government shares the risk
2. It can be solved – but needs a 10 year plan by whole of government to balance funding, service levels and risk
3. State of the Assets reporting for all assets communicates risk and provides a call to action.

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Thank you to

ALGA
State Local Government Associations
396 Participating Councils

for working together to build a stronger local government

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