



**Inquiry into the implications of
severe weather events on the
national regional, rural, and remote
road network**

MAV Submission

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While this paper aims to broadly reflect the views of local government in Victoria, it does not purport to reflect the exact views of individual councils.

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1 Executive summary

- **Financial sustainability of Victorian councils** - There are real financial sustainability concerns in the sector after seven years of rate capping in Victoria. This has been compounded by the effect of rising interest rates, increasing construction costs and negative impact of COVID on income streams. Recent work by the MAV shows the asset renewal gap for local government is growing. Prior to the recent floods, many councils were already struggling with labour shortages, inflation, and getting adequate responses to tender. The most recent council rate rise was capped by the State Government at 3.5 per cent, despite the Essential Services Commission recommending 4 per cent.
- **Infrastructure maintenance and delivery challenges** – Road maintenance takes close to 10 per cent of council revenue. Costs are increasing rapidly. Services, materials and skills shortages detrimentally impact the maintenance of the 87 per cent of the Victorian road network that is managed by councils. With the anticipated increase in adoption of electric and zero emissions vehicles (EVs), there will be a decrease in fuel excise revenue, which is a major source of funding for road maintenance and construction. At the same time, there will be a need for improvements in road infrastructure, such as the installation of charging stations and other EV-related infrastructure.
- **Importance of local roads** - It is important and logical that the Commonwealth concentrates on the national transport network. First and last kilometre access issues are an essential element of many freight movements. Most of these movements are part of the local road network managed and maintained by local government.
- **Disaster Recovery Funding Arrangements** - In Victoria, at least 63 of 79 councils are flood-affected. The Victorian Department of Transport and Planning (DTP) provides a team of assessors to work with councils on Disaster Recovery and Funding Arrangements (DRFA) claims. The MAV understands this team is providing valuable support, but more can be done to streamline claims and ensure the program is supporting asset repair in a consistent, efficient and effective way.
- **Additional investment required to mitigate flood and natural disaster impacts** - Due to floods and continued wet weather, local roads are in poor condition. Many remain closed. In some areas along the Victoria/ NSW border, councils have not been able to assess the extent of damage due to standing water. There is real concern about the consequences for Victorian farmers, tourism and disaster recovery associated with a degraded road and transport network.
- **Betterment** - the MAV and councils are calling for betterment to be permitted and supported by a betterment fund. This should be similar to the model applied in Queensland. Building to a more resilient standard must be a key principle in the DRFA and any other federal infrastructure repair programs.
- **Proactive asset assessments** – The MAV is advocating for centrally-funded or coordinated, proactive, pre-disaster mitigation assessments of infrastructure. This may provide some potential for prioritised investment in

specific parts of the local road network for economic and community safety purposes.

- **Transport networks include rail** - Rail corridors must also be considered and prioritised in any resilient transport network assessment and planning. Rail networks can carry great volumes of freight efficiently over large distances between nodes.
- **Consistent flood modelling** – Up-to-date flood modelling that takes account of existing flood and/or inundation risk as well as forecast climatic changes is a necessary precursor for any assessment of transport resilience. Flood waters wash over boundaries between local, State and Commonwealth jurisdictions. Nationally consistent flood modelling available as a common data set for all relevant authorities would provide a very sound starting point for planning and protecting resilient communities, including resilient transport networks. It is essential that the most up-to-date science and modelling is reflected in local planning schemes.
- **Road construction and maintenance technology & innovation** - While varying councils have trialled different techniques, technologies and approaches to improve disaster resilience of their roads and drains, we are not in a position to offer an informed view of preferred options.
- **Access to shared asset data and analysis** - There is an opportunity for the Commonwealth to improve access to new and improved data collection methodologies that are available to assess road conditions and changes in road conditions.

2 Introduction

The Municipal Association of Victoria (MAV) welcomes the opportunity to provide a response to the Road Resiliency Inquiry. The MAV is the peak representative and advocacy body for Victoria's 79 councils. The MAV was formed in 1879 and the *Municipal Association Act 1907* appointed MAV the official voice of local government in Victoria. Our submission has been developed through consultation with Victorian councils. We note that individual councils may also make submissions to the inquiry.

We understand the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport is inquiring into and will report on the implications of severe weather events on the national regional, rural, and remote road network, with a particular focus on:

- Road engineering and construction standards required to enhance the resiliency of future road construction;
- Identification of climate resilient corridors suitable for future road construction projects;
- Opportunities to enhance road resilience through the use of waterproof products in road construction;
- The Commonwealth's role in road resilience planning; and
- Any related issues.

Our submission presents issues in the order of most importance to local government while being mindful of the Committee's Terms of Reference.

3 Key issues

3.1 Financial sustainability of Victorian councils

The MAV – in partnership with Local Government Finance Professionals (FinPro) – has developed a dataset that can be used to demonstrate the financial sustainability of Victorian councils.

The report (see Attachment 1) identified four immediate risks to the financial sustainability of Victorian councils:

- The compounding effect of a rate cap that has been consistently set below the level of cost increases experienced by local government
- A significant asset renewal gap
- Deteriorating underlying surplus
- A deteriorating unrestricted cash position across most councils

3.2 Infrastructure maintenance and delivery challenges

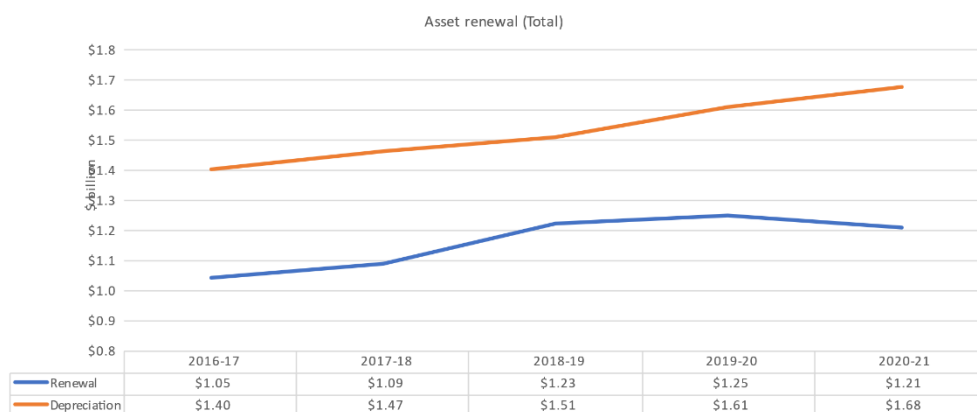
Councils manage 87 per cent of Victoria's road network, spending almost \$900m or 10 per cent of their total revenue in the process. The introduction of the rate cap seven years ago, plus inflexible, time-limited grants programs, and three wet La Niña years have fuelled the looming crisis for the local roads network.

Key findings from a recent MAV survey of infrastructure maintenance and delivery conditions (see Attachment 2) within Victorian councils included:

- The cost of delivering infrastructure has increased rapidly over 2021-22
- Over 80 per cent of councils are experiencing weaker responses to tenders from industry
- Services, materials, and skill shortages are leading challenges
- Infrastructure pipelines in Victoria and Australia are exceeding the capacity of industry to deliver
- Local government’s asset to revenue ratio is substantially different to other levels of government. Councils have large assets to manage, yet significant constraints on revenue (including imposed limits on own-sourced revenue such as the rate-cap and statutory fees)
- Untied grants and greater flexibility around how specific (tied) grant funding can be used are seen by councils as the most promising responses to these challenges.

There is a growing gap between asset depreciation and council spending on renewal. The below chart indicates there is about a \$500m gap for Victorian councils that is widening:

Financial pressures– asset renewal gap



With the anticipated increase in adoption of electric vehicles (EVs), there may be a decrease in fuel excise revenue, which is a major source of funding for road maintenance and construction. At the same time, there will be a need for improvements in road infrastructure, such as the installation of charging stations and other EV-related infrastructure. Early engagement with local government is required to ensure the funding model for the local road network can be adapted to accommodate this transition.

3.3 Importance of local roads

While the national and state and territory road networks provide important movement functions, it is the local road network that provides access.

A recent engagement led by the MAV and involving Victoria's Department of Transport, and the freight industry, concluded that fundamental elements to ensure good first and last kilometre access include:

- A fit-for-purpose road network
- Any restrictions on network access are soundly evidence based, carefully targeted and regularly reviewed
- Clear and accessible advice on any network restrictions, including permit requirements, is readily available to all key stakeholders
- Trained and adequately resourced people are available to assess any permits in a timely and informed manner
- Effective communication and engagement with key stakeholders inform and clarify changes to network use and management

The outcomes sought from good first and last kilometre access are that safety is ensured and that undesirable impacts of freight, such as infrastructure damage or degraded amenity, are minimised.

3.4 Betterment and investment in mitigation

The MAV welcomes the recent Federal Government investment in natural disaster mitigation, including the \$200 million per year investment through the Disaster Ready Fund. We also welcome the provisions in the Disaster Recovery Funding Arrangements (DRFA) that allow 'betterment' claims - to restore or replace an essential public asset to a more disaster resilient standard. Disappointingly, these provisions have not been applied in Victoria to date, despite calls from councils, the MAV and the Australian Local Government Association (ALGA) for more than a decade.

Improvements to infrastructure, such as strengthening, realignment, or other modifications, can be expensive - particularly in the current financial climate. As these types of works are generally urgent in nature and the assets are required to be reinstated within a short period of time, councils, particularly rural shires with large asset bases, have limited opportunity to allocate the necessary finances to invest in these projects.

The current funding arrangements for recovery from natural disasters do not encourage improvements in the resilience of damaged infrastructure. Under the current model in Victoria, funds are provided to councils to reinstate the infrastructure to the pre-disaster condition. Should councils wish to improve the infrastructure by designing and developing more modern or disaster-resilient solutions, these are not funded.

If there was a more flexible approach to betterment claims, councils would be incentivised to consider potential improvement in the early assessment phase. These improvements would prevent, or reduce, damage caused from future natural disasters, and would ultimately save money for the State and Federal Governments.

Statistics provided by the Queensland Government indicate significant savings from assets that have been rebuilt to a higher standard through the betterment fund, and have since been affected by subsequent disasters. Of the 480 betterment projects completed in Queensland between 2013 and August 2022, 375 projects have been subsequently impacted a total of 1016 times across 40 events. Eighty-one per cent of those impacted suffered no damage, or only minor superficial damage. From a \$137 million investment, there is \$391 million in avoided reconstruction costs (https://www.qra.qld.gov.au/sites/default/files/2022-08/betterment_paper_2022_update_as_at_august_2022.pdf)

To provide cost-effective solutions that improve the disaster resilience of infrastructure, it is recommended that recovery programs promote and incentivise the upgrade and improvement of disaster-affected infrastructure as part of the funding models.

3.5 Day labour

The recent announcement to include 'day labour' (use of council staff to undertake asset restoration in usual working hours) and associated plant and equipment costs in the Victorian DRFA has been welcomed by Victorian councils.

3.6 Asset assessment capability

Following natural disasters, a significant proportion of councils' labour and resources are focused on recovery operations. This often results in the loss of labour hours, and other important functions. As such, scheduled maintenance of road infrastructure can be neglected during this time. The combination of damaged infrastructure and reduction in general maintenance operations can lead to a reduced level of service being provided to local communities.

To increase the resilience of infrastructure, proactive assessments of assets in areas identified prone to climate-related disasters would allow councils to consider, plan and implement solutions prior to emergency events occurring.

Rural councils can often lack the funds or skilled professionals to undertake these assessment activities in conjunction with their usual asset maintenance operations.

Currently there are limited funding opportunities from State or Federal Governments that focus primarily on pre-disaster mitigation assessments of infrastructure. While a business case can be presented to other funding programs, most road infrastructure improvements often do not meet the general criteria required of those funding programs, as the majority are reactive in nature and focus on crash history or vehicle safety and accessibility. Although infrastructure resilience is sometimes included within the required criteria, the scope for the assessment of infrastructure at risk of climate and emergency event-related damage is often considered to be minor in comparison to the primary objective of the funding.

A dedicated fund for resilient asset assessments would allow eligible councils to have the resources and funding available to engage suitably qualified professionals to assess and provide recommendations to disaster prone infrastructure. This would put councils in a position to program works through their normal capital expenditure processes, or to prepare site-specific funding applications that would be better

received by funding agencies. It is recommended that the State or Federal government consider the implementation of funding programs which focus on pre-disaster mitigation asset assessments.

3.7 Transport networks include rail

We note that the terms of reference make specific reference to roads, however, it is important that the significant transport task that heavy rail can deliver is considered. Rail is well suited to moving large volumes of goods efficiently across the country and ensuring a resilient rail network is important consideration in ensuring a resilient transport network to support communities and the economies.

3.8 Consistent flood modelling and incorporation in planning schemes

The impact of climate change and associated damage from increased heavy rainfall events and storms, continues to increase across Victoria and nationally. However, recent storm and flood events in Victoria have exposed gaps in local planning schemes and maps. The current approach in Victoria requires councils and other local catchment and water authorities to develop local, place-based flood and inundation plans. This is an expensive and time-consuming process that leads to inconsistent and piecemeal approaches to flood hazard mapping and planning decision making across the state.

We require state and national leadership to develop a consistent, evidence-based approach to flood and inundation hazard modelling and associated mapping to assist councils in mitigating and reducing public and private asset damage.

There is already precedent for taking a data-driven, state-wide approach to hazard planning. In implementing the findings of the Black Saturday Victorian Bushfires Royal Commission, the State Government now leads the implementation of bushfire risk into all Victorian planning schemes. This approach ensures that bushfire risk is clearly identified and considered in planning applications. A state-led planning response with a particular focus on flood and inundation, with stronger planning tools and up-to-date maps in planning schemes, will greatly assist councils in making risk-informed decisions when building resilient infrastructure and communities.

3.9 Road construction and maintenance technology and innovation

Past roads maintenance practices will not be best practice in the future. Increasingly, extreme weather events such as what we have experienced across Australia over in the past year are having a significant impact on maintenance practices. Councils encourage research and review into better practices for sealed road maintenance considering heavier and faster transport vehicles, increased usage, original design and construction of roads and road materials and climate impacts to assist with longevity of treatments.

3.10 Access to shared asset data and analysis

There is an opportunity for the Commonwealth to identify best practice and facilitate access to contemporary asset data and analysis to support improved decision making and investment prioritisation.

This includes aerial photography, digital information from onboard accelerometers in newer models of vehicles, on board cameras on road manager vehicles and specialised vehicles such as those operated by Australian Road Research Board.

Access to this important data is often a barrier to local government. Any Commonwealth program that improves access to data, information and analysis on road and transport network conditions and optimised maintenance would improve the efficiency of investment by all road managers. It is suboptimal that this data access is often commercialised and only available on a user-pays basis.

Conclusion

We look forward to working with you on these important issues and thank you again for undertaking this inquiry.

If you any questions about our submission, please contact Emma Lake, Manager Infrastructure and Community Strengthening at elake@mav.asn.au

4 Attachments

1. *The Sustainability Gap* – the financial health of Victorian councils – November 2022
2. MAV Infrastructure Challenges Summary Report – November 2022 (attached and available online https://www.mav.asn.au/_data/assets/pdf_file/0005/31748/MAV-infrastructure-pressures-summary-report-Nov-2022.pdf)