



AUSTRALIAN LOCAL
GOVERNMENT ASSOCIATION

**Submission to the Department of Infrastructure and
Regional Development Australia**

**In response to the National Freight and Supply
Chain Priorities Discussion Paper - May 2017**

6 September 2017

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1. Introduction

The Australian Local Government Association (ALGA) is pleased to present this Submission to the Department of Infrastructure and Regional Development in response to issues raised in the *Inquiry into **National Freight and Supply Chain Priorities*** Discussion Paper - May 2017 which will assist the Australian Government's preparation of a *National Freight and Supply Chain Strategy* (the Strategy) in line with the Government's response to Infrastructure Australia's 2016 *Infrastructure Plan*.

The planning and funding of Australia's roads is inefficient and in urgent need of reform as noted both in the 2015 Australian Infrastructure Audit and the Productivity Commission's 2014 Public Infrastructure Report. ALGA supports the notion of a more robust infrastructure pipeline being developed as part of the Australian Infrastructure Plan, including to address freight and supply chain priorities. However, the delivery of individual infrastructure projects should be dealt with as part of a comprehensive infrastructure plan and asset management framework. This infrastructure plan should be integrated and developed in consultation with all three levels of government.

As an asset manager, local government believes that major project prioritisation and selection, particularly of new road projects, needs to be appropriately balanced against the maintenance and renewal requirements of existing essential assets. In other words, asset formation should only occur in the context of detailed asset management plans, ideally integrated asset management plans across the three levels of government.

Local roads constitute around 80 per cent of national 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 road, rail (for bulk products such as grain) and airports, is vital to ensure the sustainability of our cities and to ensure that regional and rural areas continue to grow and are able to maintain their significant contribution to the Australian economy.

The *Inquiry into Freight and Supply Chain Priorities* should demonstrate a strategic commitment to reform and thought leadership that includes:

- Initiatives that support integrated planning of the road network at a regional level, including the identification of regional local road freight networks leading to the development of regional freight plans for local connector and arterial roads;
- 'Gap' funding for first and last mile freight issues on a regional basis (aggregated by State) which needs to be initiated as a matter of urgency;
- the establishment of a national road data model to support the identification of gaps in the road network;
- a long-term commitment to the funding of local roads and an end to ad hoc short-term 'top up' announcements so that local councils can plan with certainty; and
- the identification of a robust process to achieve a sustainable balance between maintaining existing roads assets and capital investment in new road assets.

2. Local Government nationally

The Australian Local Government Association (ALGA) is the national voice of local government in Australia. 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 187,000 Australians (around 10 per cent of the total public sector), owns and manages non-financial assets with an estimated written down value of \$408 billion (2015-16), raises around 3.5 per cent of Australia's total taxation revenue per annum and has annual operational expenditure of more than \$34 billion (2015-16), over 5 per cent of total public sector spending.

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

Independent research commissioned by ALGA in 2012 shows that a majority of Australians agree that local councils play an important role in their lives.

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. 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 spent on vital additional work that relates to broad national issues. As the level of government closest to Australians, Local Government 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.

The Australian Government 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.

3. The Management of transport infrastructure assets

The management of infrastructure remains a fundamental challenge for local government. Of the three levels of government, local government has the largest relative task in terms of asset management and the smallest relative revenue base, per the dot points below:

- In 2015-16 Australian governments collectively owned more than \$2.07 trillion worth of assets of which just over \$1.23 trillion were non-financial assets. Local governments owned \$443 billion (21.4%) of these total assets but importantly, more than 33% of non-financial assets (valued at \$408 billion).
- The Commonwealth had revenue of around \$396 billion to maintain non-financial assets of \$132 billion – a healthy ratio of \$3.00 in revenue for every \$1 in non-financial assets.
- The states had combined revenue of \$244 billion to maintain about \$650 billion worth of non-financial assets; i.e. \$0.37 in revenue for every \$1 in non-financial assets; and
- Local Government had revenue of almost \$42 billion to maintain non-financial assets valued at \$408 billion; i.e. \$0.10 in revenue for every \$1 in non-financial assets.

Inevitably, this challenge has been the subject of study by our sector in recent years, given the scale and its impact on the financial sustainability of individual councils. A 2006 report by PricewaterhouseCoopers¹ into the financial sustainability of our sector estimated a substantial infrastructure backlog of around \$14.5 billion and an under-spend on renewals in excess of \$2 billion per annum. A more recent report on the State of the Local Roads Assets prepared JRA in 2011 estimated an underinvestment in local roads alone of around \$2.2 billion per annum.

4. Key Issues

4.1 First/Last mile issues – introductory comments

ALGA strongly supports the Federal Government's focus on improvements in productivity through investment in infrastructure, as well as the need to prepare a *National Freight and Supply Chain Strategy* (the Strategy) and also recognises that local roads play a vital role in the nation's transport network. Improving 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.

We note the Discussion Paper's (the Paper) mention on pages 2 and 3 that the OECD's 2011 Report Strategic Transport Infrastructure Needs to 2030 has acknowledged that, "major international gateway and corridor infrastructures are crucially important to the exports and imports of all the products and resources that the economies of all countries need ... [and] current gateway and inland transport infrastructure capacity will not be adequate to meet 2030 demand. The Paper also notes that "Australia is no exception and must engage with emerging demands before freight infrastructure becomes a barrier to productivity growth." We agree, noting there are already barriers in some local government cases with first/last mile issues.

We also note the Paper's reference to building on past reforms, particularly the 2012 National Land Freight Strategy and 2011 National Ports Strategy, stating these "have enabled the delivery of the national key freight routes map, state and territory-based freight strategies and plans, long term master plans ..." etc. However, local government is the missing link here. There has not been a collaborative effort at the Federal and State/Territory levels of government to properly acknowledge and embrace the positive efforts that a range of regional local council groupings have made to deliver regional freight strategies which link up with state/territory major freight routes.

¹ PricewaterhouseCoopers, 2006, **National Financial Sustainability Study of Local Government**

First/last mile issues and pinch points are not solely one stakeholder's responsibility. They require all levels of government and where appropriate, transport industry players to collaborate to play their roles in an integrated transport planning sense in both urban and regional situations, particularly given that the benefits arising are not just captured by one stakeholder.

4.2 Addressing Regional First/Last Mile Issues

ALGA strongly supports the Australian Government's focus on improved productivity through investment in infrastructure. The efficient movement of freight is essential in a productive economy and targeted investment and regulatory reform across the different transport modes are important to ensure that our freight moves in a timely way and by the most appropriate mode, whether by ship, rail, pipeline, air or road.

Local roads are a critical part of our transport infrastructure and play a vital role. First/Last mile access is an important factor in the productivity equation. We must unlock regional productivity improvements through investment that improves access for freight vehicles and connectivity between local roads and preferred state and national freight routes.

4.3 Heavy Vehicle National Law (HVNL) Reform

In the lead-up to the introduction of the HVNL in February 2014, the Regulatory Impact Statement (RIS) prepared by the National Transport Commission (NTC) noted that "Local Governments have welcomed the prospect of improved technical assistance regarding pavements and bridges and all parties (i.e. including industry) strongly support the ability of the regulator to chart and respond to access 'hot spots'." A key access 'hot spot' mentioned in the RIS was the first/last mile issue.

While first/last mile issues are taken seriously by local councils under this reform, it needs to be conceded that HVNL reform doesn't generate direct revenue for local councils to address first/last mile issues to improve local council regional freight networks. This in turn limits the capacity of regional council groups to grant access and to realise the productivity benefits of this reform in their regional freight networks.

4.4 Productivity Commission's (PC) support for Regional Road Funds and Groups

The PC's *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 PC 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." Whilst the PC acknowledged the complexity of the challenge, it has identified the key characteristics of these regional arrangements, including the direct funding requirements.

Responding to the PC's *Public Infrastructure* inquiry final report, the Federal Government has acknowledged that "...opportunities to test the practical application of Road Funds could be implemented as pilot schemes, such as building on the regional-based Roads and Transport Alliance model currently in place in Queensland, which allows multiple local governments to cooperate and have greater input into road improvements specific to their regions' needs." As a member of the Heavy Vehicle Road Reform and Land Transport Market Reform Working Groups, ALGA would like to see a number of these aspects tested in trials.

ALGA supports the concept of regional road funding arrangements and the establishment of regional road groups of councils across Australia and the subsequent regional road planning that entails. However, this has been on the understanding that the funds provided for improving specific heavy vehicle access are new funds – not funding recycled from existing funding programs for local government services and general access. This is because local governments would be addressing improved economic access for heavy vehicles, thereby generating regional, state and national and transport operator productivity benefits, which are worthy of explicit recognition.

Noting that councils' primary responsibility is the management of their own assets and that the freight task is only part of local government's responsibilities, strategic regional investment on local roads will require additional resources from major beneficiaries including state and national governments that benefit from increased productivity and industry.

4.5 Progressing the Regional Road Groups initiative

A key ALGA policy is developing regional local government road groups nationally that could better support a coordinated approach to road provision and better tackling first/last mile challenges. We currently have 537 local councils, each a road provider, which play a critical role in providing distribution networks for freight. Despite this, local councils are currently excluded from directly receiving revenues from heavy vehicle charges, e.g. through the PAYGO system. This compromises local government's ability to prioritise heavy vehicle expenditure, as councils would like.

Instead, councils are largely reliant on own-source revenue, which includes rates. Government grants also provide assistance for their road networks. Bear in mind, councils have a myriad of other competing council services they have to fund. This results in a range of last mile and pinch-point issues, limiting the key freight routes capacity within their regional local road networks. ALGA has recently worked with state/territory local government associations to identify relatively mature models of Regional Road Groups that are established in Qld and WA, with Victorian and SA regional council groups continuing to improve their capacity for supporting a coordinated approach to regional road network provision. However, this ALGA initiative needs to be embraced as a national initiative as part of the National Freight and Supply Chain Strategy. It is important that the Commonwealth and the jurisdictions support this initiative, which is in their own interest, as well as local government. The Regional Road Groups initiative is complemented by ALGA's Local Freight Productivity Investment Plan which follows below.

4.6 ALGA's Local Freight Productivity Investment Plan

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 funding 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 proposes 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 the capabilities that would 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 the administrative burden, in particular duplication of 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 over five years. ALGA's analysis shows this investment could unlock **over \$1 billion** in additional GDP and **create up to 9500 new jobs**.

4.7 Land use and Transport Planning and Collaboration

Local governments are responsible for local transport planning and management including the management of their own transport assets. Local government recognises the interconnected nature of local transport networks, including freight corridors and the importance of cross boarder linkages. For this reason, local government supports regional and urban integrated transport planning.

In particular, regional freight plans provide road managers and in some instances industry players the opportunity to identify cross boarder issues, supporting better coordination and addressing regional priorities. There is a need for federal and state/territory governments to clearly recognise the need for regional freight plans that link up with state/territory and national freight transport plans. There's also a need to support and assist regional council groups in developing and implementing their regional freight networks so that they become properly integrated with our state/territory and national freight networks. This approach provides a stronger ability to drive national productivity through the linked-up capability of all three levels of government freight transport plans.

ALGA proposes the following three transport planning strategies be used to meet this need:

- Share models for Regional Transport Planning between state and territory associations and actively promote regional transport planning and regional collaboration;
- Encourage state governments to assist with the building of the capacity of councils to undertake regional transport planning; and

- Encourage regional groups of councils and equivalents to adopt best practice regional transport planning processes to identify key barriers to freight access within the region.

Road reforms are relatively new and challenging for all stakeholders. ALGA recognises that transport planning is evolving more quickly than most expect. ALGA believes that to best manage freight access, steps should be initiated to ensure that actions taken by one actor don't impede the integration of plans across levels of government.

Transport planning should be driven from the bottom up rather than imposed by higher levels of government. Accordingly, local government supports the development of local, regional and state plans that will feed into an integrated National Transport Plan. This plan can then be used to better assist in prioritisation of investment decisions, taking into account the needs of local communities as well as other major stakeholders.

4.8 First/Last mile issues faced in Urban Areas

ALGA is a member of Austroads and is involved in Austroads' transport research projects, principally via our membership on the Network (including Freight) Task Force and 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 has been or 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 have led to the new NEF2095 project, Establishing Extended Hours Delivery Trials, which are just getting underway now.

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 engaged 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.

As noted above, Project NEF2095 Establishing Extended Hours Delivery Trials is now getting underway. The Gold Coast trials are on track to commence shortly this new financial year. The first multi-stakeholder meeting was held on the 4th of May this year.

Brisbane City Council will provide resources for two trials, comprising: a precinct trial; and a trial with a large retailer delivering to multiple stores within Brisbane City Council's area. As FS1999

notes “Utilising Local Government groups is critical to the success of a trial or scheme, and can open a path for fruitful discussion and exchange of ideas.”

4.9 Improved freight systems performance and Changing Technology

ALGA notes the Inquiry is especially keen to learn about new ways of improving performance through technological advances.

The Restricted Access Vehicle Route Assessment Tool (RAVRAT) is a tool developed by the Australian Road Research Board (ARRB) in partnership with local governments. The RAVRAT was designed to assist councils to manage heavy vehicle access, including route assessments. As a consequence, this has enhanced councils’ understanding of their roads and transport assets on these routes and has resulted in improved freight access.

The RAVRAT has been developed over a number of years. It was principally resourced by ARRB, albeit with some financial support from several state local government associations, the Municipal Association of Victoria and the Local Government Association of Queensland, plus some state jurisdiction road agencies and the national Heavy Vehicle Regulator. This now substantially upgraded access management assessment tool shows what can be achieved through collaborative efforts to deliver better freight access through technology.

4.10 Corridor Pressures – Land, Sea and Air connections

We note the Discussion Paper’s comment that “The performance of airport, port and intermodal terminals is strongly linked to the performance of the wider aviation, maritime and land transport networks. Impacts on the freight corridors, particularly from passenger transport on those corridors will affect the performance of key terminals. This also includes the supermarket/late night access issue that local government is directly involved with and playing a constructive role in, as discussed at Section 4.8.

Local government is well aware of the pressures on various major seaports. Fremantle Port in particular comes to mind in relation to the freight access trial that was held there, which included a local council road linking to the Port.

The Discussion Paper makes the point that “Land use conflicts near airports can result in regulations that restrict access, including through curfews and aircraft movement caps which reduce efficiency and limit the amount of air freight that can be carried.” It’s worth noting that the regulations that have been put in place for curfews and aircraft movement caps have been put in place by successive Federal Governments.

ALGA also notes mention of *The National Airports Safeguarding Framework*, a collective initiative of the Commonwealth, State and territory governments as a recent scheme to protect airports from inappropriate off-airport development. Note, ALGA is also a member of the National Airports Safeguarding Advisory Group.

On the matter of the air freight market, the Discussion Paper raises the question “Are our airports appropriately integrated into surrounding freight networks?” This question begs further questions since the airport development, including freight-related developments, that occurs at our Federally-leased airports in each of our major capital cities have been exempt from state and local planning arrangements, which arguably would have ensured greater and more appropriate integration with surrounding freight networks.

In the *Our Infrastructure Challenges Executive Summary* of the 2015 Infrastructure Audit, the Transport Section states that additional airport infrastructure capacity is required as “Demand for airport services is expected to approximately double between 2011 and 2031.” Whilst Australia’s 10 busiest airports handle more than 80 per cent of total passenger traffic, Australia’s regional, rural and remote airports and aerodromes handle the remaining 20 per cent of that passenger demand.

We note that the most important finding regarding airports from the 2015 Infrastructure Audit is that “A number of smaller airports are unlikely to have the throughput to cover their maintenance and potential capital costs. Governments will need to prioritise their outlays in support of these airports.”

To put things in context, prior to 1991, many of Australia’s local airports were owned by the Commonwealth Government. Ownership and operational responsibility was then transferred primarily to local government through the Aerodrome Local Ownership Scheme. However, it is apparent that in all cases other than the largest regional airports, most council owners are not resourced to carry out the necessary major maintenance and capital works required to operate these airports in a financially self-sustaining manner.

Recent studies such as the 2012 Deloitte Access Economics *Connecting Australia – the economic and social contribution of Australia’s airports*, found more than half of regional airports nationally operate at a loss. Additionally, the 2015 Infrastructure Audit comments that airport operators face significant challenges given that they do not have the necessary throughput to cover their airport maintenance and potential capital costs.

Nevertheless, all studies emphasise the importance of the infrastructure in connecting communities and enhancing broader economic performance in order to maximise benefits to regional communities. Regional aerodromes are critical to mail and time-sensitive freight deliveries, emergency and general medical services, the delivery of a range of government services, regional tourism access, the conduct of business in the communities and the facilitation of fly in-fly out work forces in the resources sector.

ALGA supports Infrastructure Australia’s conclusion that Governments (federal and state) will need to continue to prioritise their outlays in support of the number of smaller regional and remote airports that are unlikely to have the throughput to cover their maintenance and potential capital costs.

4.11 Changing Technology

The Discussion Paper at page 16 highlights the importance of keeping abreast of changing technology. The Paper notes that “Digital technology has the potential to transform every aspect of moving freight through a supply chain”. It is also important for improving the efficiency and productivity of managing the broader nation freight task.

The Paper notes, inter alia, that governments are developing heavy vehicle asset registers and infrastructure investment plans, requiring assessment of key road freight routes in relation to access, safety characteristics and ride quality. It notes that this data will help inform funding decisions with a focus on improving the performance and maintenance of the freight network.

The new Austroads Data Standard project

The development of road asset data standards in Australia has tended to be a reaction to immediate circumstances, such as the adoption of new systems and equipment. The

implementation of the Austroads Data Standard is set to occur in the context of much relevant national reform and related data policies. The heavy vehicle reform agenda and the particular consideration of pricing and investment reforms at the Ministerial forum level should benefit from adoption of the new harmonised road data standard.

Local government through ALGA's membership on the project's steering committee has been participating actively in this very important project. Within local councils there is an accelerating effort, to improve the level of knowledge of the road network and apply improved data to investment decision making. The implementation of the new data standard is likely to lead to further interest in data standards and shared approaches to data analysis and benchmarking. It should also assist with improving the standard of road asset registers maintained by individual local councils. At this point in time, ALGA's efforts are focused on the need to further clarify and detail the best approach to properly deliver the first stage, "local government pilots" of the Data Standards Implementation Strategy. There also remain issues around the cost of implementation of the new standard at council level which need to be addressed.

Involvement with Heavy Vehicle Road Reform & Land Transport Market Reform Working

ALGA is an active member involved in both the Heavy Vehicle Road Reform Working Group, with regular monthly telepresence meetings and workshops, plus the Land Transport Market Reform processes. ALGA met with the Department of Infrastructure and Regional Development (DIRD) in early March to discuss the first steps for commencing the integration of local government road data into the Commonwealth's heavy vehicle asset registers database.

ALGA is currently liaising with DIRD to firm up processes for commencing pilot studies to integrate local government road data into the Commonwealth's heavy vehicle asset registers. We look forward to working closely with DIRD over the next 12 months to deliver this outcome. This work should also complement the work that local councils are involved with under the implementation of the Austroads Data Standard roll-out. These major data initiatives will assist local councils in better informing funding decisions, with a focus on improving the performance and maintenance of local government freight networks, particularly in the regions.

Connected and Automated vehicles (CAVs)

The Discussion Paper states that over the coming decades, factors influencing freight movement by road will include:

- Digital connectivity (to other vehicles and road-side infrastructure);
- Electric vehicles (or other non-petroleum fuels); and
- Automated, unmanned cars, trucks, trains, ships and planes.

The Paper notes that these trends have the potential to be truly transformative, including for freight transport, but also present a ranged of legal, economic, safety and security issues.

ALGA is keeping abreast of developments in the CAV space. We are doing this through our membership on the National Transport Commission's Automated Vehicle Regulatory Advisory Group, participating in Roads Australia's Transport Reform Policy Chapter – *Transitioning to an automated future*, and as an Austroads member through receiving updates on Connected and Automated Vehicles (CAVs) Program. While there is significant potential benefit with the rollout of CAVs, it is clear that there are a range of important issues that need to be clarified and settled. It is also unclear how quickly CAV heavy vehicle fleets will be adopted in our regional, rural and remote areas and the extent of new infrastructure demands placed on our regional/rural councils and road groups.

4.12 Supporting the National Interest

Local government is the third sphere of government in Australia's Federal system. While at a principles level the broad location and functional responsibility of each level of government can be described, the specific roles and responsibilities of levels of government should and currently do vary according to the need for government involvement, the capacity of each level and existing responsibility for particular issues.

The Commonwealth should fund national interest aspects of an activity, regardless of where policy and operational government responsibility for that activity lies. A national interest test should apply where the service or infrastructure to be delivered results in benefits that are captured in part or in full at the national level. National productivity and improved roads safety outcomes lie behind the provision of funding through Roads to Recovery (R2R) and Black Spots Programs, which augment local government's own efforts.

The national interest also applies in ensuring an equitable and reasonable level of local services and infrastructure to all residents in communities throughout Australia. This reflects the need to avoid gross disparity in the environment and opportunities enjoyed by Australians. It lies behind the provision of Financial Assistance Grants (FAGs) to local government. Distribution of FAGs to all councils takes account of horizontal fiscal equalisation principles, but balances it with a minimum grant component that aims to maintain public confidence in, and acceptance of, the funding distribution.

5. CONCLUSION

ALGA welcomes the opportunity to provide this Submission to the Department of Infrastructure and Regional Development in response to issues raised in the *Inquiry into **National Freight and Supply Chain Priorities*** Discussion Paper - May 2017.

The maintenance and capital funding of infrastructure remains a challenge for all local councils, for the reasons laid out in this submission. The relative importance of infrastructure also has financial sustainability implications for many councils, particularly in rural and remote areas.

Infrastructure funding and finance issues will remain a challenge for councils, given that local government road infrastructure does not generally provide a revenue stream which can be harnessed to service borrowing. Many rural and remote councils have limited general revenue sources (such as rates) which can service debt.

It needs to be acknowledged that local government's expenditure is directed to the provision of a range of important local services across the nation. These include: housing and community amenities; transport and communications; recreation and culture, and general public services.

It also needs to be noted that considerable local government funds are spent on vital additional work that relates to broad national issues. As the level of government closest to Australians, Local Government is aware of, and understands the myriad challenges faced by local and regional communities as they live, work and interact in an increasingly complex domestic and global environment.

ALGA strongly supports the Federal Government's focus on improvements in productivity through investment in infrastructure, as well as need to prepare a *National Freight and Supply*

Chain Strategy (the Strategy) and also recognises that local roads play a vital role in the nation's transport network.

We note the Paper's reference to building on past reforms, particularly the 2012 National Land Freight Strategy and 2011 National Ports Strategy, stating these "have enabled the delivery of the national key freight routes map, state and territory-based freight strategies and plans, long term master plans ..." etc. However, local government is the missing link here. There has not been a collaborative effort at the Federal and State/Territory levels of government to properly acknowledge and embrace the positive efforts that a range of regional local council groupings have made to deliver regional freight strategies which link up with state/territory major freight routes.

First/last mile issues and pinch points are not solely one stakeholder's responsibility. It requires all levels of government and where appropriate, transport industry players to collaborate to play their roles in an integrated transport planning sense in both urban and regional situations, particularly given that the benefits arising are not just captured by one stakeholder.

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 funding grant program to effectively play its role in contributing to a national transport network fit for purpose which is capable of supporting growth and national productivity. ALGA proposes a Local Freight Productivity Investment Plan to facilitate increased freight access on local roads by addressing current barriers to effective implementation of the Heavy Vehicle National Law. As detailed at Section 4.6, the Plan would address the key gaps in the existing system and address the capability building the needs to be undertaken to deliver a holistic strategy that will properly address first/last issues.

The *Inquiry into Freight and Supply Chain Priorities* should demonstrate a strategic commitment to reform and leadership. From a local government perspective, per ALGA's comments particularly in Section 4 in response to the findings and questions posed in the Discussion Paper, this inquiry should address and include:

- Initiatives that support integrated planning of the road network, particularly at a regional level, including the identification of regional local road freight networks leading to the development of regional freight plans for local connector and arterial roads;
- 'Gap' funding for first and last mile freight issues on a regional basis (aggregated by State) which needs to be initiated as a matter of urgency;
- the establishment of a national road data model to support the identification of gaps in the road network;
- a long-term commitment to the funding of local roads and an end to ad hoc short-term 'top up' announcements, so that local councils can plan with certainty; and
- the identification of a robust process to achieve a sustainable balance between maintaining existing roads assets and capital investment in new road assets.

ALGA looks forward to an on-going dialogue and consulting with the Department of Infrastructure and Regional Development and with the expert panel appointed by the Minister for Infrastructure and Transport, the Hon Darren Chester MP, to identify issues and provide further advice on possible solutions in the freight and supply chain sectors to inform the subsequent inquiry report to the Federal Government.

As a member of the Transport and Infrastructure Council, ALGA looks forward to the opportunity to join a time-limited working group, chaired by Deputy Secretary, Ms. Judith Zielke, to assist in developing the Strategy later this year, noting that the working group will agree a paper that can be taken forward to the Council.

ALGA Secretariat
6 September 2017