

Inquiry into Local Government Funding and Fiscal Sustainability

A Submission to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport

Monday, 3rd February 2026

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1. Introduction

The Australian Logistics Council (ALC) welcomes the opportunity to provide this submission to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport regarding its inquiry into local government funding and fiscal sustainability.

ALC is the peak national body representing major companies across the end-to-end freight supply chain and logistics industry. Our members operate nationally across road freight, freight rail, ports, intermodal networks, and air freight, supporting Australia's economy by delivering essential goods—including food, medicine, consumer goods, and industrial materials—efficiently, safely, and sustainably. Freight underpins the daily life of every Australian and is central to economic resilience and productivity.

Australia's transition to electric and alternative energy source vehicles (EVs/AEVs) is a critical element of national decarbonisation objectives. The deployment of supporting infrastructure—including charging stations, energy storage, and resilient electricity networks—requires local government involvement, particularly in first- and last-mile freight corridors, kerbside access, and regional freight nodes.

Population growth of approximately 10 million by 2040 will place increasing demand on freight networks and infrastructure. Supporting this growth requires a coordinated and well-funded approach to local road management, which forms the critical 'first mile' and 'last mile' of supply chains and connects to rail terminals, ports, and airports. Road deterioration, capacity constraints, and the increasing frequency and severity of extreme weather events threaten supply chain efficiency and reliability unless addressed through targeted investment and reform. Evidence before this

Committee shows that severe weather events have had substantial impacts on Australia's road network and that maintenance underinvestment is a key constraint on resilience¹.

2. Interactions Between Governments

2.1 Nature and Scale of Funding

Local governments play a central role in maintaining roads that facilitate domestic and interstate freight movements. Councils manage the majority of Australia's local road network—approximately 77 per cent of total road length—which is essential for connecting regional production hubs, industrial precincts, and communities, to higher-order networks². Many councils face financial, technical, and workforce capacity constraints that limit their ability to maintain assets to the standards required to support growing freight demand. Effective coordination between Commonwealth, state, and local governments is therefore essential to maintain road infrastructure capable of supporting growing freight demand and evolving operational requirements. The complexity of road ownership and funding arrangements across governments has been highlighted in recent national inquiries, which recommend greater cross-government collaboration and consistent planning frameworks³.

Recent national inquiries have highlighted the complexity of road ownership and funding arrangements across governments, recommending stronger cross-government collaboration and more consistent planning frameworks. ALC has consistently advocated for a systems-based approach to road and freight infrastructure planning that recognises the interdependencies between road networks, land-use planning, freight access and broader supply chain performance. Recommendation 3 of the 2023 Severe Weather Events Inquiry—to make road asset planning and investment frameworks a standing item on the Infrastructure and Transport Senior Officials' Committee agenda—and Recommendation 4—to develop national road infrastructure resilience guidelines—remain critical to ensuring coordinated responses and targeted investment to protect freight-critical road networks⁴.

A forward-looking framework should ensure that local road networks, including priority freight routes, are maintained to accommodate compliant heavy vehicles, support emerging low-emissions freight vehicles, and enable seamless access to interstate and intermodal networks, including air freight hubs. This coordination is particularly important given the scale of freight movements associated with regional production, processing, and export-oriented supply chains.

3. Identification of All Funding Sources

3.1 Roads to Recovery and Local Road Funding

The Australian Government has committed to progressively increase the Roads to Recovery program⁵, providing \$821 million in 2025–26 and rising to almost \$1 billion by 2027–28⁶. Roads to Recovery funding is allocated based on factors such as population and road length, supporting councils' capacity to maintain local road networks. This program provides a stable funding base for local road construction and maintenance by councils.

The Safer Local Roads and Infrastructure Program provides additional targeted funding, with at least \$200 million available annually to state, territory, and local governments for priority road projects, including freight-critical routes used by heavy vehicles⁷. The Local Roads and Community Infrastructure (LRCI) program has also provided councils with flexible funding for local road and infrastructure projects, with Phase 4 allocating \$750 million⁸ to rural, regional, and outer-urban road improvements.

¹

https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_Infrastructure_and_Transport/ResilientRoads/Report/Foreword

² <https://alga.com.au/funds-to-boost-freight-productivity-and-infrastructure>

³

https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_Infrastructure_and_Transport/ResilientRoads/Report/Chapter_3_-_A_national_approach_to_road_infrastructure_resilience

⁴ https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_Infrastructure_and_Transport/ResilientRoads/Report

⁵ Roads to Recovery Program | Infrastructure Investment Program

⁶ https://budget.gov.au/content/bp3/download/bp3_2025-26.pdf

⁷ <https://www.infrastructure.gov.au/sites/default/files/documents/foi25-194-documents-released.pdf>

⁸ <https://www.infrastructure.gov.au/department/media/news/750-million-available-local-road-and-infrastructure-projects>

3.2 State and Territory Funding

State and territory governments provide additional funding support for local and regional road networks, including disaster recovery and resilience programs that complement Commonwealth funding arrangements. An example is the Regional Transport Resilience Fund in New South Wales, which supports post-event road recovery and resilience works following major weather events⁹.

3.3 Own-Source Revenue

Councils rely on rates, fees, and charges to support core operations, including road maintenance and asset management. However, own-source revenue is generally insufficient to fund infrastructure demand arising from high volumes of heavy vehicles and freight activity, particularly in regional, rural, and remote councils¹⁰.

3.4 Heavy Vehicle Charging and Future Funding Models

The transition to low-emissions vehicles and improving fuel efficiency will progressively reduce fuel excise revenue that has historically contributed to road funding. The National Heavy Vehicle Charging Pilot (NHVCP) is testing alternative approaches to charging heavy vehicles for road use based on weight and distance, including telematics-enabled trials¹¹.

ALC supports the phased introduction of mass-distance-location charging models, underpinned by robust governance and industry engagement, to create sustainable funding mechanisms that better align revenue with actual heavy vehicle use and infrastructure wear, benefiting local government road networks over the long term.

4. Impacts and Effectiveness

4.1 Funding Sustainability Challenges

Funding arrangements significantly influence local government capacity to maintain infrastructure, deliver services and support local and regional economic activity. Inadequate grant indexation and inequitable grant distribution disproportionately affect smaller and remote councils, limiting their ability to maintain freight-critical roads. Heavy vehicles contribute disproportionately to incremental road damage, yet existing funding mechanisms do not fully reflect this impact, contributing to underinvestment on freight-critical roads.

4.2 Climate and Resilience Pressures

The 2023 Severe Weather Events Inquiry found that extreme weather events are increasing in both frequency and intensity, exacerbating damage to road infrastructure. Local governments face increasing difficulty maintaining extensive road networks under these conditions. Proactive planning, coordinated funding and robust asset management are critical to improving infrastructure resilience¹².

4.3 Road User Charging and Future Funding Sustainability

Heavy vehicle charging reform represents a key policy area as governments seek to ensure the long-term sustainability of road funding in the context of changing vehicle technologies and continued freight task growth. The National Heavy Vehicle Charging Pilot is providing valuable evidence on the potential role of distance-based and telematics-enabled approaches in improving the accuracy and transparency of how heavy vehicle road use is understood.

With fuel excise revenues expected to decline as fuel efficiency improves and zero-emission vehicles are more widely adopted, governments will need to consider alternative mechanisms to support ongoing investment in local road networks that provide first- and last-mile freight access. This work should be progressed in a way that supports freight productivity and regional fleets, protects competitiveness, and provides certainty for long-term industry investment.

⁹ <https://www.transport.nsw.gov.au/projects/current-projects/fixing-country-roads>

¹⁰ https://alga.com.au/wp-content/uploads/2025/04/ALGA-Pre-Budget-Submission-23-24_Freight.pdf

¹¹ <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/transport-strategy-policy/heavy-vehicle-road-reform/national-heavy-vehicle-charging-pilot>

¹²

https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_Infrastructure_and_Transport/ResilientRoads/Report_Foreword

5. Previous Inquiry

ALC has previously provided evidence to this Committee and others regarding the challenges facing local government road networks. ALC's 2023 submission to the Severe Weather Events Inquiry highlighted the need for coordinated investment, recognition of interdependencies in the freight system, and revised approaches to risk assessment in response to climate change, all of which remain relevant as local governments take on expanding infrastructure responsibilities¹³.

ALC reiterates the need to implement prior recommendations, particularly:

- Reviewing the Financial Assistance Grants Road component formula to ensure smaller and remote councils can maintain the roads under their responsibility.
- Including road asset planning and resilience frameworks in national infrastructure governance.
- Developing sustainable, forward-looking road funding mechanisms linked to freight access and supply chain priorities.

6. Conclusion

Local government fiscal sustainability is integral to the ongoing efficiency, safety, and resilience of Australia's freight networks. ALC urges the Committee to:

1. Increase and index FAGs and Roads to Recovery funding, with targeted support for priority freight routes.
2. Ensure coordination of local road planning with national freight priorities and resilience frameworks.
3. Develop sustainable, forward-looking funding mechanisms for roads to support infrastructure maintenance and the transition to a low-emissions freight fleet.
4. Reassess grant distribution to ensure smaller and remote councils can maintain critical road assets that underpin national supply chains.

These measures will secure the integrity of local roads that serve as the foundation of national supply chains, enabling economic growth, resilience, and productivity across Australia.

7. Tables

Table 1: Commonwealth Road Funding Programs

Program	2025–26 Allocation	Purpose	Reference
Roads to Recovery	\$821m	Local road maintenance and construction	Budget 2025-26
Safer Local Roads & Infrastructure Program	\$200m	Safety, productivity, priority freight routes	SLRIP
Local Roads & Community Infrastructure (Phase 4)	\$750m	Flexible local road and infrastructure projects	WALGA 2025

¹³ <https://austlogistics.com.au/wp-content/uploads/2023/07/Submission-230704-Inquiry-into-the-Implications-of-Severe-Weather-Events-on-the-National-Regional-Rural-and-Remote-Road-Network-002.pdf>

Table 2: Key State/Territory Funding Programs

Jurisdiction	Program	Purpose	Reference
NSW	Regional Transport Resilience Fund	Post-event (2022 floods heavily affecting 4 Central West NSW councils) road recovery & resilience	Regional Transport Resilience Fund
VIC	Safe Local Roads and Streets Program	Provides funding to local councils for planning, design, and delivery of safety infrastructure on local roads, including intersections and high-risk precincts. It supports improvements that reduce road trauma and enhance road condition and resilience.	Safe Local Roads and Streets Program