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Ms Clare Gardiner-Barnes, Mr Reece Waldock AM and Mr Mike Mrdak AO
Infrastructure Australia
Level 19, 60 Martin Place
Sydney NSW 2000

By email: IIP.Review.Submissions@infrastructure.gov.au

Draft Submission to Independent Review of the Infrastructure Investment Program

Dear Ms Gardiner-Barnes, Mr Waldock and Mr Mrdak,

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the State.

LGNSW appreciates the opportunity to contribute to the Independent Strategic Review (the Review) of the Infrastructure Investment Program (IIP). As the peak body representing councils in NSW, we aim to support, promote, and advocate for the interests of local government and ensure that local communities are adequately represented in infrastructure investment decisions.

Collectively, NSW councils are responsible for around 90 percent of the road network (163,850km) with an estimated value of \$65.7 billion. Local government has a direct interest in and responsibility for the safety of drivers, passengers, riders, and pedestrians using that network. Furthermore, councils and communities are concerned about the standard of local road infrastructure, road safety and amenity.

The Australian Government's commitment to a 10-year, \$120 billion infrastructure investment pipeline presents a significant opportunity for sustainable and strategic investment in the nation's infrastructure. We acknowledge the need for a comprehensive review of the IIP to ensure that it aligns with the evolving needs of local communities and facilitates their long-term national development while helping to achieve outcomes of national significance. The programs under review are critical to local government and it is essential that the programs be maintained and expanded to meet needs.

Please note that this submission remains in draft form until endorsed by the LGNSW Board. Any revisions made by the Board will be forwarded as soon as possible.

In response to the Review's Terms of Reference (refer to Appendix A), we offer the following insights and recommendations:

Alignment with local government priorities:

LGNSW recommends a comprehensive assessment of projects funded under the IIP include adequate funding arrangements to align with the needs of local communities. Consideration should be given to the economic and community benefits derived from these projects, including job creation, enhanced connectivity, economic growth, improved liveability, and environmental sustainability.

LGNSW is concerned with the objective of capping the IIP at \$120 billion over the next 10 years. As such, LGNSW warns against allowing the Review to be a vehicle for cost cutting and expenditure deferral. At the very minimum, the existing commitment of the IIP must be maintained in real terms over that period. However, it also needs to be expanded to meet the infrastructure demands of record population growth. The rapid population growth in both urban and regional areas necessitates the expansion of infrastructure to support this growth. With the equivalent of a new major city being formed in Australia each year, it is crucial to expand our infrastructure networks to accommodate this growth.

Infrastructure investment plays a pivotal role in driving economic growth, fostering development, and creating employment opportunities. Recognising the significance of infrastructure to Australia's prosperity, we emphasise the need for sustained investment in infrastructure at the local government level. Local government relies on adequate infrastructure funding to effectively manage, maintain, and renew essential public assets. It is essential to recognise the importance of infrastructure funding to local government as it enables councils provide critical services and support the needs of our communities.

Retention and expansion of infrastructure subprogram funding:

LGNSW encourages reforms that enhance the efficiency and effectiveness of ongoing infrastructure investment sub-programs. LGNSW strongly supports the retention and expansion of subprograms to address the growing demands and challenges faced by local government. These programs include Roads to Recovery (R2R), Black Spots, Bridges Renewal Program, Heavy Vehicle Safety and Productivity Program, Local Roads and Community Infrastructure Program, Remote Roads Upgrade Pilot Program, and Road Safety Program, and are vital for councils and their communities. They align with local government priorities of infrastructure maintenance and renewal and contribute to the overall economic health of the nation.

These programs are applied by local governments to be aligned with the priorities set out in their strategic and asset management plans. A survey of councils conducted by the Australian Local Government Association (ALGA) in June 2023 assessed the importance of each of the key sub-programs 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 outcomes. Overall, feedback from councils is very positive about the programs and their alignment to the roads, transport, and infrastructure priorities of local government and their communities.

Aside from their contribution to infrastructure renewal and maintenance. The continuation of these programs is integral to the financial sustainability of councils and their ability to drive and sustain localised economic activity that naturally contributes to the overall health of Australia's national economy. Where sub-programs are terminating, we urge the government to introduce replacement programs, in particular the Local Roads and Community Infrastructure Program which has contributed to the betterment of local community infrastructure in recent years through the construction and maintenance of new libraries, sporting facilities, community and cultural centres that have delivered a substantial uplift in community liveability.

Improvement to subprogram processes:

LGNSW highlights the importance of a sustainable, long-term approach to infrastructure investment planning that provides certainty for councils and enables effective project implementation. The rolling pipeline should target appropriately costed, significant infrastructure projects that maintain existing assets, address critical infrastructure gaps and support regional development and economic growth.

Councils have proven to be trusted partners of the government, effectively delivering programs for their communities. The SGS Productivity Report (2022) confirms that councils generate a significant return on investment, driving ratepayer and taxpayer dollars further than any other level of government. To ensure a fair and equitable distribution of funds, councils should not be burdened with administrative hoops that are not required of state or territory governments. Hence, it is crucial to enhance the operation and administration of local government funding programs. By streamlining processes, alleviating administrative burdens, and optimising program management efficiency, local governments can effectively and efficiently deliver projects, thereby maximising the benefits and outcomes for our communities.

The NSW Roads & Transport Directorate, a partnership between LGNSW and the Institute of Public Works Engineers Australia (IPWEA) has previously raised concerns over the impacts of rising construction costs. The Australian Government should increase funding to infrastructure investment programs to reflect significant increases in infrastructure costs as well as review the procurement process of construction materials and supply chains.

Local government infrastructure priorities:

Local government faces significant challenges in maintaining its extensive road network with limited funding.

Regional development and enhancing infrastructure resilience continues to be important policy objectives. As such, we urge the government to continue investing in regional areas and given the current economic circumstances, prioritise maintenance and renewal over megaprojects. Doing so reduces the delays and major cost blow outs that typify megaprojects and delivers much needed infrastructure in shorter time frames and allows for greater flexibility.

Support for urban areas also needs to be maintained and enhanced to relieve congestion, expedite freight movement, and provide for large population increases, most of which will congregate in our capital cities.

LGNSW advocates for increased funding for the Roads to Recovery program to \$800 million per year. This will help address the state of disrepair, improve road safety, and enhance productivity. Additionally, LGNSW has supported making the Local Roads and Community Infrastructure Program permanent at \$500 million per year to support councils in renewing and delivering essential community and local road infrastructure, enhancing liveability. As noted above LGNSW would be opposed to the closure of this program if it were not replaced with an alternative.

LGNSW particularly commends the Roads to Recovery program as a successful example that should be emulated in other sub-programs. This program has proven to be highly effective in supporting local road maintenance and renewal across various councils in NSW. Its flexible funding mechanism and collaborative approach have resulted in tangible improvements in road conditions and enhanced connectivity within communities.

However, there are major challenges affecting the delivery of all sub-programs at present. Increasing supply chain blockages, high materials costs, contractor availability and skills shortages are blowing out the timeframes for project completion. Extending the timeline of programs could enable councils to deliver projects internally, reducing reliance on external contractors.

There is also a need to index funding for the programs to reflect the cost increases that councils cannot control.

NSW councils have faced particularly acute staff and skills shortages in recent years with the convergence of extreme bushfires, floods and COVID. These events were followed by a major uplift in disaster recovery funding and COVID related stimulus grants. The large flow of funding pushed councils to capacity to deliver projects within designated time frames (and beyond their limits in many instances). There are signs that these capacity pressures are beginning to ease as disaster related grant funding expires and remaining grants are expended. It is expected that the capacity of NSW councils to deliver on new and existing programs projects will improve over the coming year.

Additionally, we urge the inclusion of additional provisions for funding repairs and reconstruction of roads damaged by extreme weather events, incorporating betterment measures. The severe flooding experienced in NSW in the last few years has caused significant damage to key road infrastructure. By utilising federal disaster recovery funding for betterment initiatives, we can ensure that rebuilt roads are more resilient and better equipped to withstand future extreme weather events, minimising the need for repeated repairs, and maximising the utilisation of government resources.

However, this is a short-term response. LGNSW is of the view that 'resilience' should not just be tied to disaster recovery funding. With climate change and the probability of extreme weather events occurring with greater intensity and frequency, resilience should be factored into the planning and funding for all infrastructure investment. This is consistent with LGNSW's [Advocacy Priorities](#) which call for far greater emphasis on resilience and adaptation, to ensure communities are better prepared for future events.

In conclusion, we extend our gratitude for the opportunity to contribute to the Review. We highlight the significance of shifting from investing in megaprojects to prioritising maintenance and sustainable investment. By strategically investing in local road infrastructure, we can ensure safety, efficiency, and resilience for our communities. We look forward to the outcomes of the Review and stand ready to collaborate with the Australian Government in shaping a sustainable and nationally significant infrastructure investment pipeline.

For more information on this submission, please contact LGNSW Chief Economist Shaun McBride on 02 9242 4072 or at shaun.mcbride@lgnsw.org.au.

Your sincerely



Damian Thomas
Director Advocacy

Appendix A – Terms of Reference for the Independent Strategic Review of the Infrastructure Investment Program

Context

The Australian Government is committed to delivering a pipeline of land transport infrastructure projects that is sustainable, aligned to market capacity and comprised of nationally significant projects.

In recent years, the Infrastructure Investment Program (IIP) has drifted away from a focus on projects of national significance. In addition, current market capacity issues and an inflationary environment have created budgetary pressures and deliverability challenges for infrastructure projects across the nation. In light of this, the Government commenced reviewing the IIP in the October 2022-23 Budget. While a number of projects were cancelled or deferred, further reform of the IIP is necessary to ensure a credible and sustainable pipeline of projects.

The Government has decided to maintain its commitment to an infrastructure investment pipeline of \$120 billion over ten years to provide certainty to the market and ensure a rolling program of sustainable investment. However, the Government is commissioning an independent strategic review of the IIP. The review will be undertaken by Mr Reece Waldock AM, Ms Clare Gardiner-Barnes and Mr Mike Mrdak AO. The review will ensure that federally funded infrastructure projects meet government policy objectives and deliver benefits for Australians.

The review is not designed to consider projects already under construction nor will it consider the Commonwealth's 2022 election commitments.

Objectives

The review will:

- a) assess projects funded under the IIP and make recommendations on the merits of projects continuing, having regard to:
 - i. the draft Infrastructure Policy Statement;
 - ii. the *National Land Transport Act 2014* (Cth);
 - iii. a project's business case (including cost benefit analysis);
 - iv. any relevant advice from Infrastructure Australia;
 - v. deliverability in the current market and macroeconomic conditions;
 - vi. complementary policy objectives, such as the transition to a net zero economy, urban planning, regional development and resilience, and increasing the availability of housing supply; and
 - vii. the implications of ceasing, deferring or bringing forward projects having regard to matters such as industry capability, and the impact on regional and remote Australian communities.
- b) make recommendations for transitioning the IIP to a sustainable 10-year rolling pipeline that targets appropriately costed, nationally significant infrastructure projects, as well as assessing:
 - i. strategies for smoothing the pipeline to manage peaks and troughs;
 - ii. whether Commonwealth-state funding arrangements are commensurate with the level of Commonwealth agency in project delivery; and
 - iii. the merits of funding such projects through Commonwealth debt or other arrangements.
- c) make recommendations on reforms to ongoing and terminating infrastructure investment sub-programs, including whether sub-programs:
 - i. are appropriate for delivering the Government's strategic priorities, including supporting safety, resilience and maintenance outcomes; and

- ii. could be delivered more efficiently and effectively, having regard to the constitutionality of programs.
- d) consider other relevant projects or matters as agreed in consultation with relevant jurisdictions.

Deliverables

The review will be undertaken within 90 days and the reviewers will engage with relevant government and industry stakeholders. Secretariat support for the review will be provided by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts. The reviewers will provide a report to the Minister for Infrastructure, Transport, Regional Development and Local Government following the conclusion of the review. The Minister will then work closely with state and territory infrastructure and transport Ministers to agree projects for ongoing federal investment.