



Review of the National Freight and Supply Chain Strategy

Submission

September 2023

© **Copyright Municipal Association of Victoria, 2023.**

The Municipal Association of Victoria (MAV) is the owner of the copyright in the publication Review of the National Freight and Supply Chain Strategy.

No part of this publication may be reproduced, stored or transmitted in any form or by any means without the prior permission in writing from the Municipal Association of Victoria.

All requests to reproduce, store or transmit material contained in the publication should be addressed to inquiries@mav.asn.au.

The MAV does not guarantee the accuracy of this document's contents if retrieved from sources other than its official websites or directly from a MAV employee.

The MAV is the statutory peak body for local government in Victoria. 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. The submission to the Review of the National Freight and Supply Chain Strategy has been endorsed by the MAV Executive.

1 Introduction

The Municipal Association of Victoria (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 the MAV the official voice of local government in Victoria.

Today, the MAV is a driving and influential force behind a strong and strategically positioned local government sector. Our role is to represent and advocate the interests of local government; raise the sector's profile; ensure its long-term security; facilitate effective networks; support councillors; provide policy and strategic advice, capacity building programs, and insurance and procurement services to local government.

The MAV welcomes the opportunity to contribute to the *Review of the National Freight and Supply Chain Strategy* (the Strategy). This review is particularly timely given the ongoing and compounding impacts extreme weather events have had on the freight network and supply chains.

Victorian councils are strong supporters of efficient freight services that deliver local and broader economic benefits, jobs, and sustainable business growth.

In Victoria, councils manage 87 per cent of the road network which is in excess of 130,000 kilometres. Councils also own and manage supporting infrastructure such as bridges, culverts and drains. In rural and regional areas, limited council revenue and large road network responsibilities mean road maintenance takes up a large proportion of council budgets.

This submission outlines key issues the refreshed Strategy should take into consideration so that it can better support local government to contribute to an efficient and safe road freight network now and into the future.

2 Key issues

2.1 First and last kilometre of our freight network

Local infrastructure contributes to national productivity by providing the 'first and last kilometre' for our freight network. While the national and state and territory road networks provide important movement functions, it is the local road network that provides access.

Victorian councils face a number of challenges in managing local road infrastructure. A gradual decline in federal and state funding to support asset maintenance, increasing infrastructure costs, along with the introduction of the rate cap seven years ago, have resulted in severely degraded local road infrastructure in Victoria. [MAV and FinPro research](#) shows that asset renewal has not kept pace with depreciation. Further, compounding extreme weather events – including the October 2022 floods which affected 63 of Victoria's 79 councils – damage road infrastructure and disrupt supply chains. Local roads are also being put under increasing pressure by changes to heavy vehicle mass and size limits.

Well-maintained, safe and efficient freight routes are essential to meeting the current goals set out in the Strategy. State and Federal Governments can better support councils to maintain local road networks by:

- Prioritising local road and bridge funding to ensure reliable and direct freight access to farms, factories and businesses;
- Allowing councils to direct grant funding where it's needed most by increasing access to untied funding; and
- Compelling states and territories to support betterment in disaster repair programs to ensure more resilient road infrastructure is built following a disaster.

It is clear that a refreshed Strategy will not be able to deliver on improved supply chain efficiency without addressing these funding gaps faced by local government.

2.2 Challenges of decarbonising freight transport

The transport sector is responsible for 25 per cent of Victoria's carbon emissions. The decarbonisation of freight transport will play an essential role in meeting the Victorian Government's target of net zero emissions by 2045.

One of the emerging issues is the impact of zero emissions heavy vehicles on our road networks. We understand that electric and hydrogen fuel cell heavy vehicles will be heavier compared to diesel vehicles. It is anticipated that councils will need to make upgrades to road infrastructure to accommodate zero emissions heavy vehicles on our roads.

While the MAV and councils are strong supporters of climate change action, this shift to zero emissions heavy vehicles will place added pressure on councils that are already struggling to maintain existing road infrastructure. Road maintenance takes up close to 10 per cent of Victorian council revenue with costs increasing rapidly. Councils have large assets to manage, yet significant constraints on revenue. Given these constraints, councils will need the right fiscal, technical and regulatory support to ensure our roads can cope with zero emissions heavy vehicles.

Infrastructure Victoria recently recommended the Victorian Government incentivise uptake of zero emissions freight vehicles through reviewing restrictions on zero emissions freight movements on freight routes (<https://www.infrastructurevictoria.com.au/wp-content/uploads/2021/08/Driving-Down-Emissions-Accelerating-Victorias-Zero-Emission-Vehicle-Uptake.pdf>). Last year the Grattan Institute recommended the Federal Government set binding zero-emissions sales targets for sellers of new trucks (<https://grattan.edu.au/wp-content/uploads/2022/08/Grattan-Truck-Plan-Report.pdf>).

We anticipate incentives for low and zero emission trucks and heavy vehicles will increase over time as governments look for ways to meet their net zero targets. With the expected increase in adoption of zero emissions electric vehicles, there may also be a decrease in fuel excise revenue, which is a major source of funding for road maintenance and construction.

All levels of government must work together to meet the challenges presented by low and zero emission freight transport. This includes making the legislative, regulatory and policy changes that may be necessary to accommodate heavier zero emissions freight on our local road networks.

Many councils will require technical support to assess their network for at-risk infrastructure. Identifying these assets will be a first step, however, further work will be required to prioritise upgrades on priority freight routes to ensure the network has the resilience to withstand heavier loads and more frequent extreme weather events. Prioritisation and upgrade requirements could be documented in regional infrastructure resilience plans, so agreed 'betterment' could be incorporated into restoration after natural disasters and logically sequenced between disasters.

Planning ahead for these challenges in collaboration with local government will ensure our freight networks are safe and secure for all transport users.

2.3 Low and zero emission delivery and freight zones

Low and zero emission delivery and freight zones are another way of encouraging decarbonisation of the freight industry. Such zones are associated with reduced emissions, improved air quality and better public health outcomes. There are over 250 low emission zones in operation across Europe. Although there are no emissions-controlled zones in Australia, councils are already investing in zero emission vehicles and associated charging infrastructure.

As governments consider the introduction of low and zero emissions delivery and freight zones, partnership with local government will be essential. It may be helpful to consider lessons learned from international examples of such zones. London's Ultra Low Emissions Zone (ULEZ) came into effect in April 2023. It applies to heavy vehicles, personal vehicles and motorcycles. Many local governments opposed the ULEZ due to a lack of consultation with councils and residents before implementation.

The MAV strongly recommends State and Federal Governments engage in a collaborative approach with local government, as local roads managers, when considering the appropriateness of emissions-controlled zones. A close partnership with local government in the design and delivery phase is more likely to result in the successful implementation of low emission zones.

3 Recommendations

1. That State and Federal Governments provide adequate and flexible funding to councils to safely manage the first and last kilometre of our national freight network, which includes:
 - a. Prioritising local road and bridge funding to ensure reliable and direct freight access;
 - b. Allowing councils to direct grant funding where it's needed most by increasing access to untied funding; and

- c. Compelling states and territories to support betterment in disaster repair programs to ensure more resilient road infrastructure is built following a disaster.
2. That State and Federal Governments provide technical support to councils to assess infrastructure, including bridges, to determine capacity to take heavier freight vehicles. Further, that all levels of government work together to prioritise upgrades on key freight routes.
3. That State and Federal Governments collaborate with councils on the introduction and implementation of low and zero emission freight and delivery zones.

4 Conclusion

Local government has been at the forefront of managing the supply chain disruptions Australia has experienced over the past few years. The decarbonisation of the freight industry will provide opportunities and challenges for all levels of government. It is critical that a refreshed National Freight and Supply Chain Strategy sets out a plan for managing these challenges in close collaboration with local government.