30 March 2026

Mr. Steven Kingshott
Chair
Victorian Local Government Grants Commission

c/- Mr Colin Morrison
Director Sector Investment
Local Government Victoria
Department of Government Services
Sent via email: colin.morrison@dgs.vic.gov.au

Dear Mr Kingshott

IMPACT OF INCREASED COSTS OF FUEL ON REGIONAL COUNCIL OPERATIONS

I am writing on behalf of the Wimmera Southern Mallee Council Alliance, (the Alliance) representing six councils across north-western Victoria, to alert the Victorian Local Government Grants Commission (the Commission) to the impact of the rising fuel cost on our operations.

Whilst we understand that rising fuel costs are impacting people across the world and all Councils across Victoria the Alliance believes there is a disproportionate impact on the Wimmers Southern Mallee regional councils.

As such we are requesting that this be taken into consideration when determining the amount of assistance required for the Alliance Councils to be able to continue operations over the period of the upcoming grant allocation.

Our Alliance incorporates small councils with limited revenue bases who are responsible for managing a large road network. Our services and council operations are required to cover distances that are far greater than our metropolitan counterparts.

To illustrate the impact these rising costs are having on the region, the Alliance anticipates the following consequences:

- Fuel Budget Pressure: The projected plant fuel budget for the upcoming financial year is double the projected spend for the current year. This sharp increase reflects ongoing market volatility, sustained price escalation, and heightened uncertainty in fuel availability.

By way of a specific case study: Horsham Rural City Council (HRCC) uses 50,000 litres of fuel per month. The HRCC fuel contract is based on a Terminal Gate Price (TGP) + $0.02/litre. On 27 February the TGP was $1.653/litre. On 26 March the TGP was $3.091/litre and rising at least $0.05-$0.07 per day. The impact for Horsham has already seen an increase of $72,000 in this past month alone.

- Contractor Cost Increases: Council contractors who rely heavily on fuel are anticipating significant cost increases. While these increases have not yet been formally applied, discussions with contractors indicate that pricing adjustments are imminent as they reassess their operating costs in response to fuel market conditions.
- Impact on Road Works Delivery: Rising contractor costs are expected to have a substantial impact on road works. The combination of higher operational expenses and potential schedule delays may reduce the volume of work able to be delivered under current budget settings.
- Fuel Supply Reliability Concerns: Fuel supply reliability has emerged as a critical operational risk.

  By way of example specific in Yarriambiack Shire Council, Hopetoun ran out of fuel on 26 March, and Murtoa experienced a similar shortage recently. Warracknabeal remains comparatively stable, currently able to supply all council tankers due to active prioritisation of council as an essential service. However, these supply disruptions highlight vulnerabilities in regional fuel logistics.

- Bitumen Price Escalation: Bitumen prices are forecast to increase by approximately 40% in the short term, affecting both externally sourced emulsion products and contractor-led sealing works.
- Rising Plant Operating Costs: As fuel prices continue to climb, plant operating rates will increase correspondingly, driving up the cost of delivering internal works. This inflationary pressure will affect all fuel-dependent activities, adding to overall program cost escalation, and will likely see work practices change in order to accommodate these costs.
- Reduced Scope of Future Programs: The combination of fuel price increases, supply instability, elevated contractor costs, and escalating plant rates will collectively result in a smaller Capital Works Programs for Alliance Councils in the coming year. Additionally, council may be forced to scale back proactive maintenance activities across the sealed road network, including works performed with council’s bitumen trucks, and potentially reduce broader road maintenance outputs if fuel prices continue to rise or supply remains unreliable.

While national supply is currently unaffected, the impact is already being felt in the price of oil globally. It’s clear that the impact will continue for the foreseeable future and this will result in cost increases impossible to absorb without significant impacts on operations and services.

The Alliance respectfully asks the Commission to consider these significant costs pressures, which are disproportionately unique to our region, when determining grant allocations for the next financial year and increase the allocation for our members by an appropriate amount. While unknown, it is not envisaged this will be an ongoing pressure we will have to bear, however the outlook in the short term is bleak in being able to deliver an expected service for our communities.

Please contact me, on mobile 0458 833 173 or gail.gatt@hrcc.vic.gov.au should you need further information.

Yours sincerely,

Gail Gatt

Gail Gatt
Chief Executive Officer HRCC
CEO Chair Wimmera Southern Mallee Council Alliance

BULOKE SHIRE COUNCIL | Hindmarsh Shire Council | HORSHAM Rural City Council | NORTHERN Grampians SHIRE COUNCIL | WEST WIMMERA SHIRE COUNCIL | Yarriambiack SHIRE COUNCIL

WIMMERA SOUTHERN MALLEE COUNCIL ALLIANCE

BULOKE SHIRE COUNCIL

Hindmarsh Shire Council

HORSHAM Rural City Council

Northern Grampians Shire Council

West Wimmera Shire Council

Yarriambiack Shire Council