



AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

9 December 2015

Shire of Busselton
Locked Bag 1
BUSSELTON WA 6280

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Dear President Stubbs

One of the major challenges facing local government today is the effective management of our very large asset base which includes roads, buildings, stormwater systems, parks and recreational facilities and, in some states, ports, airports, water and sewerage systems.

The Australian Bureau of Statistics estimates that local government is responsible for almost a third of the public sector's non-financial assets, with the written down value of these assets listed at over \$354 billion. As a sector we manage around one third of the public sector's assets with just over 3 per cent of national taxation revenue.

The Australian Local Government Association (ALGA) and its member state and territory local government associations have sought to quantify, as far as possible, the scale of the local government asset management challenge and the implications for councils. In 2006, a report from PricewaterhouseCoopers, commissioned by ALGA, estimated the backlog in infrastructure renewals at \$14.5 billion. Subsequently, ALGA commissioned JRA to produce a State of the Assets – Local Roads report in 2012 which helped to quantify the condition of local government roads. Recognising that council infrastructure goes well beyond local roads, ALGA commissioned JRA to produce the 2015 State of the Assets report which extended to all of local government's major assets classes. This report was released at the 2015 National Local Roads and Transport Congress held in Ballarat on 17-19 November and a copy of the report is attached for your information.

The report, which reflects the input of 230 councils across Australia, estimates that the replacement value of all local government assets, excluding land, is actually around \$438 billion. It concludes that approximately 11 per cent of these assets – \$47 billion in value – are in poor or very poor condition. The report also shows that 11 per cent of sealed roads, 19 per cent of unsealed roads and 22 per cent of timber bridges, are either physically unsound or in need of significant rehabilitation.

Over the past decade, councils across Australia have adopted comprehensive asset management plans as part of a suite of stronger long term financial and strategic plans. Funding from the Australian Government under the previous Local Government Reform Program from 2009 onwards was used to improve the capacity of councils to manage their assets and it is this commitment to improved asset management which has made it possible to gather the data for the 2015 State of the Assets report. The result is that local government knows where it stands in terms of long term asset management and what additional resources are required to bring all our assets back to an acceptable standard.

Asset management and the challenge of addressing underfunding in asset maintenance is a not just a problem for local government. Other levels of government face similar issues, as revealed by the findings of various Commissions of Audit over recent decades. The Victorian Commission of Audit in 1993 drew

attention to a neglect of maintenance by the Victorian State Government, as did the 2012 Queensland Commission of Audit which noted a backlog of \$2.5 billion on state roads and bridges. At the national level, the 1996 National Commission of Audit highlighted issues around neglect of infrastructure maintenance at the Commonwealth level and the findings of the 2014 National Commission of Audit clearly indicated that the problem remains unresolved. It concluded that there were significant asset maintenance issues across the Commonwealth's property estate, with increased expenditure required on maintenance and related functions to bring assets back to minimum standards.

However, while the challenges may be similar, the respective fiscal positions of the three spheres of government, and thus their capacity to deal with the issues, differ greatly. For instance, the Commonwealth is responsible for about 10 per cent of non-financial assets with an estimated written down value of \$110 billion, but collects 82 per cent of the nation's tax revenue.

Local Government's infrastructure assets are part of national networks that deliver services supporting national productivity, as well as local connectedness and quality of life. Councils are working under immense financial constraints to manage their infrastructure and they need more help to maintain these assets to a standard that is necessary for a more productive economic future.

An important aspect of our nation's economic future is supporting local government to play a more effective role in moving freight and boosting transport productivity by improving the condition and grade of local road pinch points in the national transport network. Programs like Roads to Recovery help with the basic maintenance of our local roads, but more needs to be done to ensure the local road network has the capacity required to provide safe access for all major classes of heavy vehicles and to improve heavy vehicle freight movement.

Without an integrated plan that connects the national and state network to the local network, opportunities for strategic infrastructure investment and improved productivity will be lost. The Federal Government needs to address this issue.

Additional investment in local roads must be part of the solution to increasing transport productivity on the nation's transport network.

ALGA will be using the 2015 State of the Assets report to support our advocacy for additional infrastructure funding, especially the need for investment in our freight network and community infrastructure.

ALGA will be providing a copy of the report to all Federal parliamentarians and I encourage all councils to look carefully at their own infrastructure to identify assets in poor to very poor condition which can be highlighted to your local Federal parliamentarians to complement ALGA's national advocacy.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Troy Pickard', is enclosed within a blue circular scribble.

Mayor Troy Pickard
President