

Flying Minute: Submission – Independent Strategic Review of the Infrastructure Investment Program

By Ian Duncan, Executive Manager Infrastructure

That the Independent Strategic Review of the Infrastructure Investment Program submission be endorsed.

RESOLUTION 227.FM/2023

CARRIED

Executive Summary

- The Commonwealth is conducting a 90-day independent strategic review of the \$120 billion infrastructure investment program.
- The scope includes key Local Government infrastructure funding programs such as Roads to Recovery.
- The submission supports continuation and expansion of the Commonwealth Government investment in Local Government infrastructure through both non-competitive and specific purpose funding programs.

Attachment

• Submission to the Independent Strategic Review of the Infrastructure Investment Program

Policy Implications

The submission is based on the principles of Local Government decision-making autonomy in relation to local investment priorities and provision of adequate funding to Local Governments to meet the reasonable infrastructure needs of the community.

Background

On 1 May 2023, the Minister for Infrastructure, Transport, Regional Development and Local Government, Hon Catherine King, announced a review of the Government's 10-year, \$120 billion infrastructure pipeline.

The 90-day review will be undertaken by former federal and state bureaucrats Mike Mrdak, Reece Waldock and Clare Gardiner-Barnes.

The review scope covers key Local Government infrastructure funding programs including the Roads to Recovery, Black Spot, Bridges Renewal, Roads of Strategic Importance (Secondary Freight Networks) and Local Roads and Community Infrastructure Programs.

The Commonwealth Infrastructure Investment Program is budgeted to provide about \$170 million to Western Australian Local Governments in 2023/24.

During meetings with Hon Catherine King on 24 May, the WALGA President and Chief Executive secured agreement for Local Governments to provide a submission to the review team.

The State and Territory Local Government Associations worked together with ALGA to develop a survey instrument that could be used across all jurisdictions to inform submissions to the review. Forty-eight Western Australian Local Governments provided survey responses.

The draft submission was considered by the Infrastructure Policy team on 5 July. The Infrastructure Policy team resolved to seek State Council endorsement of the amended submission by Flying Agenda.



Comment

All responses, from metropolitan, rural and remote Local Governments recognized the important role and contribution of the Commonwealth in providing funding contributions for Local Government infrastructure. The Commonwealth funded 28.6% of Local Government road expenditure in 2021/22. Outside of the metropolitan region, Commonwealth funding contributed nearly 35% of the investment in road maintenance, renewal and upgrades.

The submission highlights:

- improved equity by the providing non-competitive grants such as the Roads to Recovery Program,
- the benefits of providing funding certainty over longer periods of time enabling Local Governments to build industry capacity, align delivery with 10-year road asset management plans, and
- the benefits of providing flexibility to manage project delivery timing within the economic cycle.

The submission notes that the internal project delivery capability within the Local Government sector has enabled projects to be progressed but recognizes that civil construction market capacity has extended delivery times for projects. Large increases in project costs are identified by survey respondents supporting a call for increased funding overall, and for caps on the size of certain projects to be reviewed and updated.

Local Government delivered projects and programs represent about 4.5% of the Infrastructure Investment Program over the 2023/24 to 2026/27 period, so are not contributing significantly to market pressures.

The recommendations are that:

- The Commonwealth should continue to fund infrastructure investment programs that support
 projects identified and prioritised at regional and local levels such as Roads to Recovery and
 the Local Roads and Community Infrastructure Program. Non-competitive grant programs that
 do not require co-funding ensure that areas with lower financial capacity and resources are
 not further disadvantaged, improving equity.
- 2. The Commonwealth should seek to broaden the scope of eligible projects to enable Local Governments to align these with wider Government policy objectives including net zero, regional development and resilience.
- 3. Programs should continue to provide multi-year funding certainty to enable Local Governments to develop construction industry capacity and support long-term maintenance programs and strategic planning efforts.
- 4. The Commonwealth should continue to fund programs focused on delivering nationally prioritised outcomes including road safety (Black Spot program), international competitiveness (Roads of Regional Significance, Heavy Vehicle Safety and Productivity) and equity (Bridges Renewal Program).
- 5. The Commonwealth should increase the funding to infrastructure investment programs to reflect significant increases in infrastructure construction costs over the past three years, the need to upgrade roads to contribute to safety objectives and increase resilience in the face of increasing frequency and intensity of flooding.



FLYING MINUTE OUTCOME

Poll created: 07/07/2023 at 14:11 Poll closed: 14/07/2023 at 13:00

Total invited to survey: 24 Total finished survey: 18

Endorse the Recommendation: 17
Endorse the Recommendation subject to comment below: 1
Do not endorse: 0

First Name	Last Name	Completed Date
Carol	Adams OAM	Not Completed
Phillip	Blight	Not Completed
Laurene	Bonza	14/07/2023 9:30
Ruth	Butterfield	14/07/2023 11:59
Cheryl	Cowell	14/07/2023 12:23
Frank	Cvitan	Not Completed
John	Daw	07/07/2023 16:20
Tony	Dean	11/07/2023 18:07
Catherine	Ehrhardt	11/07/2023 11:08
Russ	Fishwick JP	11/07/2023 15:42
Moira	Girando JP	14/07/2023 13:15
Patrick	Hall	Not Completed
Logan	Howlett JP	11/07/2023 13:12
Paul	Kelly	10/07/2023 11:49
David	Lagan	Not Completed
Peter	Long	Not Completed
Chris	Mitchell JP	13/07/2023 18:21
Chris	Pavlovich	12/07/2023 11:54
Les	Price	11/07/2023 13:00
Michelle	Rich	14/07/2023 9:28
Helen	Sadler	11/07/2023 10:45
Ken	Seymour	14/07/2023 13:00
Stephen	Strange	08/07/2023 7:33
Doug	Thompson	07/07/2023 15:02

Responses

(17) Endorse the Recommendation: Cr Paul Kelly, President Cr Cheryl Cowell, President Cr Stephen Strange, Cr Chris Mitchell JP, Cr Les Price, Cr Russ Fishwick, President Cr Michelle Rich, Cr Doug Thompson, Mayor Logan Howlett, President Cr Tony Dean, Cr Catherine Ehrhardt, Mayor Ruth Butterfield, Cr John Daw, Cr Helen Sadler, President Cr Chris Pavlovich, President Cr Moira Girando, Cr Ken Seymour

- (1) Endorse the Recommendation subject to comment below: President Cr Laurene Bonza
- (0) Do not endorse

Comments

President Cr Laurene Bonza

Comments supplied by my Zone in separate cover. (See attached)

Secretariat Comment

The comments provided by member Councils in the Goldfields Esperance Country Zone are strongly supportive of the submission as drafted. Important points regarding reconstruction of roads and other assets following natural disasters to a more resilient standard are being advocated in submissions to the Independent Review of Commonwealth Disaster Funding and are outside of the scope of this review.

Feedback concerning opportunities to mitigate increasing construction costs, climate change and environmental impacts require further development of policy and advocacy positions.





14 July 2023

GVROC FEEDBACK IN RESPONSE TO WALGA'S STATE COUNCIL FLYING AGENDA ITEM - INDEPENDENT STRATEGIC REVIEW OF THE INFRASTRUCTURE INVESTMENT PROGRAM - DUE 14 JULY 2023

Shire of Esperance

Shire of Esperance is supportive of the recommendation by WALGA.

It is critical that programs like Roads to Recovery (R2R) is retained and believe that Local Roads and Community Infrastructure Fund (LRCIF) was well designed and allowed renewal/ upgrade to critical infrastructure that would otherwise not receive grant funding. Most Local Governments are not spending enough on infrastructure so removal of any of these programs is only detrimental to our financial sustainability.

Although not touched upon within the report, the flood damage scope should be expanded to allow for approved resilience work to be undertaken along with flood damage in an effort to combat climate change. Nothing worse than fixing flood damaged roads to the existing standard to only see it get washed out the following year.

Shire of Dundas

Shire of Esperance is correct. We would be unable to do required asset maintenance or renewal if the R2R Program stops, and we can see the benefit already through the LRCIF program.

Labour cost escalation and these types of Funding have not kept up with Federal Government demand for higher minimum wages, fuel, and associated product costs, impacting the volume of actual work produced.

The Shire of Dundas would like to support having WALGA look into what material we would use once we have moved away from fossil fuels and what road maintenance and construction costs would then be.

Alternative methods and materials to be considered when aiming to reduce or eliminate the use of fossil fuels in road construction. Would it meet Australian standards is the big question to ask, and what would the cost be to work with these options below?

The Shire of Dundas is considering bringing new technology to remote Australia, with all the associated issues attached, like skilled labour and the cost of transport.

Here are a few examples WALGA could look at and is this considered in any funding models available now, but what would it cost, and has these construction methods been tested and costed.

- 1. Bio-based binders: Bio-based binders can be used instead of traditional bitumen, derived from renewable resources like plant oils or agricultural by-products. These binders can perform similarly to bitumen while reducing the reliance on fossil fuels.
- 2. Recycled materials: Incorporating recycled materials into road construction can help reduce the need for new raw materials and lower environmental impact. For example, using recycled asphalt pavement (RAP) in new asphalt mixes or using recycled concrete aggregate as a base material.
- 3. Warm mix asphalt (WMA): WMA is produced at lower temperatures compared to traditional hot mix asphalt (HMA), reducing energy consumption and greenhouse gas emissions during production. WMA technologies include foaming additives, chemical additives, and wax-based additives.
- 4. Geosynthetics: Geosynthetic materials, such as geotextiles or geogrids, can be used to reinforce road layers, reducing the need for thick asphalt layers and extending the road's lifespan. This approach minimizes the use of bitumen and other materials.
- Permeable pavement: Permeable or porous pavements allow water to infiltrate through the road surface, reducing stormwater runoff and the need for extensive drainage systems. These pavements can be constructed using materials like porous asphalt or pervious concrete.
- 6. Alternative materials: Exploring alternative road construction materials, such as recycled plastic or glass, or using sustainable materials like recycled rubber in asphalt mixes, can reduce reliance on fossil fuels and traditional bitumen, will this work as bitumen is still used in current recycled tests as a binder.

Shire of Menzies

The recommendation in the WALGA report covers just about everything.

The Local Roads and Community Infrastructure Program has been brilliant in that it has been untied but ends after Phase Four. It should be continued, as was Roads to Recovery. If it isn't continued, consideration should be given to increasing local government's share of income tax revenue to 1%, which would be around double what it is now. This has been spoken about for many years but appears to have gone out of fashion. The Shire of Menzies also agree with the comment about net zero. Net zero will only be achieved if there are incentives at the local level as it must happen in our own homes and workplaces.

Shire of Coolgardie

Shire of Coolgardie concur with Shire of Esperance's comments.

Shire of Wiluna

Shire of Wiluna agree with the sentiments of Shire of Esperance and Shire of Dundas. R2R and infrastructure programs are essential for regional and remote municipalities. Shire of Wiluna support the WALGA position on the issue.

City of Kalgoorlie Boulder

The City of Kalgoorlie-Boulder are supportive of the WALGA submission and have no additional changes to make.



Submission to the Independent Strategic Review of the Infrastructure Investment Program

RECOMMENDATIONS

- The Commonwealth should continue to fund infrastructure investment programs that support projects identified and prioritised at regional and local levels such as Roads to Recovery and the Local Roads and Community Infrastructure Program. Non-competitive grant programs that do not require cofunding ensure that areas with lower financial capacity and resources are not further disadvantaged, improving equity.
- 2. The Commonwealth should seek to broaden the scope of eligible projects to enable Local Governments to align these with wider Government policy objectives including net zero, regional development and resilience.
- 3. Programs should continue to provide multi-year funding certainty to enable Local Governments to develop construction industry capacity and support long-term maintenance programs and strategic planning efforts.
- 4. The Commonwealth should continue to fund programs focused on delivering nationally prioritised outcomes including road safety (Black Spot program), international competitiveness (Roads of Regional Significance, Heavy Vehicle Safety and Productivity) and equity (Bridges Renewal Program).
- 5. The Commonwealth should increase the funding to infrastructure investment programs to reflect significant increases in infrastructure construction costs over the past three years, the need to upgrade roads to contribute to safety objectives and increase resilience in the face of increasing frequency and intensity of flooding.

COMMONWEALTH INFRASTRUCTURE FUNDING

Commonwealth Government programs, primarily Roads to Recovery and the Untied Roads Component of Financial Assistance Grants, provided 28.6% of the funds spent by Local Governments in Western Australia during 2021-2022. Local Governments used these funds to maintain, renew, expand and upgrade the 127,000-kilometre road network across the State¹. This investment is focussed in rural and regional areas where low populations and extensive road networks limit capacity to adequately fund the road network. Outside of the Perth metropolitan region, 34.8% of Local Government road expenditure is funded by Commonwealth Government programs, making these programs critical to the sustainability of the road transport system.

Based on the estimated life of each component of the road and the current rate of renewal, there was a \$282 million shortfall in 2021/22 between the actual renewal expenditure and that required to maintain the Local Government managed road asset in WA in its existing condition at the beginning of the year.

In Western Australia, the Local Government road network does not meet the level of safety performance required to achieve the ambitious reductions in road crash deaths and serious injuries set out in the National Road Safety Strategy 2021-2030. A recent study covering 8,500km of sealed rural and periurban roads managed by Local Governments identified that 85% were assessed at a one star rating (on a 5 star scale) or less using the AusRAP methodology³. Also, much of the road network lacks flood resilience and has not been constructed to support large freight tasks.

SUB-PROGRAM DESIGN

A survey of Local Governments undertaken in June 2023 assessed the value of each of the key subprograms that contribute funding for Local Government managed infrastructure and the extent to which the sub-program is aligned with strategic priorities, including safety, resilience and maintenance

¹ Report on Local Government Road Assets and Expenditure 2021-2022 p 27 Table 14

² ibid

³ Australian Transport Research Forum

outcomes. Respondents were also invited to identify ways in which each sub-program could be delivered more efficiently and effectively.

Thirty-five percent of WA Local Governments responded within the short time frame provided. This feedback, along with other information informs the comments below.

Roads to Recovery

In Western Australia Roads to Recovery funding is distributed between individual Local Governments on the basis of a Road Asset Preservation Model⁴ that considers whole of lifecycle asset preservation needs and costs. The principles adopted are drawn from section 12 of the Commonwealth Local Government (Financial Assistance) Act 1995 which requires that "...grants should be allocated to local governing bodies as far as practicable on the basis of the relative needs of each local governing body for roads expenditure and to preserve its road assets. In assessing road needs, relevant considerations include length, type and usage of roads in each local governing area."

While the model is complex and challenged on occasion, the distribution is widely accepted within the sector as providing fair and reasonable outcomes.

All respondents to the survey indicated that Roads to Recovery is highly valuable. Commonly highlighted features of the program 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;

Respondents were overwhelmingly positive about the administrative arrangements for Roads to Recovery, noting that the systems are quite mature, stable and well understood. Incremental opportunities to improve the portal were also identified. Some respondents recommended that the intensity of quarterly reporting be reconsidered, commensurate with the risks. For example, the need to report during a quarter could be deferred if the requested funding for that quarter was below a threshold.

Bridges Renewal Program

Local Government in WA are responsible for managing 940 bridges, with half of these being timber structures. More than 80% of these bridges are greater than 50 years old or of unknown age and, overall, are concentrated in a relatively small number of Local Governments. Three Local Governments collectively manage 146 bridges, while 49 Local Governments have no bridges.

WA has a long history of replacing small bridges with concrete culverts at the end of the useful life of the bridge where this is feasible, to significantly reduce whole-of-life costs. Bridge replacements are big, expensive projects that, from an individual Local Government perspective, happen relatively rarely, but costs well exceed the capacity of most Local Governments. Some centralised funding supports those Local Governments that, for geomorphology and historical reasons, have large bridge renewal requirements.

Since inception, 24 bridges with a total project value of \$71.2 million and a grant value of \$33.3 million have been completed under the Bridges Renewal Program in Western Australia. Seventeen of these bridges are on the Local Government managed road network and their replacement has taken the load limit from as low as 14 tonnes to more than 166 tonnes in some cases, relieving the need for heavy vehicles to detour on alternative routes.

Only 25% of survey respondents had experience with the Bridges Renewal Program and were able to comment on the efficiency of program delivery, with around two thirds of these respondents being very positive and unable to identify potential improvements. Improvement opportunities suggested were:

- i. Provide more structured communication about the program. This is particularly important as the application process is continuous and so awareness is not maintained by advertising opening and closing dates for particular rounds.
- ii. Enable a future funding commitment (several years in advance) to facilitate the necessary planning and approvals (environmental, water ways, Aboriginal Cultural Heritage, etc.) and help Local Governments feel confident that a funding package is in place.

⁴ WA Local Government Grants Commission The Asset Preservation Model 2022 and WALGA Asset Preservation Model Manual 2021

Technical support from Main Roads WA is important for some Local Governments that would otherwise be fully dependent on consultants to design and manage major renewal and replacement work.

Black Spot Program

The Australian Government BlackSpot program provides approximately \$10 million per year for prioritised safety improvements on Local Government roads. This is divided approximately equally between the Perth metropolitan region and the balance of the State. The program has a high level of public recognition and is targeted to deliver changes to the road network where risks are identified either through crash history or road safety audits. The program is difficult for Local Governments with limited technical and project management resources to access, given the technical nature of the assessments and applications required. WALGA and Main Roads WA are working collectively to assist Local Governments to overcome these barriers.

Project cost increases are a significant risk in the current market. The risk of cost escalations after the project is approved can drive benefit – cost ratios below the required minimum of 2.0. This has the effect of encouraging Local Governments to develop proposals supported by a road safety audit rather than a benefit cost ratio.

Opportunities for program improvement identified are:

- 1. Review project size caps, which have remained unchanged for many years despite significant road construction cost increases;
- 2. Consider funding a linked program that responds to the high priority crash types (for example right angle crashes, run-off road crashes) across larger areas of the network, as an adjunct to the existing program that primarily responds to specific sites.
- 3. Review the approach to cost increases for projects approved under the benefit cost ratio criteria.
- 4. Investigate opportunities to stage funding over two or three years to align with the time required to plan, relocate services and complete the construction.

Local Roads and Community Infrastructure Program

Local Governments identified and prioritised a wide range of infrastructure projects for delivery under the Local Roads and Community Infrastructure Program. This program was rare in that it enabled renewal of existing community infrastructure, allowing the program to provide services that meet contemporary community needs without the much higher cost of constructing new infrastructure. Close to 2000 projects have been or are being delivered by Western Australian Local Governments. Projects are relatively small, with a median value of less than \$100,000 and very diverse. Bicycle / walking paths; sporting facilities, including toilet and change facilities; irrigation systems; and stormwater drainage improvements are just a sample of the types of projects delivered through this program. While co-contributions were not required, the majority of projects included funding from other sources. Importantly, the absence of prescriptive co-contributions enabled those Local Governments with limited financial resources, which during and after COVID lockdowns included city centres and regional cities, to participate.

Local Governments commented very positively on the design and implementation of the program. It was highlighted that as an on-going program, it would be desirable to implement an online portal modelled on the Roads to Recovery Program, to manage quarterly and final reports.

Roads of Strategic Importance

The Roads of Strategic Importance (ROSI) initiative seeks to support more efficient supply chains, helping connect regional businesses to local and international markets. In addition to projects on the State and National Highway networks, critical investments are being delivered under this program to improve the efficiency and safety of road freight in the Mid-West, Wheatbelt and Great Southern agricultural areas. Collectively, these projects are upgrading the Secondary Freight Network; a defined network of roads linking agricultural businesses with State highways and intermodal grain receival facilities. These routes are a critical part of the supply chain from farm to port and also enable inputs including fuel and fertiliser to be delivered to farming businesses.

The secondary freight network is an integral part of the Western Australia Agricultural Supply Chain Improvements Strategy, an Early Stage proposal on the Infrastructure Australia Priority Projects list.

The gross value of agricultural commodities produced in Western Australia exceeded \$16.5 billion in 2021/22,⁵ with a new record grain production of 25.8 million tonnes achieved in 2022/23. Over 80% of agricultural production is exported. Timely and efficient access to markets is critical to the competitiveness of these export industries, putting pressure on activities to increase supply chain efficiencies. One measure of how the industry is responding is the payload of vehicles delivering grain to Cooperative Bulk Handling, which has more than doubled from 25.3 tonnes to 52.1 tonnes per load over the past 20 years⁶. The road network requires strengthening and widening to safely meet this growing task.

Heavy Vehicle Safety and Productivity Program

Only around 13% of Local Governments in WA have been involved with Heavy Vehicle Safety program funded projects, so it has a relatively low profile amongst WA Local Governments. Main Roads WA are typically the proponent and involved in delivery of this program, which is well regarded by those able to comment, as was collaboration with the heavy vehicle industry.

Respondents identified that it could be helpful to address deficiencies in currently approved heavy vehicle (restricted access vehicle) routes, which may have been included in the network under grandfathering provisions or on the basis of low traffic volumes that are no longer applicable.

Strategic Local Government Asset Assessment Project

To date, only two Western Australian Local Governments have been actively involved in the Strategic Local Government Asset Assessment Project being delivered by the National Heavy Vehicle Regulator (NHVR). There is a low level of awareness of the NHVR amongst Western Australian Local Governments, as heavy vehicle access to the road network is regulated by Main Roads WA in consultation with Local Governments.

SUB-PROGRAM DELIVERY

The design and administration of Commonwealth infrastructure programs delivered by Local Governments has, in most instances, recognised and supported the responses required to operate in the current economy.

Market Capacity

All Local Governments reported delays and budget risks due to difficulties in accessing skilled labour and materials in a timely manner. However, the underpinning in-house capacity in Local Governments to undertake construction and infrastructure renewal work means that Local Governments have been able to effectively deliver many projects despite construction industry constraints. This capacity was augmented with contractors and consultants when additional program funds such as the Local Roads and Community Infrastructure Program become available. However, short term funding programs do not encourage or enable Local Governments to build construction industry capacity or support long-term asset management and maintenance planning.

Market capacity limitations are not uniformly felt across all Local Governments, regions or types of projects. Some regional Local Governments highlight that the lack of suitable housing constrains the number of workers that can be brought in to deliver construction projects.

Changes made to Local Roads and Community Infrastructure Program delivery time requirements were favourably received BY Local Governments and have enabled communities to achieve greater value for money from these investments. The opportunity to adjust delivery schedules for projects funded under other programs has enabled Local Governments to respond to market conditions.

Inflation

Local Governments report price escalation of 35% over the past two years. Fuel, bitumen and other road building materials are most commonly identified as the products driving project cost inflation. It is highlighted that the levels of funding provided and caps in grants or project size have not been adjusted to reflect these significant cost increases.

⁶ Cooperative Bulk Handling pers comm June 2023

⁵ <u>Australian Bureau of Statistics 2023 Value of Agricultural Commodities Produced, Australia</u>

Budgets

Increases in project costs have led to the delivery of fewer projects and decreases in the scope of some works. It is highlighted that total Commonwealth investment through the programs delivered by Local Government in the 2023/24 to 2026/27 period represents approximately4.5% of the funding committed by the Commonwealth Government Infrastructure Investment Program over the same period. This is unlikely to have a material impact on market capacity or pricing.

ALIGNMENT WITH COMPLIMENTARY POLICY OBJECTIVES

Most Local Governments have policy objectives responding to climate change (both net zero economy and adaptation)⁷, urban planning and regional / local economic and social development⁸. The extent that the definitions of eligible projects within Commonwealth infrastructure sub-programs remains broad or is broadened enables Local Governments to continue to deliver against these objectives by, for example, increasing infrastructure resilience as part of renewal projects, using lower carbon materials in construction and incorporating facilities for active mobility as part of safety and efficiency driven improvement projects.

CONCLUSIONS

Commonwealth Government Infrastructure Investment Programs are critical to Local Governments in Western Australia. These funding sources play an especially large role for Local Governments in regional and remote areas in Western Australia, which are sparsely populated and have vast road networks.

Commonwealth Government infrastructure investments with and through Local Governments primarily renew and upgrade existing assets, extending their useful life and enabling them to meet contemporary community needs and current standards.

Overall, Local Governments are very supportive of the design and implementation of the Commonwealth Government Infrastructure Investment Programs, though changes should continue to be made to reflect the rapid increase in the cost of infrastructure projects.

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⁷ For example: City of Wanneroo, Shire of Augusta-Margaret River

⁸ For example: City of Joondalup, WALGA