

## **An Assessment of the Australian Road System: Volume 2**

### **Report**

Verbatim publication of comments provided to the BTE for its Report to assist the Commonwealth government in its consideration of grants of financial assistance to the States for roads.

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C. CHOW

BUREAU OF TRANSPORT ECONOMICS

AN ASSESSMENT OF THE AUSTRALIAN ROAD SYSTEM: 1979

PART 2: ANNEX 6

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ANNEX

VERBATIM PUBLICATION OF COMMENTS PROVIDED TO THE BUREAU OF  
TRANSPORT ECONOMICS IN ITS REPORT TO THE MINISTER FOR  
TRANSPORT TO ASSIST THE COMMONWEALTH GOVERNMENT IN ITS  
CONSIDERATION OF GRANTS OF FINANCIAL ASSISTANCE TO THE  
STATES FOR ROADS

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## 1. INTRODUCTION

With the approval of the originating bodies the verbatim texts of individual submissions are reproduced in this Annex. Also included are submissions from the Brisbane City Council and the National Roads and Motorists' Association (N.R.M.A.) although these bodies were not specifically invited to lodge their views. It should be noted that the New South Wales and Victoria State Ministry submissions include the views of their respective State Road Authorities. Minor spelling changes have been made to some texts for report consistency. Also in some cases, previously published attachments to submissions have not been reproduced. In these cases a separate reference to where the attachments were originally published is given. BTE again expresses its thanks and appreciation for the submissions received.

## 2. LIST OF ORGANISATIONS INVITED TO PREPARE SUBMISSIONS

### 2.1 Ministries of Transport

- New South Wales, Ministry of Transport and Highways
- Victorian, Ministry of Transport
- Queensland, Department of Transport
- South Australian, Director-General of Transport
- Western Australian, Director General of Transport
- Tasmania, The Transport Commission
- Northern Territory, Department of Transport and Works

### 2.2 State Road Authorities

- NSW, Department of Main Roads
- Victoria, Country Roads Board
- Queensland, Main Roads Department
- South Australia, Highways Department
- Western Australia, Main Roads Department
- Tasmania, Department of Main Roads

### 2.3 Associations of Local Government Areas

- NSW, Local Government Association of N.S.W., Shires Association of N.S.W.
- Victoria, Municipal Association of Victoria
- Queensland, The Local Government Association of Queensland (inc.)
- South Australia, Local Government Association of S.A. (Inc)
- Western Australia, The Local Government Association of Western Australia (Inc.)
- Tasmania, Municipal Association of Tasmania
- Northern Territory, The Local Government Association of the Northern Territory
- Australian Capital Cities Secretariat
- Australian Council of Local Government Associations

### 2.4 Invited Organisations

- Australian Automobile Association (AAA)
- Australian Road Federation
- Australian Road Transport Federation

## 3. STATE MINISTRIES OF TRANSPORT

### 3.1 Originating Letter to State Ministers

Dear Sir,

As you are aware, the Bureau of Transport Economics is currently preparing a report for the Minister for Transport to assist the Commonwealth Government in its consideration of grants of financial assistance to the States in connection with roads and road transport. As part of its investigations the Bureau is seeking views and information from State and Territory Departments of Transport and Road Authorities and from organisations of local government authorities.

Accordingly I invite you to submit your views, together with any supporting information on any matters that you consider pertinent to our investigations.

I would particularly appreciate your comments on the issues outlined below.

(a) Transport development strategy

- (i) How do the existing arrangements for funding of transport activities, including roads, affect the implementation of transport development strategy for your State?
- (ii) Are there any changes in those arrangements that you would like to see made, particularly for roads?
- (iii) Specifically, do you consider that there should be any variation to existing road grant categories and for what reasons?

(b) Road development strategy

- (i) What are the main features of the road development and maintenance strategy being planned or implemented in your State?
- (ii) How is this strategy being affected by present funding levels and/or legislative arrangements?
- (iii) What are the effects in your State or Territory of the standards adopted for national highways?

(c) Road funding and accident costs

Are there any ways whereby changes in road funding arrangements might have significant impacts on the pattern of and costs attributable to accidents?

I would appreciate your submission by the end of  
October.

Yours sincerely,

G.K.R. REID  
Acting Director

### 3.2 Submissions from State Ministries

#### 3.2.1 New South Wales Ministry of Transport and Highways

##### INTRODUCTION

The warranted level of road investment in New South Wales, based on a comprehensive assessment of transport needs and priorities, has consistently exceeded the funding capacities of the State. New South Wales has made a major effort to allocate financial resources to help overcome the most urgent needs in the road system. In 1978-79, for example, the New South Wales Government has allocated about \$300 million in financing roadworks. By contrast, the Commonwealth has allocated only \$164 million to the State for roadworks.

Although the dollar amount of Commonwealth allocations has increased, in real terms the value of the grants has fallen consistently in recent years. The contribution from the Commonwealth has fallen over the past three years from about half the expenditure on the State's roads to a point where the State's allocation is twice that of the Commonwealth. These shortfalls in Commonwealth assistance have severely limited the capacity of the State to reduce the backlog of urgent road needs.

The major effort being made by the State to improve the road system has been paralleled by a \$1000 million program to modernise and improve the public transport system in New South Wales.

In addition there are continuing problems for the State's road program created by certain Commonwealth funding practices. These include the shortened funding cycle, limitations on transfers between geographic and functional categories, and on the limited coverage of Commonwealth funding legislation.

The objective of this submission is to seek re-consideration of specific problems, and to again propose an improved framework for

the achievement of co-ordination and a balanced approach to transport development.

The essence of this case for New South Wales has been put on a number of earlier occasions, including the 1976 submissions to the then Commonwealth Bureau of Roads, 1975-76 representations to the Commonwealth by New South Wales at ATAC and elsewhere for an improved funding framework, and the 1976 URTAC Report.

However, recent trends have exacerbated the problems of the New South Wales transport administration to a critical degree, in fact to the extent that it is expected that the State will be forced to confine its investment effort in the next 10 years to little more than maintenance and reconstruction when it has been clearly demonstrated that major new roads are required.

#### N.S.W. TRANSPORT DEVELOPMENT STRATEGY

##### Overall Approach

New South Wales supports the concept of a balanced transport system with policies that in broad terms call for the development of the State's transport system as an integrated whole, recognising the mutual dependence of private and public transport.

In line with this broad philosophy the State's overall transport strategy has been based on the following principles:

- . the programs should be designed to yield benefits in the short term. Projects must be able to be justified in themselves rather than depend wholly on the completion of other works in the future before benefits are obtained. The key emphasis should be on program flexibility and expansion in incremental units. This does not negate "system" concepts but rather states that the individual projects must be justified on their own merits;

- . the emphasis of transport investment programs would continue to be on solving existing transport problems and maximising the use of low-cost improvements, wherever possible, rather than on major extensions;
- . the programs of works would be, to the extent possible, based on the principle of the most effective allocation of resources between the various elements of the total program to achieve the best balance of improvements in the transport system;
- . matching scale, staging and standards of roads to existing and forecast demand;
- . the public transport program would represent a continuation of the Government's previously announced modernisation and improvement program on which substantial progress had already been made.

#### Urban Roads

In respect of urban areas the Government is committed to a program of reducing traffic congestion and improving traffic movement in both inner and outer metropolitan areas by the construction of freeways and major arterial roads and an extensive program of traffic management. Priority in the road program is being given to alleviating areas of highest congestion; improving the existing road system; protecting the environment and urban amenity; meeting the needs of commercial traffic; reducing average travel times and costs for residents of outer suburbs, particularly in the western region of Sydney; servicing the needs of sub-regional centres and providing adequate access to areas not currently serviced by rail, through the continued development of circumferential and cross-regional routes and proposals that encourage the development of regional centres whilst discouraging further growth of traffic flows towards the CBD.

Freeways are seen as making a major contribution to moving people and goods within the urban area and reducing the costs, including freight, to the community of unacceptable levels of congestion. They can assist in excluding heavy trucks and through traffic from local streets and residential areas and reduce the toll of death and injuries from traffic accidents.

### Public Transport

The State's road strategy is being complemented by the Government's \$1000 million statewide public transport modernisation and upgrading program, including a \$200 million track upgrading program, involving large-scale rolling stock, bus and ferry purchases, modernisation of signalling equipment, railway and bus workshops, improvements to railway stations and the establishment of bus/rail interchanges and commuter car parking. The Commonwealth is contributing to the improvement program, through the Urban Public Transport Improvement Program, to the extent of \$78.75 million over a five-year period from schedule funds, plus a share of a further \$75 million based on "needs".

Overall, the highest priority is being assigned to those works which are considered essential to restore or maintain existing services to what is judged to be a satisfactory standard of performance having regard to user attitudes, and comparisons (as far as they are available) with other similar public passenger transport systems.

In an effort to reduce the impact of heavy truck movements on the State's roads, maximum encouragement is being given to the use of rail haulage for certain freight tasks such as coal, wheat and steel. The current Road Freight Inquiry is also looking at the question of rationalisation between road and rail. The terms of reference for this Inquiry are detailed in Appendix "A".

At the same time, the State is particularly conscious of the valuable contribution the private bus and taxi industries make



towards the total transport system. In line with the balanced system approach discussed earlier, close co-operation and co-ordination is being sought between these and other transport modes.

#### National Highways

New South Wales supports the Commonwealth's national highway concept. A national highway network of adequate standards is seen as being essential to reduce the high transport costs associated with Australia's long distances.

However, serious consideration needs to be given to reduction in standards in difficult topography to reduce costs while at the same time providing the necessary improvements. A standard equivalent to that applying to N.S.W. State Highways is considered to be both satisfactory and appropriate. It is considered inappropriate to allocate funds to national highways at the expense of other categories. However, it is important that the inter-capital transport links are developed in a balanced way. Therefore, upgrading of the national highway links should not be carried out at the expense of, or in isolation from, the mainline rail links. Commonwealth funding for mainline upgrading between capital cities is seen as an essential and complementary need.

#### Rural Arterial Roads

Many rural roads and existing bridges were constructed early this century and were not designed to carry the heavy loads and traffic volumes of today, especially at the speeds which now apply.

Where bridges are concerned the position is rapidly deteriorating. Many structures have reached the end of their economic life and require replacement to meet present day standards.

In many instances councils have been forced to apply load limits to some bridges in the light of safety factors to the detriment of road transport needs.

Strategy for development of the State's rural arterial road system is largely dictated by the funds available and likely to be available from all sources. Pavement and formation widening and pavement strengthening with small local improvements associated with the replacement of inadequate and failing bridges, forms the bulk of the projects. Extension of bitumen surfacing has high priority also but construction of major deviations is not proposed except in a few isolated locations.

#### Tourist Routes

Apart from the important freight task, the roads are needed to support the continued growth in the tourist industry. The recent reduction in overseas air fares to Australia will necessitate infrastructure investment to cater for the anticipated increase in the numbers of overseas tourists. Particular attention should be given to the land transport access requirements associated with the major airport needs of Sydney, as referred to below (funding road works of national significance).

The N.S.W. Forestry Commission, apart from constructing and maintaining access roads for the management and protection of the forest resource and for the harvesting of forest products, also provides tourist and recreational routes to picnic and camping grounds. General public usage of forestry roads for access/tourism/recreation is increasing significantly each year, however tourism does not reduce the increased cost burden which is now estimated at 20 per cent (\$1.4 million) of total road expenditure.

## Recreational Travel

Recreational travel is another important area where investment has not been sufficient in the past. Congestion in normally off-peak periods associated with sporting features and entertainment centres may be a more serious problem than peak hour congestion in certain locations. Developments such as the Homebush Bay Sporting Complex and the Haymarket Entertainment Centre are seen as deserving special consideration for transport funds.

## IDENTIFIED NEED FOR EXPENDITURE

The Commonwealth Bureau of Roads' Report on Roads 1975 identified an economically warranted road program for the five year period to June 1981 of \$7625.7 million. Incorporated within the program were a substantial number of backlog projects which were considered essential to overcome existing deficiencies with the road network.

Following a review of the overall economic situation the Bureau's Report recommended a road expenditure program to 1980/81 of only \$5500 million of which \$1952.8 million would need to be expended in New South Wales. This constituted a considerable reduction from the warranted road program, which was seen as justifiable on economic grounds.

In reaching its conclusions the Bureau carried out a very detailed evaluation of road needs for the period based on land use, economic, social and environmental factors, energy considerations, urban freight movements, congestion levels, traffic accidents and other issues. The report therefore represented the most comprehensive investigation of the road needs to date.

In the meantime a number of other road surveys have verified the urgent need for new roads. However the backlog of essential projects continues to increase due to lack of funds, increasing vehicle usage, registrations, traffic volumes and levels of congestion, along with expansion of residential development away from existing public transport corridors.

## FUNDS FOR N.S.W. ROADS

### Commonwealth Sources

The Commonwealth grants for roads in New South Wales in 1977-78 were increased from \$139.3 million in 1976-77 to \$156.9 million. This increase of \$17.6 million was offset by cost rises of 12.2 per cent in 1976-77 and consequently did not provide for any increase in the work effort.

While the total Commonwealth grants, when expressed in 1977-78 values, have been reduced from \$167.8 million in 1974-75 to \$156.9 million in 1977-78, the amounts granted for urban arterial roads have been dramatically reduced. When expressed in 1977-78 values these urban arterial road grants have fallen by 57 per cent from \$66.6 million in 1974-75 to \$28.7 million in 1977-78.

### State Sources

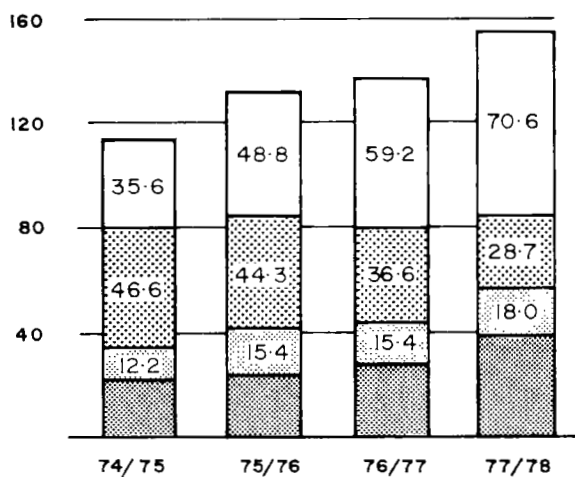
#### (a) Motor Vehicle Registration Tax

Receipts for main roads work from motor vehicle registration tax for 1977-78 totalled \$122 874 889 which was \$16 776 368 or 15.8 per cent more than 1976-77.

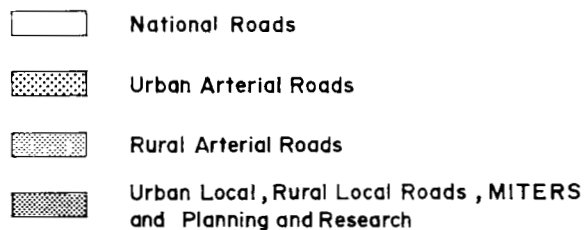
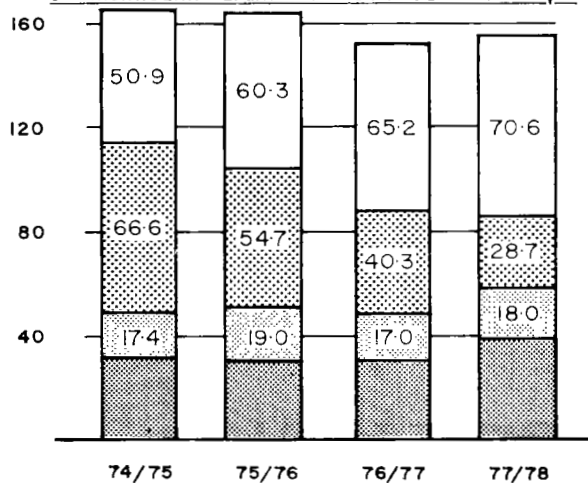
Despite an increase of 18.3 per cent in the number of vehicle registrations since 1972-73 and an increase of 33 1/3 per cent in the registration tax in November 1976, the receipts from this source have declined in real terms by 21 per cent. When expressed in 1977-78 values, the receipts have declined from \$155.3 million in 1972-73 to \$122.9 million in 1977-78.

While this trend has presented the State with road funding difficulties, there is a limit to which annual motor vehicle registration charges can be increased, having in mind the already heavy burden imposed on motorists. This is especially so in relation to

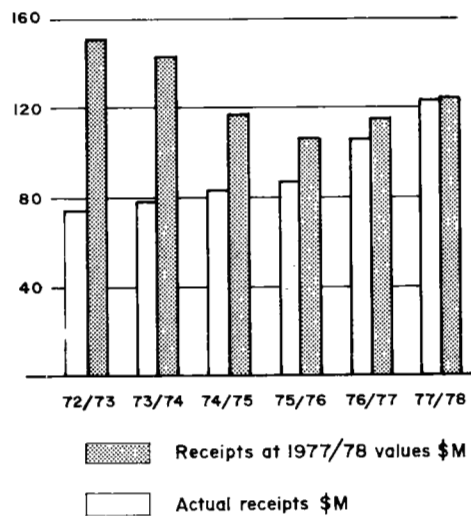
Commonwealth Grants at Current Values \$M



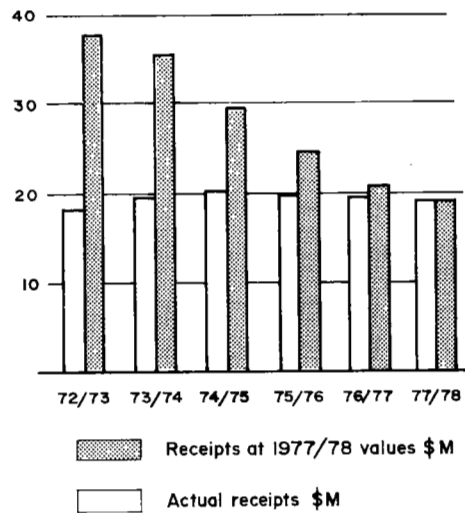
Commonwealth Grants at 1977-78 Values \$M



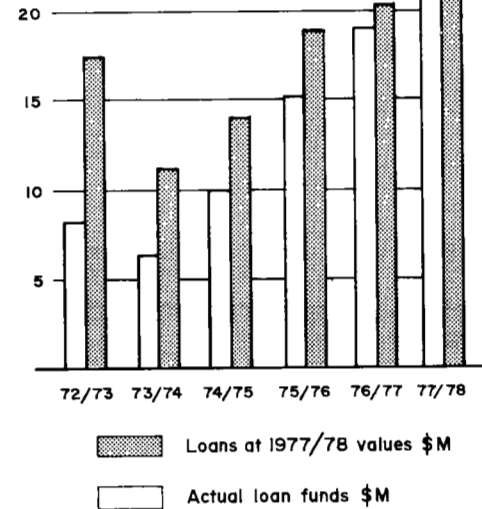
Motor Vehicle Registration Tax at 1977-78 Values



Road Maintenance (Contribution) Act, 1958



Loan Funds



Commonwealth taxes, a small and decreasing proportion of which is returned for road purposes.

(b) Contributions under Road Maintenance (Contribution) Act,  
1958

Receipts under the Road Maintenance (Contribution) Act, 1958, from charges on commercial goods vehicles with a load capacity exceeding 4.1 tonnes during 1977-78 were \$19 022 565 which was \$787 096 less than 1976-77.

Since 1972-73, the receipts from this source have declined in real terms by 50 per cent and when expressed in 1977-78 values, have declined from \$38.2 million to \$19 million in 1977-78.

(c) Loans

In 1977-78, \$10.01 million was borrowed under semi-government loan allocations for construction works. A further \$2.99 million was borrowed in June 1977 for use in 1977-78. An additional amount of \$9 million was provided from repayable State Government loan funds.

IDENTIFIED PROBLEMS IN FUNDING N.S.W. ROADS

A prime concern in the financing of transport in New South Wales has been the reduction in real terms in Commonwealth assistance, which has resulted in the failure of these funds to expand in line with the sharp escalation of capital and operating costs and the growth in traffic volumes and congestion levels. This has been compounded by the inability of the State to fully counterbalance this shortfall from its own funding sources. As a result, the State's road development program has been restricted severely and the backlog of urgent needs in both urban and country areas has mounted.

Problems arising from the inadequate level of financial resources

available have been further compounded by the lack of flexibility in transport funding arrangements and the failure of the Commonwealth to fully index road and other grants for cost rises. Whilst it is agreed that road needs should not be considered in isolation from the requirements of other areas of public expenditure, it is considered that sufficient recognition has not been given in the past to the methods of financing the road program and, in particular, to Constitutional problems connected with Commonwealth/State relations and equity in the sharing of the cost of roadworks between various road users.

One example of the inequity of the present Commonwealth/State funding arrangements is the diminishing proportion of the revenues raised by the Federal Government from New South Wales motorists (in the form of fuel taxes, sales taxes on motor vehicles and customs duties) that is returned to the State for roadworks. The percentage returned has fallen progressively and is now only about 25 per cent. The State Government, in contrast to the Commonwealth's performance, returns an amount for road construction and maintenance in excess of the revenue it raises in taxes, fees and charges from New South Wales motorists.

Similarly, the Commonwealth Government has not directed a proportion of the additional \$676 million it expects to receive in 1978-79 from the increase in domestic oil prices to world parity into transport research and projects designed to enhance the energy efficiency of State transport systems.

Moreover, the change in Commonwealth funding arrangements from a five-year to three-year basis in recent times has exacerbated the problems of forward planning for the State. It is recognised that efficient and economic performance of the transport task requires detailed investigation of needs and adequate "lead times" in the planning of works programs. Furthermore, the conditions imposed under the Commonwealth grants legislation have caused problems by limiting severely the freedom of road authorities to pursue State priorities.



## Problems Associated with Commonwealth Allocations

Commonwealth road funding practices have greatly exacerbated the financial problems of the State's major road authority, the Department of Main Roads. Commonwealth grants, under Section 96 of the Constitution, to New South Wales for roadworks have fallen consistently in real terms over recent years (and as a proportion of total Commonwealth expenditure) and have been totally inadequate for State needs. This has shifted the burden of financing roads on to State sources of road funds.

As detailed above, funds provided by the Commonwealth have fallen well short of that recommended by the Commonwealth's own advisory agency, the former Commonwealth Bureau of Roads. In 1977-78, for example, the Bureau recommended that New South Wales receive a total of \$238.6 million for all categories of road, excluding planning and research, but this State received only \$153.8 million. The New South Wales Government has allocated about \$300 million in 1978-79 on roadworks, compared with \$164 million allocated to the State by the Commonwealth. In addition, a significant proportion of State grants to local government is being spent on roadworks. As has been the case in recent years, the State expenditure in 1978-79 is far in excess of that required under the quota arrangements of the States Grants (Roads) Act, 1977. Over the past three years the Commonwealth's financial contribution, relative to the State's contribution from its own sources, to fund N.S.W. roadworks has fallen from approximately equal shares to a point where the State's share is twice that of the Commonwealth.

Moreover, despite its undertaking to maintain the grants to the States in 1978-79 and 1979-80 in terms of 1977-78 real values, the Commonwealth adjusted the amount of the 1978-79 grant by 6.9 per cent which did not match the 10.1 per cent rise in construction costs in the preceding financial year.

Commonwealth grants to the State for roads and public transport are tied to funding specific categories of works outlined in

Commonwealth legislation. This lack of State discretion in determining spending priorities contrasts sharply with the concept of a total transport budget. It is also at odds with the fact that the States are in a better position to determine priorities since their road authorities have considerable accumulated expertise and greater capacity to appreciate State transport requirements. The Australian Transport Advisory Council (ATAC), at its April 1976 meeting, considered the proposal that the concept of a total transport budget be used as the basis of all future Commonwealth/State transport funding arrangements. Little progress on implementation of this concept by the Commonwealth has been achieved.

In the absence of Commonwealth action, it is not practicable for the States to proceed independently at this time in developing a total transport budget approach to funding transport works.

The Commonwealth's funding emphasis on national highways and rural local roads, primarily at the expense of urban arterial roads, has distorted the distribution of funds among the different categories of roads and areas. In New South Wales, national highways comprise only 4 per cent of the State's classified road system but receive 45 per cent of the Commonwealth's road grants. This is not meant to deny the importance of national highways and rural roads. The substantial reduction, however, in the allocation for urban arterial roads has occurred despite this State clearly indicating to the Commonwealth the high priority accorded these roads in the State's transport strategy.

Although the serious shortfall in funds is not confined to urban roadworks, this area of the Department of Main Roads' activities has been particularly hard hit by the funding policy of the Commonwealth Government. Grants for urban arterial roads were reduced substantially by the Commonwealth from \$66.6 million in 1974-75 to \$28.7 million in 1977-78. Consequently, the expenditure on road construction and property acquisition in the County of Cumberland, in terms of 1977-78 values, halved from \$119 million in 1972-73 to \$59 million in 1976-77. (It rose slightly to \$73

million in 1977-78.) Important roadworks planned in earlier years have not been carried out because funds available have been inadequate.

If satisfactory progress is to be made on the State's program for upgrading roads and public transport, adequate Commonwealth funds are required and the State needs to be able to determine the allocation of funds on the basis of its assessment of priorities and needs.

Some progress in this direction could arise from reduction of the number of road grant categories. Fewer categories would simplify submissions of programs to the Commonwealth and permit the States to allocate funds to works in accordance with priority considerations.

It is possible, for example, that consideration could be given to abandonment of the category of national commerce roads to permit greater flexibility. The funds allocated to roadworks of national significance could be added to the allocation for arterial roads. This suggestion is considered in more detail below.

The situation in rural areas is not much better. Funds made available by the Commonwealth have been insufficient even to halt the continuing deterioration in the condition of roads and bridges.

The decline in the real value of Commonwealth grants for rural local roads has resulted in shire councils, who are responsible for road construction and maintenance, retrenching employees and keeping plant idle despite the deteriorating condition of the roads. The pressure on councils to extend their community services has restricted the funds available for roads. In addition, their capacity to increase rates has been limited by the tight economic situation and the squeeze from general Commonwealth taxation.

New South Wales believes that a substantial increase in the Commonwealth allocation for rural roads is required to relieve

pressures on rural councils and help halt the deterioration in rural roads and bridges.

#### Problems Associated with Traditional State Sources of Road Funds

Increases in traffic volumes and congestion, rapid rises in road construction costs (coupled with the shortfalls in real terms in Commonwealth financial assistance) at a time when the State is experiencing a marked reduction in growth of receipts from motor vehicle taxation and road maintenance charge collections have exacerbated financial pressures on the State.

Moreover, motor vehicle registration taxes and fees are fixed charges unrelated to the use made of roads and the burden of taxes and charges on motorists in relation to the return for roadworks has reached a point where further substantial increases would be unreasonable.

Third party insurance premiums, which generally form part of the annual registration charge in the States, have been increased substantially in recent years to cover costs which are largely outside the control of Governments. The annual lump sum payments imposed on motorists for vehicle registration and third party insurance premiums is relatively substantial. When it is considered in conjunction with the low level of return for roads from fuel excise payments, which are perceived by motorists to be a charge for road usage, it is extremely difficult for Governments to obtain public acceptance for increases in registration charges. In this way, Commonwealth funding policies have limited severely the capacity of the State Government to impose higher user charges on motorists and the transport industry generally, in order to finance the higher cost of transport investment.

The potential for increasing the yield from road maintenance charges is very limited. The net amount raised has fallen in recent years, mainly because of difficulties associated with collection and evasion of the charge. Complementary legislation

to close one loophole ("straw company" schemes) is in the process of enactment by State legislatures throughout Australia and may result in some slight improvement. Constitutional difficulties have made States reluctant to increase this charge since its introduction in 1958, despite the rapid rise in costs since that time. These problems are being examined by the current N.S.W. Enquiry into the Road Freight Industry.

The State approved an increase in motor vehicle taxation in November 1976, but is reluctant to raise motor vehicle taxation further since the charges on motorists made by the Commonwealth and State are already high. It is reasonable, therefore, to expect that road improvements should be funded without substantially raising the burden imposed on the State's motorists.

The allocation of State loan funds to the Department of Main Roads and Departmental borrowings allocations have been increased in recent years to help bridge the shortfall between available funds and urgently needed expenditure on roads. Diversion of these general State funds has been at the expense of other urgent public works.

The 1978-79 level of State funding of \$47 million for urban road construction works includes \$15 million of a special \$40 million program of loan funds made available for expenditure on major works, principally in the Sydney, Newcastle and Wollongong areas. The 1978-79 figure also includes funds from the Department's borrowings, which have reached a historically high level (\$38 million in 1978-79).

Although these measures have enabled limited progress on essential works to be sustained, the debt servicing burden imposed thereby on future road funds has further reduced the capacity for funding future capital works programs and weakened the Department's long-term financial position. With the possible exception of tollways, this form of funding has only limited potential. Funds from other sources must be found.

## Implications

Unless Commonwealth funds are substantially increased, New South Wales will face a very difficult, or even impossible, task in finding finance from traditional sources for even a limited program based on maintenance and minor construction works.

In considering the financing of road programs, the Bureau of Roads in its 1973 and 1975 reports supported two basic principles:

- . All levels of Government should share responsibility and effort for the development of the nation's road systems in a co-operative and complementary manner. This should be done within the capabilities of each level of Government to raise finance and having regard for its other responsibilities and priorities.
- . The beneficiaries of road expenditure should finance that expenditure, i.e., finance should be raised by taxes and charges from various road users in a manner which reflects the cost their road use imposes on the community.

Despite strong support for these principles by State Governments and various organisations that have examined the issue of road finance, the methods of providing road funds have diverged substantially from these principles.

Previous reports prepared by the Commonwealth Bureau of Roads, and in particular its 1975 report, contained projections of State Government finance for roads which were based on unrealistic growth rates, at least as far as New South Wales was concerned. These projections were used to establish the recommended shares of the total road program which should be borne by the three levels of Government.

It is obvious that State Governments do not have the capability to provide the revenue from their traditional sources that is

sufficient to meet their assessed proportion of road programs recommended in previous reports by the Commonwealth Bureau of Roads. Furthermore, having regard to their responsibilities and expenditure priorities in other major areas of public expenditure, it would be unreasonable and impractical to suggest that the shortfall should be financed from the limited State Government general revenue sources.

Whilst the Bureau of Roads in its previous reports recognised that an inadequate proportion of fuel excise receipts had been allocated to road expenditure, it is considered that sufficient emphasis was not placed on the following factors:

- . State Governments have no viable method of raising revenue from fuel taxes.
- . Roads are public utilities and motorists perceive the fuel excise as a charge for usage of these utilities and therefore expect that the revenue so obtained will be expended on roads.

In this regard, the excise on fuel is considered to be no different to charges made for the use of other public utilities and services provided by Telecom, Postal Commission, State Electricity Commission and Water Boards, public transport authorities, etc. Revenue from the charges imposed on users of these utilities and services is entirely allocated to the maintenance and improvement of the respective utilities. When considered in this context, roads are the only public utility in Australia where users are taxed and receipts are paid into general revenue funds.

- . Road pricing studies conducted by various organisations in recent years have concluded that equity in the charges imposed on road users can only be achieved by an increased emphasis on charges that vary with usage of roads and that a tax on automotive fuel is the only practical alternative available.

The Commonwealth Government at present has sole access to a practical tax or charge on automotive fuel and it must increase substantially its contribution to the road program if the finance required to meet established needs of road expenditure is to be obtained.

#### IMPLICATIONS OF COMMONWEALTH FUNDING ARRANGEMENTS

##### Road Grant Categories

A reduction in the number of road grant categories would simplify the submission of programs to the Commonwealth, would lower associated administrative costs and would allow the State to allocate funds to the works it regarded as having the highest priorities.

In this regard serious consideration should be given to the abandonment of the national commerce roads category. While the concept of this category is attractive, insufficient funds have been made available for any real progress to be made on appropriate major road projects. Funds from other sources, both State and Commonwealth, have had to be diverted to achieve a reasonable rate of completion on the small number of road projects currently declared under this category. The administrative demands and costs associated with this category add further to the unattractiveness of the current arrangements. Since roads declared under this category form part of the arterial road system and revert to this category after initial construction it would seem that the best arrangement would be to delete the category of national commerce roads and allocate the available funds to the arterial road categories.

On the other hand, however, the Commonwealth should recognise that there are major road projects of national significance, other than national highways, that require special Commonwealth assistance. This is dealt with further below.



Whilst investment in road safety programs such as MITERS has proved extremely cost effective, consideration now needs to be given to expansion of the category to incorporate operational projects along similar lines to the MITORS program recommended in the Bureau of Roads 'Report on Roads 1975'.

In respect of funding for planning and research, New South Wales believes that the present Commonwealth legislation has made an important contribution to the development of the State's transport system. New South Wales, whilst disappointed at the reduction in the Commonwealth's contribution from one half to one third, strongly supports the continuation of funding under this legislation and an increase in the level of available funds.

The urban and rural areas do not correspond with this State's County of Cumberland and Country Fund Areas. At the present time, because the Commonwealth still defines the urban areas in terms of the 1971 statistical districts and regions this does not represent a problem. However, in the event of the urban area possibly being redefined to accord with the 1975 Census boundaries, there could be a considerable increase in roads under the urban category, with the area between Sydney and Newcastle and possibly even rural towns, such as Albury-Wodonga and Orange-Bathurst growth centres, being included. Consideration would need to be given to increasing the contribution to urban roads.

#### Impacts on Grant Categories of Variations in Funding

The allocation for rural local roads was substantially increased in the States Grants (Roads) Act, 1977, at the expense of urban arterial roads. This has had a serious impact on the State's essential urban roadworks program.

In an endeavour to maintain the road program and associated employment, State loan funds and special loan allocations have been increasingly required.

Because of the limited funds available for roadworks, planned county roads have not been built. As a consequence, a heavy strain has been imposed on existing urban arterial roads. Heavy vehicles and through traffic have spilled over into residential streets which form direct routes. The amenity of the affected areas has suffered severely. Local councils, which are responsible for the cost of construction and maintenance of local roads, have had to bear the cost of damage caused by through traffic. Some councils have embarked on road closure schemes to protect residential areas.

The reallocation of funds has also created difficulties within the rural areas. In certain localities rural local roads are being surfaced with bitumen by councils whilst the rural arterial roads remain unsurfaced due to limited State funds.

#### National Highway Standards

Standards adopted for national highways are higher than would generally be adopted for State highways with respect to design speed and length of bridge to be constructed to full formation width.

National highway design speed of 130 km/h can result in a considerable increase in cost, in hilly country, over that which could be incurred with a design speed of 110 km/h as would be applicable for a State highway. This increased cost is particularly noticeable in those instances where the design is for ultimate dual carriageway construction but one carriageway only is constructed initially because of financial constraints. The initial single carriageway design must provide for overtaking sight distance, coupled with climbing lanes where required, whereas the dual carriageway design requires only stopping sight distance. Both horizontal and vertical alignment are affected.

It is suggested that there may be advantage in considering reducing

the national highway standard of 130 km/h to the 110 km/h standard to free more funds for road construction.

National highway standards require that bridges less than 75 metres in length be constructed to the full width of the formation in approach. The State requirements of full formation width for bridges applies to those with length less than 30 metres for dual carriageways and 15 metres for single carriageways should be given consideration.

#### National Highway Network Priorities

The State's priorities for the continued development of the declared national highway network is shown in the following Table which sets out a desirable program of allocations for the next ten years. Relative priorities are indicated by the extent of the allocations for each year.

Assuming that the present level of funding continues there is an average shortfall of \$9 million approximately annually.

#### Declaration of National Roads

No additional sections of the State's road network need to be considered at present for declaration as national highways.

#### Funding Roadworks of National Significance

There are a number of major roadworks of considerable national significance for which the State Government will require major Commonwealth financial assistance. The land transport access requirements associated with the future major airport needs of Sydney are a particularly important and urgent example. Regardless of the future major airport development strategy adopted by the Commonwealth, there will be a need to develop land transport infrastructure, especially major road investment, to meet access requirements. Inevitably, there will be incremental growth in

NATIONAL HIGHWAYS PROGRAM 1978-79 TO 1988-89: DESIRABLE PROGRAM OF WORKS

Item	Proposed Allocation <sup>(a)</sup>							
	78/79 1	79/80 2	80/81 3	81/82 4	82/83 5	83/84 6	84/85 to 88/89 7 to 11	
<u>SYDNEY-MELBOURNE</u>	36.8	41.4	32.8	32.8	32.8	32.8	215.0	
<u>SYDNEY-BRISBANE</u>								
New England Highway Hexham to Wallangarra	8.4	9.0	8.0	8.0	8.0	8.0	30.0	
<u>FREEWAY CONSTRUCTION</u>								
Mt. White-Ourimbah Wallarah Creek-Main Road 223 Branxton	7.1	9.0	27.4	28.7	28.7	26.9	90.0	
Interim Works Ourimbah-Swansea	1.6	1.6	2.6	2.6	2.6	-	-	
Sydney-Canberra Federal Highway	0.6	1.2	2.5	2.5	2.5	2.5	12.5	
Canberra-Melbourne Barton Highway	0.4	0.6	1.0	1.0	1.0	1.0	5.0	
	54.9	62.8	74.3	75.6	75.6	71.2	352.5	
Anticipated Funds Available <sup>(a)</sup>	54.9	62.8	62.8	62.8	62.8	62.8	314.0	
Short Fall	-	-	11.5	12.8	12.8	8.4	38.5	

(a) Includes General and Engineering Administration.  
All amounts are at 1978/79 prices.

Kingsford Smith Airport traffic, at least in the meantime, necessitating additional transport facilities. Although extensive road upgrading and construction in the vicinity of the airport was planned, the shortage of funds has prevented work commencing on these projects. Before the cutback by the Commonwealth in urban arterial funds, it was hoped to complete, by 1985, roadworks totalling some \$107 million to serve the area.

Whilst the issues relating to access to the airport are still under consideration, preliminary indications suggest that even with incremental development of the airport additional transport facilities will be necessary. If major expansion of airport activities takes place, several major arterial links may be required. Indicative costs in excess of \$200 million are likely to be associated with the provision of the necessary land transport access facilities. The cost of providing these facilities are likely to be beyond the resources of the State, necessitating additional financial support from the Commonwealth.

The Commonwealth's recent policy of reduction of air fares, with the inevitable increase in airport activities, will tend to increase the problems presently being faced.

#### SUGGESTED CHANGES IN FUNDING ARRANGEMENT

The State Government strongly supports the view that future Commonwealth/State funding arrangements should be based on the following suggestions:

- (a) The concept of a total transport budget considered at the April, 1976, meeting of the Australian Transport Advisory Council be adopted in Commonwealth/State transport funding arrangements commencing in July, 1980. This suggestion implies a substantial reduction in the number of funding categories and simplification of the present arrangements.

If this cannot be achieved in the foreseeable future, consideration would need to be given to:

- (b) The Commonwealth Government contribution to all categories of the State's program of essential roadworks (as realistically assessed in the 1975 Report of the Commonwealth Bureau of Roads) being increased. In particular, the allocation for urban arterial roads should be raised substantially.
- (c) The Commonwealth providing assistance with major works of national significance such as those associated with the future development of Kingsford Smith Airport.
- (d) Road grants being indexed for rises in road construction costs (or in an alternative indicator of cost rises acceptable to both the State and Commonwealth Governments) to maintain the State's road program and facilitate forward planning.
- (e) The period of funding reverting from the current three-year intervals to five-year periods. A form of rolling program providing adequate time for planning and programming could be considered.
- (f) An increased proportion of automotive fuel excise receipts being allocated to roads on a permanent basis and the distribution of that sum being determined in accordance with established needs.
- (g) The Commonwealth directing a substantial proportion of its receipts from the levy on Australian crude oil to the States to finance energy-conserving transport projects and research, seeking, among other things, to reduce congestion levels and enhance the efficiency of public transport operations.
- (h) The national commerce roads category being abandoned and funds previously allocated to roadworks of national significance being diverted to arterial roads.

- (i) Extending the present MITERS (Minor Improvements for Traffic Engineering and Road Safety) category to include the operational aspect of road safety programs. This suggestion accords with the Commonwealth Bureau of Roads' recommendation in its 1975 Report that a MITORS (Minor Improvements for Transport Operations and Road Safety) category be created.
- (j) Reducing the design speed standard of national highways from 130 km/h to 110 km/h to free more funds for other road construction. Similarly, the staging standards for bridge construction on national highways could be aligned with New South Wales State Highway requirements.
- (k) No additions being made to the network of national highways in New South Wales.
- (l) Continuation of funding of planning and research under the present Commonwealth legislation along with an increase in the level of available funds.

## APPENDIX A

### Enquiry into the Road Freight Industry

#### Terms of Reference

"To enquire into, report upon and make recommendations relating to the road transport industry, other than passenger transport, in New South Wales, with particular reference to:

- (a) the economy and efficiency of the industry generally and especially in the case of owner/drivers;
- (b) the need or otherwise for rationalisation of freight traffic between rail and road transport and between various operators of road transport;
- (c) whether a licensing system and/or other form of control over entry into the industry is desirable;
- (d) safety standards and environmental factors associated with road operations;
- (e) the effect truck operations have on road standards and requirements;
- (f) the equity or otherwise of the contribution made by the industry towards the cost of road construction and maintenance;
- (g) whether there is some practical and acceptable alternative to the present road maintenance charges which will ensure a fair contribution towards the upkeep of roads by interstate operators;
- (h) the effects of the recent decisions relating to the implementation of the NAASRA recommendations;



- (i) any other matters considered to be relevant to the enquiry or subsequently referred by the Minister."

### 3.2.2 Victoria, Minister of Transport

I refer to the letter 78/28 of 8 September, 1978, from the Acting Director, Mr G.K.R. Reid, addressed to the Director of Transport, inviting the submission by the Ministry of its views on the Commonwealth's grants of financial assistance to the States in connection with roads and road transport.

An approach was also made to the Country Roads Board along rather similar lines. I have taken the view that it is preferable to present a consolidated State response, accordingly the Board's reply has been amalgamated with that of the Ministry.

Before approaching the task of providing detailed response to your specific enquiries I wish to comment on the basic funding situation, particularly in its impact on this State.

In its overall transport strategy, Victoria is placing major emphasis on the upgrading of public transport. In this area, however, the State has experienced difficulty and frustration because of the Commonwealth's approach to funding. In 1974 the Commonwealth Government passed legislation to enable a Commonwealth contribution to be made towards urban public transport improvements undertaken by the various States.

The initial legislation has a currency of five years and expired on 30 June, 1978.

Under the legislation, the States Grants (Urban Public Transport) Act 1974, Victoria envisaged that for the period of the legislation there would be a continuing Commonwealth commitment towards this State's plan to upgrade urban public transport, particularly in the replacement of outmoded trains, trams and buses.

In point of fact, over the period of the legislation the Commonwealth Government only approved urban public transport improvement programs in 1973-74 and 1974-75 and again in 1977-78.

Apart from the problems inherent in the intermittent nature of Commonwealth assistance under the 1974 legislation, Victoria found itself in a position of having to overcome problems arising from the unreasonable Commonwealth policy of approving vehicle replacement programs on a year to year basis.

The problems encountered by the State Government as a result of the Commonwealth "stop start" approach to Victoria's vehicle replacement program were very aptly and decisively framed by the Honourable P.J. Nixon when as Shadow Minister for Transport, in the debate on the Appropriation of the Urban Public Transport Bill 1974 said, in the Commonwealth Parliament, on 25 November, 1974:

"The method of allocating funds for train and other vehicle replacement on a year by year basis used by the Federal Government makes long-term ordering of replacement vehicles a risk for the States. Proper planning is hindered and confidence to enter contracts is weakened by the Australian Government's unwillingness to make allocations for the replacement of trains, trams and buses beyond one year.

The Minister should realise that the failure of the Federal Government to provide Victoria with the funds for the train replacement program has a far reaching effect on the State's railways works program and also on urban transport upgrading plans generally."

One of the most far reaching consequences of the intermittent Commonwealth assistance has been the need for Victoria to re-work its urban public transport improvement plans for 1975-76, 1976-77 and 1977-78 to enable the diversion of Commonwealth funds from other important transport improvement projects to the train replacement program. This course of action was necessary if the State was to honour contractual commitments already entered into in the reasonable belief that there would be a continuing Commonwealth commitment to the purchase of new trains, trams and buses.

While the Commonwealth Parliament has recently approved the States Grants (Urban Public Transport) Act 1978, and a program was recently approved by the Commonwealth Government for 1978-79 and 1979-80, with the Commonwealth's past record, Victoria can be excused for viewing the future with caution.

In fact one vital promise to the States for additional funds totalling \$20 million in each year of the legislation has been deferred without any assurance as to when these funds can be expected to be made available. Lack of certainty arising from this deferment makes forward planning extremely difficult.

Similarly, in the roads area, Victoria finds itself in extremely difficult circumstances, which are compounded by the Commonwealth approach to road funding.

Victoria, in common with the other States, naturally is of the view that Commonwealth financial assistance is entirely inadequate, particularly in the light of the amount garnered for Federal consolidated revenue from the States in the form of fuel tax. However, quite apart from this, Victoria finds itself further disadvantaged from the Commonwealth's method of allocating funds to the States.

Looking at the roading situation in Victoria broadly, the demand on the road system is still increasing without commensurate increases in funding. The 1976 ABS Motor Vehicle Usage Survey indicates that total travel increased by approximately 5 per cent per annum over the five years 1971 to 1976. Later information on vehicle registrations and fuel consumption indicates that growth in vehicle usage continued since 1976. The current rate of road improvement is not meeting this increase in demand. In the Melbourne area, travel time surveys show that peak period travel times have increased by an average of 25 per cent over a five year period, and peak hour travel speeds have declined by about 5km/h in the inner suburbs over the past five years. In the Geelong, Ballarat and Bendigo areas, physical implementation of the findings

of transportation studies conducted in 1971 has been far less than was deemed necessary to cater for traffic demands.

In rural areas, road assets are wearing out faster than they are being replaced. For example, in each year, 3 per cent to 4 per cent of lightly constructed sealed pavements should be re-constructed, but only 1 per cent will be re-constructed in 1978-79. Further, there are more than 2,500 timber bridges remaining in Victoria and their replacement is taking place at only half the rate at which they become seriously deficient through normal deterioration. On certain rural arterial roads, notably the Calder Highway between Melbourne and Bendigo and the Princes Highway East between Melbourne and Traralgon, operational conditions are deteriorating. On these routes, which are basically two-lane sealed roads, traffic growth is requiring four lanes to be provided earlier than can be implemented with current funds.

In all the cases quoted above, the only limiting resource is money. There is no shortage of materials, plant, manpower (of all required skills), environmental approvals or community acceptance which would prevent implementation of a more adequate program of works if funds were available. The progress of current major projects which could be completed within five years is being seriously retarded through limited funds. A substantial increase in the real value of total funds available for roads is needed to prevent further deterioration of road conditions.

A substantial lift in road funding should be implemented, together with a revision of Victoria's quota provisions. The present requirement that the State spends \$1.25 from its own funds for each \$1 contributed by the Commonwealth is both unrealistic and discriminatory. A quota of \$1:\$1 would allow the State to match a 25% greater Commonwealth grant without increased State taxation of the already hard enough hit Victorian motorist.

## TRANSPORT DEVELOPMENT STRATEGY

"How do the existing arrangements for funding of transport activities, including roads, affect the implementation of transport development strategy for your State?"

As has been pointed out, the major thrust of Victoria's transport strategy is towards the upgrading of public transport. A State Transport Plan is at present being considered by the Government.

The plan is expected to carry Government approval of policies for particular geographic locations, as well as general transport policies on the following broad lines -

- improve the State's public transport systems by the most effective use of the resources available for this purpose;
- keep public transport fares at lowest possible levels;
- encourage the use of public transport wherever possible;
- improve the availability of transport to those without access to private cars or existing public transport services;
- provide and improve metropolitan and country roads to cater for personal and goods movements that cannot be adequately handled by public transport;
- encourage transport developments and uses that contribute to conservation of energy sources that are becoming scarce;
- protect the quality of the environment as it is affected by transport;

- improve safety in private transport and maintain safety in public transport;
- provide equitable compensation for property owners directly affected by transport improvements;
- remove unnecessary restrictions on freedom of choice of freight transport modes;
- co-ordinate transport policies with policies for decentralisation and land use; and
- apply a process for the modification, co-ordination and implementation of transport policies including inter-governmental and public participation.

In the earlier general comments on the State's overall transport finances, the question of the effect of the Commonwealth's funding policy was covered in some detail. However, to re-state in brief, so far as the urban public transport sector of this question is concerned, apart from obvious shortcomings in the level of funding, there is a major problem to the State in the intermittent nature of the Commonwealth financial assistance. As well as inhibiting forward planning overall, it forces on the State the need to re-work its plans in years when the funds provided do not meet the commitments or no funds are provided at all. In short, annual grants do not permit reasonable construction and purchasing programs to be implemented.

As regards road finance, as mentioned earlier, Victoria takes issue with the Commonwealth on the allocation of funds to a number of categories of road. Victoria has long advocated that, failing an "en bloc" grant for roads, there should be only two grant categories "National Roads" and "Other Roads". This matter is discussed in some detail in answer to a later question under "Road Development Strategy".

"Are there any changes in those arrangements that you would like to see made, particularly for roads"?

The answer to this question of course is "Yes". The main requirement is to have a rolling program for five years with more predictability in performance for the flow of funds, and a minimum of detailed Commonwealth involvement.

In the case of roads, the most desirable change is in the categories sector. This has already been mentioned and will be further covered in a later answer. In addition, Victoria would like to see a relaxation in the Commonwealth requirements for program approval, together with a review of the concept of matching quotas, particularly as regards Victoria's position, which appears to be an anomalous one in this regard.

"Specifically, do you consider that there should be any variation to existing road grant categories, and for what reasons?"

It is considered that there should be only two road grant categories, viz: National Roads and Other Roads. The current use of eight road grant categories has created considerable administrative work and has complicated the financial and accounting procedures without any beneficial consequences. The division of the grants into a large number of specific categories directs the mode of preparation of programs of works and tends to deny the State necessary discretion in the selection of work to be performed for the maximum welfare of the State. Specific objection is raised to the continued inclusion of the category of national commerce roads.

There is not an identifiable network of such roads and no grounds can be seen to establish such a network. A further specific objection is the continued exclusion of arterial road maintenance from any grant category. States are hard pressed to continue an



adequate maintenance program in times of financial stringency.  
Such problems could be overcome by having only two categories:

- (a) National Roads, providing grants usable for either construction or maintenance of specific roads in which the Commonwealth Government has an identifiable national interest
- (b) Other Roads, providing grants for all other roads without distinction between urban and rural, arterial and local, or construction and maintenance.

#### ROAD DEVELOPMENT STRATEGY

"What are the main features of the road development and maintenance strategy being planned or implemented in your State?"

The road development strategy for urban roads allows for:

- (a) first priority to be given to maintaining the existing road system;
- (b) increasing emphasis to be placed on the application of traffic management techniques on all classes of road so that -
  - (i) traffic flow (including public transport) on arterial roads is optimized,
  - (ii) the amount of traffic on local roads is limited,
  - (iii) the environmental quality of local roads is protected,
  - (iv) remedial action is taken in the light of accident occurrences;

- (c) selected arterial roads to be developed to provide reasonable continuity of high capacity movement on an integrated road system, particularly in Melbourne;
- (d) other arterial roads, particularly in Melbourne, to be developed to the maximum extent possible, generally within existing road reserves, to provide adequate distribution and circulation of traffic through and around suburban centres and by-passing the central business district of Melbourne;
- (e) freeway strategy may be summarised as follows:
  - . freeways under construction will be completed
  - . no new freeways will be commenced in inner areas where their construction would involve substantial loss of housing and community disruption
  - . the program of upgrading arterial streets to improve traffic flows will be accelerated and integrated with the planning of freeways to obtain maximum benefit from both
  - . new freeways will therefore be located in areas where proper planning can ensure minimum community disruption and substantial overall benefits to the community as a whole;
- (f) land to be set aside for future roads in areas that are subject to development, thus enabling development to proceed with assurance;
- (g) grade separation of problem railway level crossings;  
and
- (h) co-ordination of land use and transport developments.

The road development strategy for national highways allows for their development in accordance with Commonwealth Government guidelines and design standards for national highways, and in line with the national highway policy to:

- (a) foster the economic development and social welfare of the nation;
- (b) provide opportunities for social and cultural interaction;
- (c) provide for national defence objectives.

The strategy on the Western Highway is to develop a four-lane facility between Melbourne and Ballarat as early as practicable. The strategy on the Hume Highway is to develop a four-lane facility from Melbourne to the New South Wales border by stage construction and development in a form that is as far as possible suitable for ultimate freeway development.

The development strategy for other rural roads allows for:

- (a) first priority to be given to maintaining and rehabilitating the existing road system. This includes re-sealing, routine re-construction of pavements, repair and replacement of bridges, establishment and maintenance of rest areas and roadside plantations;
- (b) the Princes Highway East between Melbourne and Traralgon to be developed as a divided highway, staged to suit ultimate plans for freeway development, wherever practicable;

- (c) significant improvements to the Calder Highway between Melbourne and Bendigo by upgrading certain sections of existing carriageways, by duplication of some sections, and by constructing a limited number of by-passes of selected towns;
- (d) major improvements to other State highways where problems have been identified, in particular to sections of the South Gippsland, Bass and Bellarine Highways and the Princes Highway West;
- (e) selected improvements to various "spot" locations across the State, such as short lengths of duplication within a town, realignment of a poor section of an otherwise good standard road, or widening to provide safe two-lane traffic movement;
- (f) minor improvements to existing roads, traffic operations, intersections and roadsides to reduce the number and severity of traffic accidents;
- (g) grade separation of problem railway level crossings and improvements of other at-grade railway crossings, as necessary.

In all cases, consideration is being given to the best method of dealing with current and emerging problems. Wherever possible, this should be compatible with long-term proposals, but it is recognised that a balance must be struck between giving too little consideration to future needs on the one hand, and over-capitalizing now for uncertain future development on the other. Each such case is carefully considered on its merits.

"How is this strategy being affected by present funding levels and/or legislative arrangements?"

There are four main effects of the present funding levels and legislative arrangements on this road development strategy:

- (a) Because of the generally low funding levels most money is taken up by the maintenance and rehabilitation of the existing road system. This takes top priority and leaves comparatively little money for further development of the system.
- (b) The overall financial strategy towards national highways is having a detrimental effect on the development of other State highways, several of which may be regarded as having more serious deficiencies than the Hume or the Western Highways. As a result, plans for major improvements to other highways are having to be shelved or else considerably downscaled.
- (c) The artificial distinction between urban and rural areas is disadvantaging the developing outer urban areas and provincial cities. Such areas are having to "compete" for funds with the very large urban projects which themselves are urgently needed to cope with major traffic problems. Many of these areas are rural in nature at present and will be for many years, but provision must be made for future development; others are already expanding rapidly and present road systems are inadequate. The urban sections of inter-regional roads have experienced greater traffic operational problems than the rural sections of these roads.
- (d) The split between arterial and local roads is causing problems, as is the Commonwealth Government's interpretation of this, especially in the Melbourne urban area. It must be recognised that the urban arterial roads category contains many roads other than freeways and State highways, and that all of the urban main roads and many important unclassified roads are categorised as

arterial roads but are under Local Government control. It has been necessary to seek transfers each year from urban local roads to urban arterial roads in order to meet priorities which are initiated by councils and supported by the Country Roads Board. This need for transfer has been an unfortunate source of contention and uncertainty.

"In which grant categories have variations in levels of total funding (i.e. from all sources) and variations in the level of Commonwealth grants had the most impact, and what are those impacts?"

The management of the road system requires the prediction within reasonable limits of the financial resources likely to be available for periods of five years and more ahead. This kind of stability is essential as a large part of the effort of SRAs goes into works which take up to seven or eight years to plan, design and build. The lack of a coherent Commonwealth policy in recent years has made such prediction impossible. The States have co-operated with the Commonwealth in three road surveys, two of them extremely costly and large in extent. Whilst disagreeing in some respects with the recommendations which followed these surveys, the States have broadly accepted their general thrust.

However, on each occasion the Commonwealth Government has departed substantially from these recommendations without any satisfactory explanation to the States, and has changed them in an unpredictable manner. The resulting confusion has been exacerbated by the changes in the pattern of the grants in each of the Commonwealth funding periods from the CAR Act 1964 onwards. These changes have forced the State to move its own funds in an attempt to maintain stable programs despite the actions of the Commonwealth. The impacts have been greatest in the following categories:

- (a) Urban arterial road construction. This category was introduced in 1969-70 at the high level of 56 per cent of the total road grant, rising to 65 per cent in 1973-74. Such strong support led to long-term expectations and commitments. Commonwealth support for this category then dropped and is currently only 22 per cent of the total road grant. Adverse impacts arise from the need for the State to carry the heavy financial commitments for major urban projects for which there are favourable community responses, strong requests by councils, land reserved in statutory planning schemes, political undertakings for the work to be done, and economic benefits to be obtained.
- (b) Urban local road construction. This category was introduced in 1974-75 at a level (which proved to be ample) of less than 3 per cent of the total road grant, but has risen to nearly 9 per cent without any substantial justification from road needs surveys. Transfers from this category have proved necessary each year to prevent distortion of council priorities, and this has led to uncertainty in the formulation of programs.
- (c) National highways construction. This category was introduced in 1974-75 at 18 per cent of the total road grant, a level which was closely consistent with Victoria's intended expenditure on the two State highways concerned. The level has since risen to 25 per cent. This has resulted in works which are needed and beneficial, but it has distorted priorities by reducing the resources available elsewhere, notably on other State highways carrying comparable traffic volumes.
- (d) Minor rural roads. Prior to 1969-70, rural roads other than State highways, main roads, etc. received 40 per cent of the total road grant. Arising from demonstrated inconsistencies (e.g. sealed unclassified roads feeding

on to unsealed main roads); there was general agreement that 40 per cent was excessive, and there was a substantial drop in financial support for minor rural roads during the currency of the CAR Act 1969. However, the Commonwealth Government stipulated that expenditure on such roads should continue to increase each year. Under the current Act, the Commonwealth Minister has twice refused to approve Victoria's rural local road program until he was satisfied that funds applied by the State to this category did not fall relative to total road expenditure.

- (e) Maintenance of arterial roads. Prior to 1969-70, this work could be financed from the 60 per cent general purpose element of the total road grant. Since 1969-70, there have been no Commonwealth grants available for the maintenance of arterial roads. An effect of this is to put an undue emphasis on new construction, re-construction or improvement. Flexibility is lost in times of financial stringency when re-construction is deferred and funds should be transferred, but are unable to be transferred to an increased maintenance effort.

"What are the effects in your State or Territory of the standards adopted for National Highways?"

The standards determined by the Commonwealth Minister for Transport are higher in some respects than would have been adopted for the entire length of the Hume and Western Highways on the basis of current or expected future traffic volumes on each section of those roads. The level of expenditure on this road category by comparison with other Commonwealth road classifications is also somewhat higher than would have been given on a State view of road deficiencies and traffic volumes.

The provision for localised reduction of standards on the grounds of economy, and for bringing of new or existing roads to the



determined standards in stages, subject to the consent of the Commonwealth Minister, overcame most of these difficulties but this consent would be unnecessary if the standards were more flexible.

One significant standard provides for a road pavement clearance of 500 mm above highest known flood level or that estimated from 100-year recurrence interval rainfall. While this is not a serious problem in current work in undulating terrain where there are small catchments and narrow flood plains, greatly increased costs may result for road embankments crossing wide flood plains in future work. A more flexible approach to such situations would be helpful in Victoria and even more valuable in several other States.

"Indicate your priorities for the finalisation of the declared National Highway Network in your State or Territory".

Highest priority must always be given to the perpetual need to maintain the Hume and Western Highways as they exist from time to time in a suitable condition for traffic use. Priority for construction of major improvements would be broadly as follows:

Priority 1 Western Freeway - Complete the provision of four lanes from Melbourne to Ballarat (by construction of Wallace-Bungaree Section).

Hume Freeway - Complete the provision of four lanes from Melbourne to link with Hume and Goulburn Valley Highways north of Seymour (by construction of the Seymour-Avenel Section).

Provide sections of four lanes between Seymour and Benalla (Avenel to Tubbs Hill, Violet Town By-pass, Euroa to Violet Town Sections).

Provide four-lane freeway by-pass of Wodonga to Lincoln Causeway (Wodonga By-pass Section).

Priority 2 Western Freeway - Provide four lane freeway at Melton (Melton By-pass Section).

Hume Freeway - Complete the provision of four lanes from north of Seymour to south of Benalla (Tubbs Hill to Euroa and Euroa By-pass Sections).

Provide four lanes and town by-passes from south of Benalla to north of Wangaratta in stages (Baddaginnie to Bowser Section).

Extend the provision of four lanes from Wodonga westerly to Murray Valley Highway interchange (part Barnawartha to Wodonga Section).

Priority 3 Western Freeway - Provide freeway by-pass of Ballarat in stages (Ballarat By-pass Section).

Hume Freeway - Complete the provision of four lanes between Wangaratta and west of Wodonga (Bowser-Chiltern, Chiltern-Barnawartha and part Barnawartha-Wodonga Sections).

Upgrade existing highway where retained to national highway standard as one carriageway of a duplicated road from north of Seymour to west of Wodonga.

Priority 4 Western Freeway - Convert four-lane divided highway to four-lane freeway, Rockbank to Melton.

Construct four-lane freeway on new alignment from west of Melton to east of Bacchus Marsh.

Hume Freeway - Construct freeway on new route between Mahoneys Road and Craigieburn (Mahoneys Road-Craigieburn Section).

Convert four-lane divided highway to freeway standard from Craigieburn to south of Wallan.

Convert four-lane divided highway to freeway standard from north of Broadford to south of Seymour.

Priority 5 Hume Freeway - Convert four-lane divided highway to freeway standard from north of Seymour to west of Wodonga.

It might be noted that, at present levels of funding, works under Priorities 1 to 3 inclusive are expected to require more than fifteen years to complete.

"Are there other parts of your road network which should be considered for declaration as National Highways or National Commerce Roads and what should be the basis for such declarations?"

Our current understanding of the eligibility of roads as national highways is that the discussion in paragraphs 8.21 to 8.30 of "Report on Roads in Australia, 1975" has been accepted as the basis of the extent of the national highways system. If such eligibility is retained, there need be no further declarations in Victoria. However, if the eligibility is widened anywhere in Australia, other routes in Victoria could come into consideration. It should be noted in this report that the State Government has already made an approach that the Princes Highway East be declared a national highway.

As discussed under Question a(iii) the national commerce road category should be abolished.

## ROAD FUNDING AND ACCIDENT COSTS

"Are there ways whereby changes in road funding arrangements might have significant impacts on the pattern of and costs attributable to accidents?"

It is noted that the Office of Road Safety is planning to evaluate the safety effects of TERSIP and MITERS. Pending the outcome of such studies, there is no certainty that specific funding arrangements (e.g. MITERS) have had any substantial effect on the pattern and cost of accidents. However, the pattern and cost of accidents are substantially affected by road improvements such as widenings, major intersection treatments, and the provision of high-capacity routes. The rate at which such improvements can be affected is much more dependent on the total funds available for roads than on specific funding arrangements.

On rural roads, there are clear indications that accidents are reduced by improvements being made to intersections, and the widening of two-lane pavements and formations to the design widths appropriate for the traffic volumes. Similar reductions are achieved by the provision of additional lanes where warranted by traffic volumes.

On urban arterial roads, there is a demonstrated relationship between traffic congestion and accidents. Improvements in capacity which allow a freer flow of traffic lead to a reduction in accident rates. Such increases in capacity can be achieved to some extent by intersection improvements and traffic control measures, but can only be achieved on a larger scale by major road widenings or by additional routes, notably those with controlled access. It is therefore clear that the current situation, wherein road conditions are deteriorating, is unfavourable for road traffic safety. The most direct impact on accident patterns and costs can be achieved by funding arrangements which allow States to proceed with works which are warranted on the basis of traffic service.

In summary, so far as the road funding situation is concerned, there should be a substantial increase in the annual Commonwealth contribution, joined with a scaling down of Victoria's quota requirement, provision for a five year rolling program, a reduction in the number of categories to two only, "National Roads" and "Other Roads", together with elimination of the requirements to provide road programs for Commonwealth approval.

With regard to urban public transport, the present Act has not had sufficient currency to allow us to make further valid comment, but it must be emphasised that a basic requirement for both areas of funding is that the Commonwealth's contribution and involvement should be much more predictable than in the past.

### 3.2.3 Queensland Department of Transport

Reference is made to your letter of 8th September 1978 concerning the Bureau's investigations into matters relating to grants of financial assistance to the States in connection with roads and road transport.

As you will appreciate the questions are specifically directed towards roads in relation to road transport and accordingly there could be a variance of views between Departments involved in the transport area.

In a State the size of Queensland with its existing capital investment in railways the question of the role of road transport in competition with rail frequently arises.

The Bureau has completed some work on a comparison of investments in rail systems but there would seem to be a need to look at least cost solutions when comparing investments in rail or road, if inter-modal transport considerations are to be highlighted.

The use of road to feed regional rail transport centres for long distance hauls might well be considered in the light of future transport energy problems as there would seem to be danger that there could be a costly duplication of transport infrastructure as between rail and road if some consideration is not given to the relative roles of each over long distances.

However I am not in a position to comment on the road development strategy in Queensland in respect of which no doubt you have also written to my colleague, the Commissioner of Main Roads.

#### 3.2.4 South Australian Director-General of Transport

I refer to the letter of 8th September, 1978 from the Acting Director, Mr Reid, in which he invited response to a number of questions concerning Commonwealth grants of financial assistance to the States in connection with roads and road transport. Since this subject has been discussed previously on many occasions between State and Commonwealth, I shall keep my comments fairly brief. As you know, financial assistance for land transport as a whole was thoroughly reviewed by a special ATAC committee in 1976 and by an Inter-departmental Committee of Commonwealth officers about the same time.

My comments are brief and relate only to items a(i) and a(ii) in your letter. The remaining questions are more the province of the Commissioner of Highways, and I understand he will be writing to you separately. In addition, my comments refer only to land transport assistance on land transport strategy; the effects of financing arrangements for air and water transport on overall transport strategy are not considered.

I believe the existing system of financial assistance tends strongly to encourage a "capital-intensive" approach to improving the transport system. This is especially so with urban public transport. Certainly when Commonwealth financial assistance was first given for urban public transport in response to pressures from States, there was a need for improvement and extension of public transport systems - rates of investment had generally been low for several decades. This was arguably a result, as well as a cause, of declining patronage, which itself came in part from fundamental changes in urban form which rendered traditional public transport networks incapable of responding to new patterns of movement. Yet the amounts of financial assistance available have been insufficient to do any more than replace and, in a very limited way, extend these traditional systems. Little encouragement has been given to ways and means of replacing existing systems with new ones better suited to present and future patterns

of demand, or even of adapting the traditional systems. To do this will require more complex "packages" of improvements, combining many elements in addition to new capital. These "packages" might include new forms of public transport operation, innovations in management structure and techniques (for example, much greater reliance upon local initiative for some services) and much greater effort put into marketing by existing public transport agencies. Obviously a good deal of experimentation is needed, and a large proportion of the costs involved would be for other than capital works.

To encourage innovation in land transport, financial assistance should be made available for non-capital costs incurred for transport system improvements. This could take the form of long-term support for some operating and management costs. More acceptable to the Commonwealth, however, might be less open-ended support for improvement "packages", including support for demonstration projects and support for start-up costs of projects of a proven kind in new areas. Support of these kinds would give this State the ability to respond much more flexibly to changing needs for accessibility. There is no doubt that large capital investments will be needed for many years. However, equally large benefits are probably available from innovations of the kind just mentioned.

The present separation of assistance for roads and for public transport tends to inhibit innovation and flexibility. It frequently arises that transport system improvements involve spending not only on new public transport vehicles, stations, etc., but also on road-related items such as level crossing protection, special transit lanes, strengthening of pavements, and so on. However, the present arrangements tend to induce the attitude among many planners that spending on road-related items should be directed to different objectives than that on public transport related items. Some people even have the belief that road funds are somehow reserved exclusively for improvements of direct benefit to private road users!



Separation of assistance for roads and other forms of land transport also limits the way resources are allocated between modes, both in the short term (a budgeting problem) and the long term (a strategic planning problem). As is well known, the large amount of funds available to State Governments generated by charges on road users, is placed in special Road Funds and reserved exclusively for road-type projects. Yet in some years, or for periods of years, there can be advantages in spending less on roads and more in other areas, or vice versa. The application of non-transport solutions to so-called transport problems could be more effective than present approaches, yet present financing arrangements make this kind of flexibility very difficult to achieve. Separate legislation for Commonwealth assistance to roads, with no ability to re-allocate funds either into or out of this area of transport, tends to perpetuate the status quo. There is no valid justification for reserving road funds in the present way, since owing to the nature and structure of road user charges, there is no real relationship - at least in the short run - between the amount of charges collected and the capital and other requirements of the road system.

From the remarks above, it would be most helpful in formulation and execution of overall transport development strategies if all assistance funds were governed by a single Commonwealth Act. The number of funding categories should be minimised. A close to ideal system would be one with only two categories: urban transport and rural transport. National roads and rail lines could be regarded as a Commonwealth program, using State authorities as construction agencies, might be a third. Approvals (if required at all) should relate to programs of expenditure encompassing where appropriate a number of modes; both capital and non-capital items should be eligible, the criterion for funding being whether they would contribute significantly to achieving strategic objectives.

### 3.2.5 Western Australian Director General of Transport

#### URBAN ARTERIAL AND URBAN LOCAL ROAD FUNDING SOME PERCEIVED PROBLEMS IN ALLOCATION

As a general comment on the approval of urban arterial and urban local road projects one might pose the question: why does the Commonwealth not require an economic evaluation for an urban road project when they insist on one for an urban public transport improvement project? This question might be countered by saying that economic evaluations are carried out as part of the road needs surveys which are then used as the basis for determining the level of road funds required in a particular State.

In reality, though whilst economic evaluations may be part of the evaluative procedures in the road needs surveys, once a general level of funding is approved, economic evaluations are not required for individual road project approvals. This might lead to the situation of funds being determined on the basis of so-called need, but allocated on some other basis.

For some time this Office has been concerned with the allocation of urban arterial and urban local road funds to local authorities, which are currently about \$5 million a year. The general procedure is that local authorities submit a list of projects ranked in priority. No quantitative evaluations are produced to show the justification of projects or their ranking. In many cases not even existing traffic counts are provided, let alone predicted traffic flows for a few years hence. Consequently, it is difficult to determine in any numerical way the merits of widening one particular road against the merits of widening another road, either within a particular local authority or across local authority boundaries. Secondly, it cannot be determined what is the optimum time for a road widening project to proceed and hence the optimum allocation of scarce road funds.

The present method of allocation involves consideration by a Technical Committee which takes into account the local authority priorities in the light of metropolitan road planning and public transport routes. The method highlights the local knowledge of transport planners and engineers and indeed might be considered rational although it lacks numeric substantiation. Whilst the Committee is not bound by the need to allocate a particular amount of money to each local authority, in general the fund allocation bears a relationship to, and has cognisance of, a formula based on the population and the length of road kilometres in the local authority's area. The Technical Committee's deliberations are then considered by an Advisory Committee on which the Commonwealth is represented.

Irrespective of whether the Technical Committee follows closely an allocation of funds based on population and road kilometres, or not, three basic problems seem to have emerged because the allocation does not take account of traffic density, road adequacy and fast population growth. To illustrate these problems:

- (a) In the area around Perth CBD within the City of Perth, population is falling yet traffic is increasing. Major projects are costly because of land acquisition and disruption to major services, etc. In some cases funding is inadequate if major projects are required to be undertaken quickly and not staged over some years. A formula needs to be developed which will take into account traffic densities.
- (b) In areas where population growth is high, i.e. the Shire of Wanneroo, funds are inadequate to cope with the road program required to keep up with urban development. A formula needs to be developed which takes into account fast population growth.
- (c) In outer areas of the metropolitan region, some local authorities have many hundreds of kilometres of gravel roads or roads with a four metre bitumen strip which are not classified

as urban arterial and are not even important urban local roads. Whilst inner councils have the resources to widen narrow local kerbed roads from 6 metres to 7.4 metres, outer councils cannot afford even to put surface on their gravel roads. One council some years ago indicated that at the present rate of surfacing it would take 113 years to bitumen all gravel roads in its area. A formula needs to be developed which takes into account the standard of the existing road.

Whilst these three points are problems generated by the States own procedures, the local government boundaries and their resources, the Commonwealth might like to consider them in the light of comments which will be received from local authorities in other States. It may be that similar problems are being experienced by local authorities in the Eastern States.

However, of major concern to this Office is the question of the efficient allocation of resources and the reason why the Commonwealth insists on economic evaluations (whenever possible) for urban public transport projects but does not require similar evaluations for urban road projects.

### 3.2.6 Tasmanian Transport Commission

I refer to the letter from Mr Reid of 8 September 1978, which I acknowledged on 13 September 1978, seeking the views of the Transport Commission in relation to grants of financial assistance to States in connection with roads and road transport.

As you no doubt are aware, general policy relating to transport activity in Tasmania rests with the Transport Commission, whilst the Department of Main Roads is responsible for specific policies on road planning and construction.

Existing arrangements whereby transport activities are sectionalised under the control of both State and Commonwealth agencies create problems in that it is difficult to co-ordinate effort to maximise benefits. This is of particular concern when considering the inter-action needs for roads, rail and public transport.

It would appear appropriate to group all funds under the provisions of a land based transport fund. In this way the inter-relationship between various transport modes could be determined and funds distributed in such a way as to meet an overall objective of maximum transport efficiency within the framework of an overall predetermined policy.

Within the context of overall provisions it would appear that, as a specific measure, consideration should be given either to extending the range of projects which qualify for MITERS funds or alternatively make special provisions for transport systems management.

The existing MITERS requirements whereby the funds are linked exclusively to accident reduction on the basis of historical experience is considered too rigid. Allowance also should be made for funds to be allocated to cater for potential accident areas.

It can be argued that accidents represent a measure of road transport system failure. In this context measures to manage and improve the efficiency of the transport system may prove productive in overall economic terms with benefits from reduced accidents. Transport system management approaches have been incorporated successfully into the transport policies of both the United States and the United Kingdom.

Both these countries have developed national transport policies, relating to land transport, an area where Australia is lagging.

It is considered funds for transport system management need not be tied to road funds but could be handled separately.

The other questions raised in the letter of 8 September, 1978, relate specifically to road matters and therefore are issues which more appropriately require the views of the Department of Main Roads.

### 3.2.7 Northern Territory Department of Transport and Works

In considering our comments, please bear in mind that this Department, as part of the newly constituted Northern Territory Government, has as yet had no experience under normal State-type funding.

#### TRANSPORT DEVELOPMENT STRATEGY

- (a) Present road funding arrangements allow the Territory Government wide flexibility for the allocation of funds.

We have commenced a dialogue with the Commonwealth Department of Transport and are in the process of assessing the implications of the Territory eventually being funded in the same way as the States. Both the level and the method of funding will be examined in detail.

It is appreciated that the Commonwealth/State arrangements require that money allocated to roads may be used only for that purpose. At present the Territory Government can apportion the bulk allocation as it sees fit. We see advantages in developing our long-term strategy if the former method is adopted.

- (b) Whilst discussions are presently at a preliminary stage, we foresee special problems for the Territory if we were to adhere strictly to existing Commonwealth/State arrangements.
- (c) We have to provide and maintain access to remote communities for social, and in some cases, economic reasons. The developing tourist industry requires good roads for its continuing expansion. We have a very high proportion of remote Aboriginal communities compared with the overall population. Most of the pastoral properties are very large and widely spread, and it is a continuing policy to provide good access to the homestead or cattle-yard on these leases.

Many of these roads may not qualify for Commonwealth funding under the criteria currently applied to the States.

It would therefore appear that some change to the Commonwealth/State arrangements would be necessary before the Territory could move to this method of funding. Particular needs in remote locations frequently demand a higher standard road than could be justified in terms of population density and traffic.

#### ROAD DEVELOPMENT STRATEGY

- (a) The main features of our strategy are to upgrade national roads to modified national highway standards, and to up-grade other roads in terms of priorities determined by trafficability, economic and social needs, and traffic usage.

Long-term strategy includes up-grading of the Victoria Highway to appropriate national highway standards.

- (b) Present interim legislative arrangements and funding allow this strategy to be implemented with greater flexibility than was the case prior to 1 July 1978. Policies generally follow those previously applied by the Department of the Northern Territory.
- (c) During the last ten years, some sections of the national highways system in the Territory have been up-graded to standards lower than recommended for national highways.

The lower standards adopted by the Commonwealth to satisfy cost limitations are still in effect, and will probably not be disputed in the foreseeable future in view of the distances and generally low traffic volumes involved.

- (d) Progressive up-grading of Highways has significantly reduced the accident/traffic ratio. The MITERS category of funding would allow the continuation of our current policies for minor improvements in accident zones.



#### 4. STATE ROAD AUTHORITIES

##### 4.1 Originating Letter to State Road Authorities

Dear Sir,

As you are aware, the Bureau of Transport Economics is currently preparing a report for the Minister for Transport to assist the Commonwealth Government in its consideration of grants of financial assistance to the States in connection with roads and road transport. As part of its investigations the Bureau is seeking views and information from State and Territory Departments of Transport and Road Authorities and from organisations of local government authorities.

Accordingly I invite you to submit your views, together with any supporting information, on any matters you consider pertinent to our investigations.

I would particularly appreciate your comments on the issues outlined below.

(a) Road development strategy

- (i) What are the main features of the road development strategy being planned or implemented in your State or Territory?
- (ii) How is this strategy being affected by present funding levels and/or legislative arrangements?

(b) Funding arrangements for roads

- (i) Should there be any variation to existing road grant categories and for what reasons?

- (ii) In which grant categories have variations in levels of total funding (ie, from all sources) and variations in the level of Commonwealth grants had the most impact and what are those impacts?
- (iii) What are the effects in your State or Territory of the standards adopted for National Highways?
- (iv) Indicate your priorities for the finalisation of the declared National Highway Network in your State or Territory.
- (v) Are there other parts of your road network which should be considered for declaration as National Highways or National Commerce Roads and what should be the basis for such declarations?

(c) Road funding and accident costs

Are there any ways whereby changes in road funding arrangements might have significant impacts on the pattern of and costs attributable to accidents?

I would appreciate your submission by the end of October.

Yours sincerely,

G.K.R. Reid  
Acting Director

#### 4.2 Submissions from State Road Authorities

##### 4.2.1 New South Wales, Department of Main Roads

The views of the New South Wales Department of Main Roads are encompassed in Section 3.2.1 of this Annex.

#### 4.2.2 Victorian Country Roads Board

The views of the Victorian Country Roads Board are encompassed in Section 3.2.2 of this Annex.

#### 4.2.3 Queensland Main Roads Department

##### FUNDING LEVELS

Queensland is a large decentralised State. Long lengths of road are required to connect population centres. In addition rural production covers a large area requiring extensive lengths of farm to market roads.

The present level of Commonwealth grants is inadequate to meet the needs of this network.

Major climatic variations result in considerable demands on construction and maintenance funds, and it has to be recognised that there is an urgent need to complete a reasonable standard road system.

The backlog of needs in the vast road network is now approaching an unmanageable magnitude.

##### PROGRAMMING CONSIDERATIONS

To plan and program effectively the improvements which can be afforded States need both flexibility and certainty of funding. In this regard there are two major deficiencies in the current legislation:

- (a) The limited (3 year) length of current Acts together with numerous categories and approval requirements is restrictive as regards forward planning and programming.
- (b) Three-year Commonwealth Acts are completely unsuited to strategy development which requires a six year Act with updates every three years.

Regarding the points raised in your letter the following comments are made:

(a) Road Development Strategy

(i) Attempts to provide detailed road administration at more than one level of Government (instead of broad policy at one level and detailed administration at a lower level), combined with sudden changes in emphasis has militated against the development of an effective road strategy. Nonetheless the Department has always striven to produce an economic solution within the constraints, at any given time, involving:

- . Maintain existing roads
- . Reconstruct/strengthen roads overtaken by traffic growth (both in volume and loading - i.e. both geometric and structural deficiencies)
- . Build new roads where this overtaking has exceeded the capacity of the above work to be adequate.
- . Complete the network to establish a basic system of properly constructed roads between major regions of the State.

(ii) Funding: A theoretical economic solution can be found at any funding level. However when the level of funding is severely constrained it is not possible to prepare a satisfactory program covering works above. As funds become more liberal more work can be done towards the objective in the last point above.

The funding level affects very seriously the appropriate design standard for new works. The higher the design standard on new works (to suit future traffic levels) the more works must be deferred till funding can be arranged. Consequently more roads

deteriorate before upgrading can be funded. The more elaborate the provision made for future traffic, the more inadequate the road system as a whole will become for present traffic.

The main problem with the present funding and legislative arrangements is that the funding levels and administrative guidelines are set outside the level of government directly responsible for the existing condition of the roads, and for the day to day economic trade-offs needed to formulate an appropriate strategy. Particularly in the national highway category the Commonwealth has fixed contradictory levels of funding and design standards. This is developed further below.

(b) Funding Arrangements

- (i) Yes. There is a requirement for a functional classification for the purpose of describing a road system. This classification should encompass the full range of road types. Commonwealth categories are a legal not a functional class, and the requirements for legal class systems are quite different. A legal class system should be as simple as possible. It is related to how much detailed control the legislating authority elects to exercise in administering roads. The federal legal class operated perfectly satisfactorily for years with two categories - rural and urban. The complex system of approvals needed to exercise multiple and fairly detailed control by the Commonwealth and the additional staff needed to ensure all the consequent referrals and approvals are processed at appropriate times has only one outcome. It ensures that as much as possible of the limited funds available for roads is expended other than on actually building or repairing them. It is impossible to detect that since the multiplication of Commonwealth legal classes, there has been any improvement in the Australian road system due to it. It is further impossible to detect any trend that would indicate this will change in the long term. The only logical

conclusion in the light of the complications introduced is that a number of categories should be reduced or eliminated.

- (ii) Changes in Commonwealth funding has caused problems in most road categories, but if "worst" had to be selected they would be the arterial categories. It might be argued that State funds can be used to minimise these impacts. In fact they have been, but because there are limits to these funds also the distortions can be eliminated. In any case there has been no valid justification given for the major variations between Acts.
- (iii) Referring back to a(ii) - the national highway design standards, particularly in a State with major interstate regional routes carrying modest traffic volumes through remote areas are related to a funding level several times its present level. A valid comment appears on the current draft of a forthcoming revision of the NAASRA rural road design guide:

"... almost all roads have some degree of local importance. The higher classes of roads have their uses related to their higher hierarchical level superimposed on their local significance.

Other things being equal rural roads of higher functional class will have a higher, though normally still modest, proportion of longer length journeys made on them, and it may be appropriate to select higher design standards for such roads so that type of service is more appropriate to trips of longer duration.

Where volumes are low (due probably to distance between centres of major importance) the actual numbers of long distance trips will be quite small, and the designer must beware of imputing too much importance to functional class alone."



The same document comes to the conclusion that there is a good reason why in a country with such a wide range of densities of development as Australia, standards for the same class of road in differing geographical areas might well be quite different.

Not only are the national highway standards (which relate to a legal class and not even to a functional class) inconsistent with the funding level provided for the national highway class in this State, but the inconsistency is even more marked when viewed against overall road funding levels. State road authorities have the experience of over 50 years programming and had developed a reasonably graded set of standards based on relative importance, and funding availability. It can be demonstrated that in real terms per unit of traffic carried, decreasing hypothecation of fuel taxes to roads has resulted effectively in less funding for roads, not more. Hence this situation is quite incompatible with major upward changes in the general level of standards for one category of road.

(iv) No road system is ever finalised. Links in the national highway system that are presently not constructed include:

Marlborough-Sarina

Morven-Augathella-Winton-Cloncurry

However it does not take much foresight to see that for example, the new link in the Bruce Highway between Marlborough and Sarina will generate increased pressures for significant upgrading of the lower standard sections between Carmilla and Sarina. Similar situations are present on many sections of the national highway system.

Therefore there will always be a need for a major programming exercise over the whole network. A historical example demonstrates this. The completion of a bitumen link between Brisbane and Cairns in 1963 did not "finalise" anything. It merely changed the

emphasis of the programming effort. Other aspects of the same road became subjects of special effort. e.g.

- . Frequency of flooding
- . Overall geometrics of the older sections
- . Pavement widths, especially the older sections of 3.6 metre pavement
- . Pavement strengths, due to increased traffic and heavy loads

and lest this statement be taken to indicate that the design standards of earlier periods were inadequate, it must be realised that had the standards now considered appropriate, been applied in the 1920's when work started, a sealed road would not yet have been achieved.

- (v) No. Declaration of additional roads in categories with "special" treatment merely exacerbates the problems of proliferation of Commonwealth legal classes and those caused by having classification design standards dictated other than by sound engineering practice. The development of an adequate road system will be hastened by considering road funding as a whole, rather than the Commonwealth legal classes.

(c) Accidents

Accidents though frequent are statistically rare, and attempts to relate specific types of expenditure to accident reduction have over the years not had spectacular success. Rather the results of studies are frequently contradictory. Flexibility in day to day operations of a road authority to enable it to produce solutions to specific problems will always produce better results than some externally imposed overall pattern of expenditure (e.g. the local District Engineer, conscious of his road problems may build a bridge only to Q25 level, may regrade a few crests and do some selective widening on curves. With the sort of constraints he now has:

- (a) He has to win an argument with Federal Departments if he desires the bridge to be less than Q50 (and perhaps less than full formation width)
- (b) He has to win another argument in the same quarter to reconstruct the road to less than national highway standards
- (c) The regrading and widening is too major to be funded from MITERS.

Hence the "partial solution" is so administratively difficult that it doesn't happen. We finish with a Q50 bridge, a short length of approach to national highway standard and the crests which have been outgrown by traffic growth remain.)

#### SUMMARY OF MAIN ISSUES

Roads form a most vital part of the total transportation system and lead to increased productivity as well as promoting the economic well-being of the nation. It is considered the present legislation does not recognise this point in that inadequate funds are available for road building and maintenance. In Queensland decentralisation, the extensive road network and climatic variations cause major demands on road funds. The situation regarding backlog of works is very serious.

While present arrangements allow for some variation in grants due to inflation (but this is not contained in the legislation and undertakings given have already been breached) over the period of the last two Acts there have been large scale retrenchments due to the declining value of the grants. The situation is not being reversed.

Not only are present funding levels inadequate but they are distributed amongst the categories in a distorted fashion. State funds cannot eliminate these distortions and the effects flow through to local authorities also. A reduction in the number of

categories is an obvious necessity to help alleviate this situation which has repeatedly occurred in recent Acts, as well as reduce administration effort and costs.

It is considered that in the interests of efficiency the implementation of an overall roads policy should make maximum use of existing State expertise for the planning, programming, construction and maintenance of roads, as these resources are scarce and valuable in a developing country such as ours. If this point was recognised by the Commonwealth the administration of grants could be greatly simplified and expenditure of scarce funds on unnecessary duplication of effort and other activities of doubtful value avoided.

Present programming arrangements are too restrictive to enable efficient longer term planning and programming. Acts must cover longer periods with fewer categories and less stringent approval requirements.

Finally, there is a need for consultation at both officer and ministerial level between the State and Commonwealth before the broad outlines of future legislation are resolved. It is suggested this take place an appropriate time after the Bureau's Report is made available for perusal.

#### 4.2.4 South Australian Highways Department

##### INTRODUCTION

Since the mid 1960's the State Road Authorities, in conjunction with the former Commonwealth Bureau of Roads, undertook surveys to collect information on roads, developed economic evaluation models and determined economically warranted road expenditure levels. This information has been most valuable to road planning and development, and to the assessment of appropriate road funding levels.

The BTE in subsuming the functions of the Bureau of Roads, must examine the needs for all modes of transport when assessing road funding needs, and it must assess also what levels of funding should be assigned to other modes (e.g. public transport) to achieve the desired balanced total transport system.

The need for the development of a balanced system of transport is supported. However, the achievement of a balanced system of transport is directly linked to the level of funding for all modes. It is obvious that if funding is inadequate, the desired balance will not be achieved. Over recent years the development of both roads and public transport has been severely restricted by deficiencies in funding. In particular, the severe cuts in the real levels of urban road funding have affected not only the levels of service for private road transport but also for road based public transport.

This State is willing to provide the Bureau with all the necessary support. In fact, the work that must be undertaken requires, by its nature, a co-operative effort between the State Road Authorities and the Bureau of Transport Economics. In this regard, the work being undertaken by the National Association of Australian State Road Authorities, (NAASRA) in the development of a co-ordinated national data bank is most important as it will enable the States, and the Bureau of Transport Economics, to assess warranted levels of road expenditure on a regular basis.

Given that considerable progress has been and is being made in the assessment of appropriate road funding levels, it is regrettable that actual road funding levels are, to a large degree, fixed on an arbitrary basis, and bear little relation to the funds needed to undertake warranted road expenditures.

In fact, over recent years, the real level of road funds made available to the State Road Authorities has shown a dramatic decline. This decline has taken place during a period in which estimated warranted road expenditure have shown a significant growth. As a result, the current levels of road funding are so far below warranted road expenditure levels, that the development of the road system as a whole is being severely impaired.

It is suggested that consideration should be given to the establishment of procedures whereby States may participate more fully with the Commonwealth Government in the establishment of total road funding levels. Thus, for example, the States could reach agreement as to the level of extra road funds that should be raised in each year by means of a surcharge on automotive petrol and diesel fuel. The size of the surcharge would be related to the warranted road expenditure. The Commonwealth Government could collect the surcharge on behalf of the States, and the funds collected could be distributed to the States for road purposes. This procedure would, of course, require the support of the Commonwealth Government and an agreed method for distributing of the funds collected between the States. It is suggested that the feasibility of this type, or similar types of funding arrangements, should be fully examined by the BTE.

This Submission is divided into two distinct parts. The first part consists of comments on the issues specifically raised for examination by the Bureau of Transport Economics. In the second part other issues (some of which are closely related to those in the first part) are raised and discussed.

PART I - ISSUES OUTLINED BY THE BTE - COMMENTS

Road Development Strategy

- (a) In general the main emphasis in South Australia is on construction, reconstruction, maintenance and improvement of the existing road network.

In the rural area the arterial road network has been largely established and present emphasis is on:

- (i) Repair and replacement of structurally inadequate bridges.
- (ii) Reconstruction of structurally inadequate pavements. Main emphasis is not on higher standards but rather on providing uniform standards of alignment and width.
- (iii) Construction and sealing of isolated road sections or roads which constitute "gaps" in the sealed road network.
- (iv) Construction and sealing of highly trafficked gravel roads.
- (v) The stage construction or progressive construction of sub-standard sections of gravel roads by annual grants to the local government authorities.

In the urban area the main emphasis again is on retention and improvement of the existing network.

- (i) Reconstruction of structurally inadequate pavements.
- (ii) Widening of major arterial roads and intersections.
- (iii) Grade separation of existing road/rail level crossings.

(iv) Local alterations to the road network to improve capacity and/or eliminate bottleneck conditions.

(b) Present strategy is a reflection of current funding levels. Under restricted financial conditions one is forced to adopt a policy of retention and minor improvement rather than expansion and increased standards.

In the urban area particularly, many proposals for new highway links, developed some years ago, would if implemented be more effective in improving traffic flow and promoting safety than the present strategy. The proposals are generally expensive and even, where stage construction is possible, their implementation is not feasible with funds at their present level.

#### Funding Arrangements for Roads

(a) and (b) (above)

From the South Australian viewpoint, there are two disturbing features about categorisation of road grants. Firstly, it necessitates cumbersome administrative procedures with regard to the preparation of programs for submission to the Commonwealth Minister, monitoring of expenditure on each category and in some instances preparation of submissions seeking transfer of funds between categories. These procedures are expensive and appear to achieve no worthwhile purpose.

The second disturbing feature relates to the effect of categorisation upon the orderly and balanced development of the road network in the State. The evaluation of what is warranted and feasible is based not only upon a "macro" road needs study but also upon a consideration of the total funds available from all sources and a very detailed and intimate knowledge of the road network.



In the situation where Commonwealth allocations to specific categories are below the amounts which are warranted and feasible, the State is able to distribute its own funds between the categories to make up the difference between Commonwealth allocations and needs and no problem exists. This is only feasible because quota requirements have not applied to individual categories.

However, in the situation where Commonwealth grants disproportionately favour one particular category to the extent that the grant exceeds the warranted expenditure (again based upon a consideration of total funds available), it follows that combined Commonwealth and State funds would not be sufficient to meet the warranted expenditure on other categories and a rapid deterioration in the standard of roads in those categories would follow.

This situation arose in 1974-75 when following the Commonwealth Bureau of Road's recommendation for a total allocation of \$36m to South Australia, the Commonwealth Government saw fit to reduce the total allocation to \$31.0m whilst reducing the grant for national highway construction only marginally to \$14.9m. This action caused considerable difficulties in scaling down operations on categories other than national highways and precipitated some deterioration in the arterial road network.

More recently, in the current legislation, considerable distortion of balanced road programs is apparent due to disproportionately high levels of funds assigned to the local road categories.

The category of national commerce roads presents a particular administration problem to this State. The Report on Roads in Australia 1975 by the Commonwealth Bureau of Roads provides little information concerning the needs in this category and in South Australia we are faced with the future problem of either seeking a transfer of the grant to another category or alternatively of mounting major time-consuming investigations aimed simply at justifying selected arterial roads as national commerce roads. The latter alternative has been favoured to date simply because

strong objection to the category may well be taken as a willingness to forfeit the annual grant. It is relevant to note that despite the connotations of "national interest" in the title of the category, no Commonwealth input of candidate projects has ever been received in South Australia.

With regard to national highways, it is generally accepted that the Commonwealth Government has a significant element of responsibility. However, it is not clear to what degree this responsibility is reflected in the provision of grants. It is considered that the Commonwealth Government should accept full financial responsibility for national highways, and that the national highway grants should be additional to the grants made to other road categories in each State.

In South Australia, for the years 1974/75 to 1977/78 the Commonwealth and State Government financial contributions to total national highways construction expenditure were as follows:\*

		\$'000		%
	Expenditure	Commonwealth Contribution	State Contribution	Commonwealth
1974/75	14 941	14 706	235	98.4
1975/76	21 188	18 993	2 195	89.6
1976/77	24 629	17 300	7 329	70.2
1977/78	17 409	15 000	2 409	86.2
Total	78 167	65 999	12 168	84.4

\* Source: Auditor-General's reports.

For national highways maintenance expenditures the contributions were:

	Expenditure	\$'000 Commonwealth Contribution	State Contribution	% Commonwealth
1974/75	2 181	1 310	871	60.1
1975/76	2 782	2 110	672	75.8
1976/77	3 084	1 400	1 684	45.4
1977/78	3 179	1 900	1 279	59.8
Total	11 226	6 720	4 506	59.9

Over the four year period the total State contribution was \$16.7 million of which \$12.2 million was for construction and \$4.5 million for maintenance. The Commonwealth Government contributions provided for 84% of the construction and 60% of the maintenance.

It is submitted that categorisation of grants has not, in South Australia, provided any advantages to either Commonwealth or State Governments, but merely imposes an additional unnecessary constraint upon the State Road Authority which could have serious repercussions upon the orderly development of a balanced road network. In fact, the categorisation of road funding is also the main source of the cumbersome administration which typifies the present legislation.

For the above reasons, it is suggested that the degree of categorisation should be substantially reduced. It is considered that two categories are sufficient i.e. "national highways" and "other roads". If, however, it is insisted that urban and rural categorisation of grants is necessary, then the urban arterial and urban local categories should be combined into one urban roads category and the rural arterial and rural local categories into one rural roads category.

- (c) Standards adopted in the design and construction of highways are generally those recommended by NAASRA, considered in conjunction with economic warrants and probable operational characteristics. Both terrain and traffic vary widely over a long stretch of road such as constitutes a national highway, and NAASRA policy provides for the variation of road parameters to take account of these variations.

The standards for national highways, prescribed by the Commonwealth Government, attempt to secure uniformity over long lengths with little regard for these variations, and the objectives and expected benefits of the prescription are not apparent. Except in remote areas, only a small part of the traffic on a National Highway is long distance through traffic, and in any case it is likely that long distance drivers would recognise that changes in standards, consistent with NAASRA policy for various conditions are warranted.

The prescription of national highway standards does not result in better standards for these roads. It merely involves the States in additional administrative work in explaining to the Commonwealth Minister the reasons why, in particular cases, the prescribed standards are not appropriate, and in securing his approval to projects where more appropriate standards have been adopted.

(d) Priorities for finalisation of the declared National Highway Network

A practical program of works should take into account not only the financial constraints but the availability of men and machinery.

A sequential listing of priorities would therefore be misleading as many of the projects will be under construction at the same time. The table hereunder indicates the likely progress of works on the assumption that there will be no reduction in the funds available for national highways in future years:

Project	78/79	5 Years approximately (Dependent upon funds)	
<u>Adelaide to Perth</u>			
Cavan Rail Overpass			
Port Pirie to Port Augusta			
Port Pirie By-pass reconstruction			
Crystal Brook By-pass			
Merriton to Redhill reconstruction			
Virginia Deviation			
Eyre Highway (2 bridges)			
<u>Adelaide to Melbourne</u>			
S.E. Freeway and Swanport Deviation			
Dukes Highway			
<u>Adelaide to Darwin</u>			
Port Augusta to Pimba			
Stuart Highway north of Pimba			

- (e) The National Route No. 20 connecting Adelaide with Canberra and Sydney via Renmark is an obvious candidate for declaration as a national highway. It is envisaged that some work near Gawler will need to be undertaken on this route during the currency of the next Commonwealth legislation.

As previously mentioned the national commerce road category is not clearly defined. Almost all arterial roads to some degree at least, "facilitate" trade and commerce between States. In particular, this State has prepared a detailed submission to the Commonwealth Government seeking declaration of National Route No. 83 between Moralana and Leigh Creek, as a national commerce road. The basis for seeking this declaration is:

- (i) The road is of major significance to the pastoral industry, covering sheep, cattle and wool transport. Much of this produce is destined overseas.
- (ii) The road is an essential part of the road link to the Moomba natural gas fields which export much of its produce interstate.
- (iii) The road is an integral part of the tourist route through the Flinders Ranges which is a popular destination for overseas and interstate tourists.
- (iv) The road is a vital link to the Leigh Creek coalfields which provide coal to the Port Augusta power station, supplying electricity to the industries in South Australia which are vital to the interstate trade.

The submission clearly and irrefutably establishes that the construction of this road would "facilitate" trade and commerce with other countries and among the States, and yet, the Commonwealth Minister of Transport does not support the declaration.

Under the circumstances it is submitted that unless there is some Commonwealth input of candidate projects and clearer definition of intent, this category ceases to be meaningful.

#### Road Funding and Accident Costs

It is doubtful whether road funding arrangements have a significant impact on the pattern of and costs attributed to accidents.

All road improvements are designed to contain an element of safety improvement, regardless how they are funded. If the MITERS category did not exist, for instance, the State Road Authorities would still be committed to a significant expenditure on traffic management schemes to improve safety. The success or otherwise of

safety improvement policies is likely to be determined by engineering judgement and economics of individual projects rather than artificial funding arrangements.

It is possible that the availability of MITERS funds has stimulated local government interest in accident-reduction measures on council maintained roads and led to some improvement in safety on such roads. From an overall viewpoint, however, this improvement could hardly be classed as significant in view of the low traffic volumes and small numbers of accidents affected by the measures adopted, in comparison with arterial road improvement which would have been undertaken regardless of the existence of the MITERS category.

Some savings in administrative costs would accrue from abandoning the MITERS category, or alternatively, lifting artificial cost ceilings (such as the current \$50 000) on projects which qualify for Commonwealth approval. It is doubtful, however, that these measures would significantly affect the safety policies pursued by the State Road Authorities or their effectiveness.

## PART 2 - OTHER ISSUES

### A Balanced Transport System

Although this submission has been prepared with an emphasis on financial aspects relating to roads, it is considered that comments of a broader nature are also relevant.

An efficient, safe, economic and environmentally acceptable transportation system can not be achieved if individual modes of transport are permitted to develop in isolation. In the 1977 BTE report "Urban Transport: Capital Requirements 1977-78 to 1979-80" the following statement is relevant:

"It is strongly suggested that the development of a consistent and mode co-ordinated approach should be one of the first tasks undertaken by the new body resulting from the amalgamation of the BTE and the CBR so that it can report to the Minister in time for the information to be used in the formulation of the legislation following that introduced in 1977."

Whilst the need for a co-ordinated approach is recognised and supported, it is emphasised that the role of roads should not be under-estimated. Roads are by far the most important part of the urban transport system. They serve private motor vehicle travel, road based public transport travel and nearly all the urban freight movement.

The private motor vehicle is in particular suited for all kinds of inter-suburban travel. Public transport is not suited for this type of travel demand, as it is difficult to provide both a satisfactory and an economic level of service, due to the widely dispersed demand for such trips. As a result, almost all of this travel is undertaken by private transport. Public transport (both road and rail) is more suited for meeting the travel demands for CBD oriented trips.



Trends in travel demand have shown a continuing growth in private motor vehicle travel and a decline in public transport travel (although in recent years this decline has slowed). The reason for these trends is related to the dispersal of residential development, employment, shopping and recreational activity to the suburbs, with the result that the relative importance of the CBD has declined. This has resulted in the growth of inter-suburban travel demands which favour the private vehicle mode and in the relative decline of CBD oriented travel which is favoured by public transport. Increasing car ownership has also reduced the public transport captive market. These trends indicate that it will be necessary to undertake additional future road investment to cater for the growing inter-suburban private transport travel demands.

Another factor which must be taken into account in the assessment of road investment needs is the level of costs (maintenance and construction) that road based public transport imposes on the provision of road services. For example, bus services must make use of some local roads which are too narrow and of insufficient strength. Costs must therefore be incurred to overcome these deficiencies. This has been one aspect that the BTE has been investigating in its cost recovery studies, and it should be incorporated by the BTE in its assessment of road expenditure needs.

#### Level of Road Funding and Distribution to Categories

To provide a context for this discussion it is useful to briefly examine the CBR 1975 Report road expenditure recommendations, and then to make a comparison of the CBR recommended road grants with the actual grants made by the Commonwealth Government.

To arrive at its road expenditure recommendations the Bureau first considered the expenditures necessary to bring the road system up to the engineering and operational standards adopted in the Australian Roads Survey, 1969-74. For all States, the expenditure

necessary over the period 1976-77 to 1980-81 was assessed at \$15 805 million in constant 1973-74 prices, and for South Australia at \$1 014 million or 6.4 per cent of the total for all States.

However, the Bureau did not consider that this expenditure was warranted. It defined warranted expenditure as the expenditure on a road program that was warranted on economic grounds, and that took into account social and environmental effects where these could be estimated in money terms. Thus, all projects in the warranted program would yield discounted benefits greater than discounted costs of undertaking them, and would contain no project providing a rate of return lower than 10 per cent to the community. The warranted program for all States was assessed at \$7 430 million (in 1973-74 prices) and for South Australia at \$626.5 million or 8.4 per cent of the all States total.

In determining the recommended road program the Bureau considered the availability of physical resources and the practical rate at which finance could be raised from all Government sources. On the basis of these considerations (and especially the financial) the Bureau determined that its recommended program for all States should be 28 per cent less than the warranted road program. For South Australia the percentage reduction in the warranted to recommend program was 27.9 per cent (i.e. about the same as for all States). For other States it varied with Queensland having the highest reduction (36.3 per cent) and Victoria the lowest (21.7 per cent). However, in reducing the warranted program to the recommended program the Bureau assumed no change in maintenance expenditure. This assumption is unreasonable because a cut-back of the warranted construction program would necessitate considerable additional road maintenance expenditures to keep deficient roads up to the standards necessary for use.

The engineering and operational standards, warranted and recommended road programs are compared in Table 1.

TABLE 1 - 1975 CBR ROAD PROGRAMS - ALL STATES AND SOUTH AUSTRALIA,  
1976/77 TO 1980/81  
\$ MILLION: 1973/74 PRICES

	All States	S.A.	S.A. as % All States
(1) Engineering and Operational Standards	15 805.0	1 014.0	6.42
(2) Warranted Road Program as a % of Engineering & Operational	7 430.0 47.0%	626.5 61.8%	8.43
(3) Recommended Road Program as a % of Engineering & Operational	5 347.2 33.8%	451.9 44.6%	8.45
as a % of Warranted	72.0%	72.1%	

SOURCE: 1975 CBR Report (1) p. 204, (2) p. 206, (3) p. 216.

TABLE 2 - 1975 CBR RECOMMENDED GRANTS AND ACTUAL\* GRANTS - AUSTRALIA AND SOUTH AUSTRALIA, 1976/77 TO 1980/81

\$ MILLION: 1973/74 PRICES

	ALL STATES				SOUTH AUSTRALIA			
	C.B.R. Recommended Grant	Actual & Estimated Grant	Deficiency (1)-(2)	Actual Grants as % of Recommended	C.B.R. Recommended Grant	Actual & Estimated Grant	Deficiency (1)-(2)	Actual Grants as % of Recommended
National Highways								
Construction	630.2	406.9	223.3	64.6	56.0	42.6	13.4	76.1
Maintenance	66.2	66.0	0.2	99.7	5.6	4.9	0.7	87.5
National Commerce Roads	78.0	45.4	32.6	58.2	4.7	3.4	1.3	72.3
Total National Roads	774.4	518.3	256.1	66.9	66.3	50.9	15.4	76.8
Rural Arterial Roads	220.7	186.2	34.5	84.4	9.0	17.1	-8.1	190.0
Rural Local Roads	353.6	231.2	122.4	65.4	36.0	17.6	18.4	48.9
MITERS	77.5	36.4	41.1	47.0	10.4	4.5	5.9	43.3
Urban Arterial Roads	572.1	248.7	323.4	43.5	38.0	14.4	23.6	37.9
Urban Local Roads	50.0	60.3	-10.3	120.6	4.0	5.4	-1.4	135.0
Total Other Roads	1273.9	762.8	511.1	59.9	97.4	59.0	38.4	60.6
Total All Roads	2048.3	1281.1	767.2	62.5	163.7	109.9	53.8	67.1

\* For 78/79 Budget Estimates, 79/80 assumed the same as in 78/79 Budget in 1973/74 prices and for 80/81 assumed a 2% growth in real terms.

The recommended Bureau road program for all States was in total \$5347.2 million and for South Australia \$451.9 million or 8.5 per cent of the all States total. The Bureau considered that the necessary finance for these program should be provided from local, State and Commonwealth Government sources. It made an assessment of the funds to be raised from local and State Government sources and recommended that the balance should be provided in the form of Commonwealth Government grants.

The recommended Commonwealth Government road grant for all States was \$2048.3 million (in 1973-74 prices) and for South Australia \$163.7 million. Thus the Bureau recommended that the Commonwealth Government should finance 38.0 per cent of the all States recommended road program and 36.0 per cent of South Australia's recommended program.

In Table 2 is shown a comparison for the five years 1976-77 to 1980-81 of the CBR recommended road grants with the actual (and estimated actual) Commonwealth Government grants for all States and for South Australia. The comparison is made in 1973-74 prices. It was assumed that actual grants in 1979-80 would be the same in real terms as in 1977-78 and that in 1980-81 actual grants would be 2 per cent higher in real terms than in 1979-80. Although this comparison between recommended grants and actual is approximate, nevertheless it serves as a valuable guide to the degree to which the actual grants have deviated from the recommended.

On the basis of the above, for all States, the total actual grants are about 38 per cent less than the total recommended. For South Australia the percentage is about 33 per cent. It is also evident that some road categories received especially favourable treatment. Urban local roads, rural arterial and national highways were favoured, whereas the grants to urban arterial and MITERS were severely cut by comparison.

It is also possible to make an approximate assessment of the effect of funding restrictions on the total warranted road program

for the years 1976-77 to 1980-81. For example, if it is assumed that the total funds provided from local and State Government sources are 38 per cent less in real terms than assumed by the CBR then the total reduction in the recommended road program for all States is 38 per cent. Since the recommended road program was itself 28 per cent less than the warranted, it follows that the program actually achieved is 55 per cent less than the warranted. In 1973-74 prices this deficiency amounts to \$4080 million and in 1978-79 prices some \$8120 million.

It is evident that the backlog of warranted road expenditure is assuming immense proportions, and that the need for increased real levels of road funding is urgent.

#### Prior Notice of Grants

For the planning and programming of roadworks it is essential to have prior notice of fund availability and Commonwealth Government policy. A six year rolling road grant program, which would be reviewed and extended at three yearly intervals, would meet this requirement. It would ensure that road grants were always known at least three years in advance. Under current arrangements three years is the maximum prior notice of grants.

#### Provision for Cost Rises

Allied with considerations concerning prior notice of grants is the need for the establishment of procedures for adjusting stipulated road grants for cost changes. Although the Commonwealth Government has undertaken to maintain the road grants in real terms for 1978-79 and 1979-80 at the same level as in 1977-78, there is no cost index for roadworks which is acceptable to the Commonwealth Government for this purpose. Consequently, it is using the implicit price deflator for private fixed capital expenditure in other buildings and construction as a guide for changes in road work costs.

It is suggested that this is not satisfactory, and that a high priority should be assigned to the development of a road cost index which is accepted by Commonwealth and State Governments. The index should be prepared by the Bureau of Transport Economics or by the Australian Bureau of Statistics.

#### Fall in Real Road Funding

The importance of introducing procedures for adjusting future road funds for cost increases is again emphasised. Because no such procedures have been in operation, the high cost increases in the road industry over recent years contributed to the fall in real road funds available to this State. In 1973-74 prices, the funds decreased from \$62.6 million in 1971-72 to \$48.4 million in 1977-78. This represents a decrease of \$14.2 million or 23 per cent. Over this period the decline in real terms of road grants to South Australia was 33 per cent.

The fall in road funding resulted in a severe curtailment of the real level of road activity and employment and contributed substantially to the retrenchment of large numbers of personnel in the road industry. It follows also that if real levels of road funding (and therefore expenditure) are increased, then significant employment will be generated. This is one policy measure which could make an important contribution to the reduction in the high unemployment levels being experienced at present.

It is also relevant to note that the reduction in the real level of road funds results in a relatively greater reduction in the real level of road construction expenditure. This is due to the need to maintain certain expenditures (e.g. some administrative, operational and maintenance) in real terms. Consequently a greater proportion of the reduction in expenditure accrues to road construction. For example, over the period 1971-72 to 1977-78 the total State Road Authority expenditure in South Australia declined in real terms by 27 per cent and the road construction expenditure by 36 per cent. The reduction in real road construction expenditure

also results in the need to increase the real level of road maintenance expenditures to keep the roads up to the standards necessary for safe use.

#### Administrative Charges

The current legislative provision that general administration costs will only qualify for Commonwealth funding up to a maximum of 4 per cent of specific project costs is arbitrary and should be reviewed. In 1977-78 general administration expenditure, which would have qualified for funding except for this provision, amounted to \$6.7 million, representing about 12 per cent of expenditure from State funds on specific projects. The total qualifying administrative expenditure amounted to about 8 per cent of the total expenditure, from State and Commonwealth sources, on specific construction and maintenance. While a relaxation of the 4 per cent limit would not result in increased funds in any category, the ability to allocate all qualifying general administration expenditure pro rata to projects would simplify accounting procedures.

#### Proportion of Grant Funds Allocated to South Australia

In 1968-69 South Australia received 11.43 per cent of the total road grants allocated to the States. Since 1968-69 this proportion has progressively declined to 8.51 per cent in 1977-78. These percentages may be compared with South Australia's share of population (9.3 per cent), area (15.53 per cent) and motor vehicle numbers (9.94 per cent). It is evident that on the basis of population, area and vehicle numbers, that the allocation of 8.51 per cent to South Australia is not high enough.

The former Commonwealth Bureau of Roads in their 1975 Report considered equity as an important objective for transport. The Bureau considered that one of the aspects of equity that is applicable to a:



"transport system is to ensure that both the benefits and the cost of providing and operating the system are fairly divided between the community members. Benefits should not unjustly accrue to one group whilst costs are borne by another."  
(paragraph 1.23)

This principle may be extended to a general pricing principle which states that the users of a service (i.e. those who benefit) should pay the full cost of providing that service. On a broad scale, the percentage of motor vehicle kilometres of travel in each State represents a measure of the relative use of roads in that State. For South Australia this percentage is 9.72 per cent. As the present grant allocation to South Australia is 8.51 per cent, this grant allocation would have to be increased by 14.2 per cent to comply with the user pay principle applied on a State basis. It is not argued that this broad user pay principle be applied on a strict basis to grant distribution. However, it should be taken into account when the grants are distributed.

The above arguments are especially relevant to urban road grants. The percentage of urban kilometres of travel for South Australia is 9.74 per cent and the percentage of urban road grants (arterial and local) under current legislation 6.42 per cent. On the basis of the user pay principle the urban road grant to South Australia would have to be increased by 51.7 per cent. It is suggested that a deviation of 51.7 per cent from the user pay principle is too great to be acceptable for urban grant distribution.

The unacceptability of the deviation is highlighted by doubts regarding the validity of the urban road evaluation models which were used as the basis for distributing the urban grant to the States. The interdependence of urban society services and facilities make it virtually impossible to analyse the warranted road expenditure on the basis of conventional cost benefit evaluation. Thus, the use of highly simplified urban evaluation models may not be appropriate for assessing warranted road expenditures. Furthermore, because urban areas differ in size, population, area,

density, etc., the application of a uniform simplified method of evaluation to all urban areas is not necessarily appropriate for distributing the total urban road funds between the different urban areas. In other words the method of distributing urban road funds may be biased in favour of certain types of urban areas. It is suggested that the bias does not favour South Australia, and that it is sufficiently large to justify a review of urban grant distribution between the States.

#### 4.2.5 Western Australian Main Roads Department

I refer to your letter of September 8 in which you sought views and information from this Department on the road funding issues outlined in your letter. In reply, I wish to explain that Western Australian road needs are of a special nature and as such, they cannot be encompassed completely within the constraints of these issues. However, the following information has been prepared to follow generally the format used in your letter.

#### EFFECTS OF COMMONWEALTH FUNDING ON ROAD DEVELOPMENT STRATEGY IN WESTERN AUSTRALIA

Western Australia's principal road funding problems relate to the shortage of Commonwealth road funds. Because of the deficiency in our Commonwealth grant, there is an overall shortage of road funds to meet the need to upgrade the road system throughout the State and in particular our road problems are of serious proportions in the mining export oriented Pilbara region where poor road conditions are hampering development.

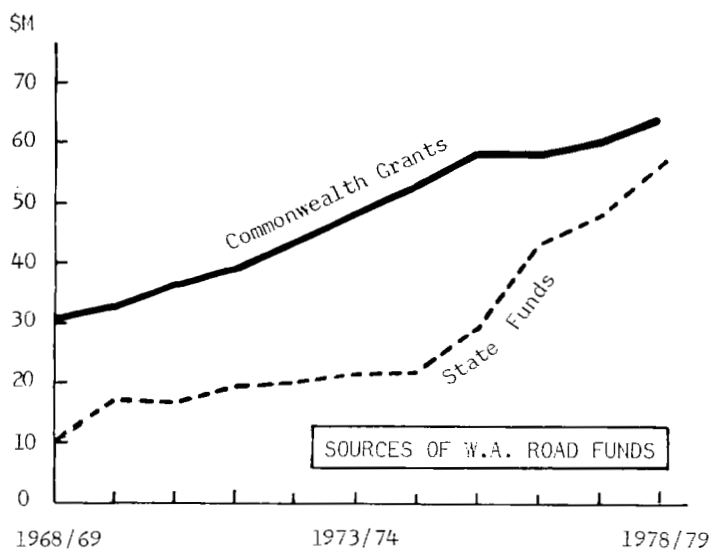
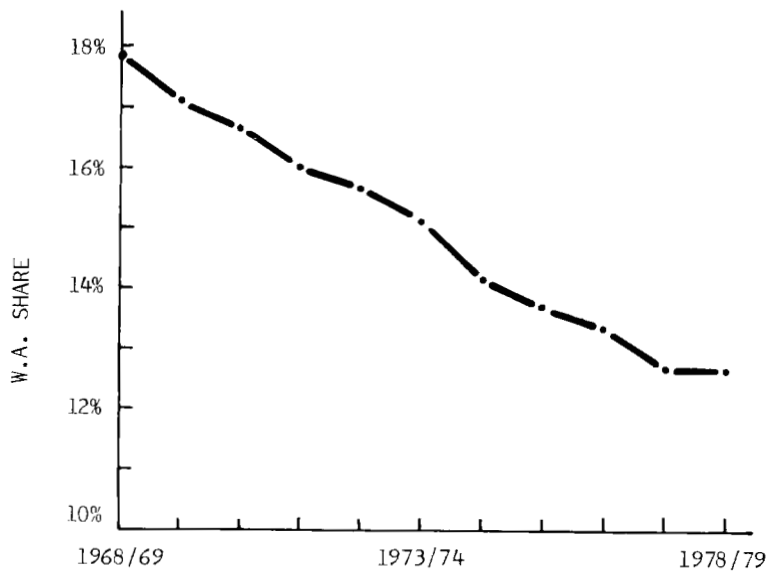
Western Australia has a road strategy which calls for necessary upgrading of the road system in both country and urban areas. Because of the overall shortage of Commonwealth road funds, the progress which can be achieved over the next few years will be far short of that which is considered desirable for the continued development of the State's road system. Given the present limitation of Commonwealth funds, many important projects will have to be staged over an excessively long period and many other important projects will have to be deferred. The communities living in the isolated inland Pilbara iron ore mining region towns will not be adequately served by sealed roads for many years and needed improvements to many roads in the southern part of the State will have to be deferred. Congestion will increase on many urban roads thereby impeding bus passenger traffic which is the principal mode of public transport in the metropolitan area. Overall road

conditions will gradually deteriorate, increasing the future backlog of needed improvements and making the future task of upgrading the road system much more difficult. This is a serious situation with both short and long term implications which could prejudice the development of the State.

There has been a serious deterioration in road funding by the Commonwealth Government to Western Australia in recent years and as the following analysis will reveal, this is the reason for the present severe road funds shortage which is retarding the development of the State's road system. The measure of the serious drift in Commonwealth road grants to Western Australia is illustrated in the following graph which shows that since 1968-69 its share of total Federal road funds has been steadily eroded from 17.96 per cent in 1968-69 to only 12.67 per cent at the present time.

Since the year 1975-76 the total Commonwealth road grants to the States has been increased from \$423.9m for the year 1975-76 to \$508m for the 1978-79 year, an increase of 19.8 per cent. In the same period the Commonwealth road grant to Western Australia has been increased from \$58.3m to \$64.4m, an increase of only 10.46 per cent. This increase of 10.46 per cent can be compared with the increase in the C Series Price Index for the corresponding period. This Index increased by 25.04 per cent for the two years between 1975-76 and 1977-78 and if the increase for 1978-79 corresponds with the Commonwealth estimate of 6.95 per cent for road cost inflation, then the total increase in the Price Index since 1975-76 will be 33.7 per cent. To maintain the Western Australian road grant in real terms in accordance with this Index, Western Australia should be receiving \$77.9m this year instead of \$64.4m with the result that its road grant has been eroded in present day prices by more than \$13m.

In contrast to the small percentage increase of 10.46 per cent in our Commonwealth road grant in the three year period 1975-76 to 1978-79, funds allocated to road works from Western Australian State Government sources have increased from \$35.6m in 1975-76 to



\$53.8m for 1978-79. As shown in the following graph, this increase of 51.1 per cent is a realistic indicator of the recognition and high priority given by the State Government to the pressing road needs of this State.

The Commonwealth Government has been guided in making road grants by the recommendations in the Bureau of Roads reports, but the Bureau's evaluation techniques did not appear to take into account the contribution of this State to the national economy and the vital role played by roads in developing and processing the State's resources. The Bureau's evaluation techniques were heavily orientated to road user benefits and did not appear to make proper allowance for social benefits and development potential.

If Australia is to maintain its present high living standards, its export income must be increased by encouraging those industries which are competitive on world markets. Western Australia's Pilbara region is in a unique position. It is already making a substantial contribution to Australia's export earnings and has tremendous potential for further expansion for iron ore mining and the development of natural gas and petroleum resources. It is important to note that the iron ore mining industry is economically viable by world standards and does not shelter under a protective high tariff barrier in contrast to the pattern applying to many other industries in Australia. With only 8.4 per cent of the population, Western Australia produced 22 per cent of the total value of Australia's exports in 1976-77. Western Australia's per capita export earnings are more than 2½ times the national average. The production of iron ore in the Pilbara for the year 1977-78 had a total value of \$912m and accounted for 85 per cent of the total production of iron ore in Australia. The annual value of iron ore exported overseas from the Pilbara was \$847m, representing as much as 92 per cent of Australia's iron ore exports. These massive exports benefit the entire nation and are a strong argument in favour of increased Commonwealth funds for road development in the Pilbara region.

Between 1968 and 1977 the Hammersley Iron Ore Company alone paid \$235m in Federal taxes. It is clear that more of this should be ploughed back into the Pilbara in the form of road funds, thus attracting more investment and still more income. It has also been estimated that investment in the North West Shelf Gas Project will be of the order of \$3000m which equals the mammoth sum already invested in the Pilbara iron ore mining industry. It has also been estimated that Commonwealth Income Tax receipts from the North West Shelf Gas Project will be of the order of \$171m per year by 1986 and this will rise to \$286m by the year 2006. Roads stimulate development. In a vast remote area such as the Pilbara roads provide access for trucks, the only heavy transport medium which has the flexibility required for building and commissioning large developments.

Of paramount importance but often unrecognised in evaluation studies is the essential social role played by roads in such areas. Social factors have an enormous influence on economic development and mining operations. The Pilbara, mainly because of its relative isolation, carries a record of poor industrial relations. The frequent and sometimes long disputes certainly reduce the attractiveness of the area to investment capital for further resource and industrial development.

Much of the industrial trouble concerns living and working conditions. Although many of the towns in the Pilbara have very good housing and amenities, largely provided by the mining companies, the isolation of towns from each other and from the capital city and the coast poses a very serious problem. Good sealed roads would largely alleviate this problem as people would be able to use the freedom of their own motor cars for recreation. Good road links with the south would allow Pilbara families to travel to Perth and relatives to visit the north. This opportunity for exchange between inland oases and other centres is of immense social value, reducing the overwhelming atmosphere of isolation and leading to a more stable and contented population.

By the end of this year we will have two bitumen links between the Pilbara and the south: the North West Coastal Highway and the Great Northern Highway to Newman. The urgency now shifts to the intra-Pilbara links, the roads which complete the all-weather network, without which access to the inland will always be in doubt.

To complete the National Highway link from Newman to Whim Creek would cost in the vicinity of \$75m in 1977 prices. To provide a link from this to the Hamersley towns of Paraburdoo and Tom Price would cost an additional \$10m. A link westwards from these towns to the North West Coastal Highway would cost about \$22m and a sealed access road to Pannawonica would cost about \$3.9m in 1977 prices.

The cost of achieving an adequate network of sealed, all-weather roads linking the major mining centres with each other and the ports is estimated at \$135m in 1977 prices, which amounts to an estimated \$188m in actual prices if carried out over seven years. Unless there is a substantial boost in road funding for the Pilbara, progress will continue to be slow and the road network will for the foreseeable future fail to match the importance of this region to the nation.

Existing road funds available in Western Australia must be committed as a contribution towards our backlog of road needs throughout our vast State. We have indicated that road progress which can be achieved with available funds over the next few years is far short of what is desirable. People in the inland Pilbara towns of Newman, Paraburdoo, Tom Price and Pannawonica will not be adequately served by sealed roads for many years and road conditions throughout the State will deteriorate. There will be an ever increasing backlog of road projects and the prospect of achieving an adequate road system in the future will become more and more remote. This is a serious situation with both short and long-term implications which will prejudice development of the State.



Western Australia is facing a road funds shortage at a time when a stimulus is required to lift production and employment from the present conditions of stagnation. The State Government has taken the necessary action to sharply increase its road expenditure effort to meet its share of responsibility. The initiative is now firmly in the area of responsibility of the Commonwealth Government to recognise the importance of the North West to Australia's future and provide for a road system which matches this importance.

#### FUNDING ARRANGEMENTS FOR ROADS

- (a) Should there be any Variation to Existing Road Grant Categories and for what Reasons?

The present system, which involves eight road categories, is unsatisfactory. The worst feature of categorisation is that allocations to the individual categories are determined by the Federal Government without regard to States' views and indeed to road needs determined by the Australian Road Survey. The Commonwealth's interpretation of road needs is often different to that of the States, and in these cases results in a serious imbalance in State road programs.

The States' determination of road priorities is based not only on the Australian Road Surveys, but upon a consideration of the total funds available from all sources, and a detailed and intimate knowledge of the road system and local authority needs. This knowledge cannot be matched by Commonwealth officers, who are remote from the local scene. State programs are frequently thwarted by the present system of eight categories in which the Commonwealth raises and lowers allocations without any regard for State priorities. The following tabulation shows examples of these shifts in Commonwealth policy:

	73-74 \$M	74-75 \$M	75-76 \$M	76-77 \$M	77-78 \$M	78-79 \$M
Rural Local Roads	15.59	9.92	10.86	12.13	14.40	15.40
Urban Arterial Roads	18.09	19.04	21.92	20.50	11.20	11.98

Categorisation of grants has not, in Western Australia, provided any advantages but as stated above, it tends to distort programs and imposes additional and unnecessary constraints upon the State.

Western Australia believes that there should be only two categories - national highways and other roads. It is recognised that the Commonwealth Government has a role to play in co-ordinating the development of the national highway system and for this reason it accepts national highways as a special category.

- (b) In which Grant Categories have Variations in Levels of Total Funding (ie from all Sources) and Variations in the Level of Commonwealth Grants had the most Impact and what are those Impacts?

Since 1974-75 funds for national highways have increased considerably. While this has had a beneficial effect on the development of the national highway system it has been at the expense of arterial roads as shown in the following tabulation:

	1974-75 \$M	1978-79 \$M	Change
National Highways	9.77	13.60	+39.2%
Rural Arterial Roads	12.00	6.45	-46.3%
Urban Arterial Roads	19.04	7.70	-59.6%

Amounts are in 1974-75 prices

The reduced Commonwealth funds for arterial roads has necessitated a large reallocation of State funds. Even so, the development of arterial roads has been retarded and the backlog of needed road improvements has increased. In the Pilbara urgent road development for the iron ore industry has been delayed while in the Perth metropolitan area improvement of many urban arterial roads has been delayed.

(c) What are the Effects in your State or Territory of the Standards Adopted for National Highways?

The standards for national highways on lightly trafficked sections in remote areas of Western Australia are considered to be too high. Using these standards has meant a disproportionately high expenditure on lightly trafficked roads such as between Meekatharra and Newman. On these roads the present standards could not be justified economically and in the future Western Australia will make use of the provisions in the standards for stage construction. By adopting a policy of stage construction it will be possible to complete sealing of lightly trafficked sections of the national highway much earlier than would be possible with the present standards and at the same time optimise benefits to the community.

(d) Indicate your Priorities for the Finalisation of the Declared National Highway Network in your State or Territory

The Meekatharra-Newman section of the Great Northern Highway will be completed this year and work is in progress between Goldsworthy and Broome. The remaining sections of the national highway system to be constructed and sealed are between Newman and Whim Creek and between Fitzroy Crossing and Halls Creek.

Much work also needs to be done on sealed sections of the national highway many of which were constructed several years ago and are inadequate for present traffic volumes. Projects which must be considered in the next few years are:

Perth Darwin

Midland-Wubin	- Widening and some reconstruction
Wubin-Meekatharra	- Widening
Meekatharra-Newman	- Reconstruction of old narrow section north of Meekatharra
Newman-Whim Creek	- Construction
Port Hedland Bypass	- Construction

Hedland-Broome	- Construction
Fitzroy Crossing-Halls Creek	- Construction
Halls Creek-Wyndham	- Widening

Perth Adelaide

Perth-Northam	- Widening and some construction on new alignment
Northam-Coolgardie	- Reconstruction of sections
Eyre Highway	- Widening

(e) Are there Other Parts of your Road Network which should be Considered for Declaration as National Highways or National Commerce Roads and what should be the Basis for such Declarations?

No extension of the national highway system is required in Western Australia at the present time.

With respect to national commerce roads, three mineral development projects that are now being planned will require extensive road construction that could meet the Commonwealth Government's criteria for national commerce roads.

Agnew Nickel	Construction of 131 km of road between Leonora and Agnew
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Yeelirrie Uranium	Construction of approximately 125 km of road to serve the Yeelirrie project
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North West Shelf	Construction of a new road north of Dampier. 15 km-25 km in length depending on development decisions. This work will be very expensive because of the terrain.
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The actual timing of these projects is not yet known but it is likely that work on these roads may start within 2-3 years.

## ROAD FUNDING AND ACCIDENT COSTS

Are there any Ways whereby changes in Road Funding Arrangements might have Significant Impacts on the Pattern of and Costs Attributable to Accidents?

The Commonwealth Bureau of Roads 1975 report said ...

"If resources are diverted from roads indefinitely, while traffic continues to grow, then road allocations will need to be boosted substantially in future years to catch up the backlog of road requirements. Our analyses indicate that there is already a substantial backlog of worthwhile road projects. We are concerned to see that road allocations now resume a more normal growth at all levels of Government."

But road allocations did not resume a more normal growth at Commonwealth level with the result that the backlog of needed improvements has increased and the road system deteriorated.

Funds for MITERS type improvements allow trouble spots to be made safer but cannot provide the sort of improvements which could be achieved by overcoming the backlog and providing adequate arterial type roads.

Experience in the last twenty years has demonstrated the greatly improved safety record of arterial roads with control of access and divided carriageways. If the Federal Government really wants to improve road safety then the level of funds for arterial roads, both urban and rural, should be increased sufficiently to allow a program of improvement which will eliminate the backlog of worthwhile projects in a reasonable period of time.

## ADMINISTRATION

The fact that Commonwealth funds cannot be spent without the approval of the Commonwealth Minister has led to a cumbersome

system of approvals. There does not appear to be any evidence that the 1974 and 1977 Acts, with their erosion of the planning and programming powers of the State road authorities, have achieved better road expenditure practices than those under the previous Commonwealth Aid Road Acts when there was no requirement for Commonwealth approval of projects.

The Commonwealth is too far removed from the local scene to exercise any beneficial influence on State road projects. The present system merely generates a large administrative load, which is costly, time consuming and frustrating but with no compensating benefits.

The State is in a position to determine priorities and to decide on design standards and other details. This expertise has been accumulated over more than fifty years. The Commonwealth should recognise it by not requiring the States to seek project approvals but leave them to get on with the job.

#### 4.2.6 Tasmanian Department of Main Roads

We refer to your letter of 8th September, 1978 seeking comments on a number of issues relating to road development strategy and road funding arrangements. We propose to comment only briefly as follows:

##### ROAD DEVELOPMENT STRATEGY

###### (a) Main Features

- (i) For urban arterial roads, works programs are based on the reports of reviews of transportation needs in Hobart and Launceston. The Launceston Transportation Revision was completed during 1977 and the report has been adopted in principle by the State Government and local government authorities in the Launceston area. The Derwent Region Transportation Study is reviewing transportation needs in the greater Hobart area and the final report is expected to be completed early in 1979.
- (ii) For national roads, an investigation has commenced to identify candidate projects, determine priorities and develop short and long-term programs for improvements to the national highways linking Hobart, Launceston and Burnie. The Road Division of the Commonwealth Department of Transport has been invited to nominate an officer to attend meetings of our investigating committee and it is expected that an interim report will be available early in 1979.
- (iii) For rural arterial roads, a study has been initiated and a draft report produced. This draft report is now being reviewed within the Department. When completed the study and its final report will provide a basis for development of works programs for improvements on

rural arterial roads throughout the State. The existing draft report is an internal departmental document and is not available for public distribution.

(b) Effect of Present Funding Levels

From indications apparent in the studies and investigations made to date, it is clear that the present level of funding for national highways is sufficient for the needs on these roads. It is also clear that the present levels of funding for both urban and rural arterials are seriously deficient for the needed improvements of roads in these categories. The present levels of fundings for urban local and rural local roads and for MITERS are generally sufficient provided indexation is applied to allow for increases in costs.

FUNDING ARRANGEMENTS FOR ROADS

(a) Existing Categories

The present categories are generally satisfactory and no variations are considered necessary.

(b) Impact on Funding Levels

The diversion of funds by the Commonwealth away from urban and rural arterial roads to national highways has had two effects.

- (i) On national highways the level of Commonwealth funds has enabled major works to be done without deployment of funds from State sources.
- (ii) On urban and rural arterial roads, the reduction in the level of Commonwealth funds has had a crippling effect on road system improvements needed in these categories. Increased funds from State sources, including significant



amounts of loan moneys, have been provided to augment Commonwealth funds but the total amounts from all sources are insufficient for the roads needs in these categories. The overall impact is a serious retardation of necessary works programs with some projects deferred and others proceeding at a slow uneconomic rate due to lack of sufficient funds.

(c) Effects of Standards for National Highways

The guideline standards for national highways are higher than the State would generally adopt for rural arterial roads with similar traffic volumes and application of these higher standards in all situations, particularly in difficult terrain, would increase construction costs to an excessive extent relative to the benefits to be gained. However, in cases where full compliance with the standards would involve excessive costs, it has generally been possible to reach agreement for adoption of appropriate lower standards and/or design for staged development.

(d) National Highway Priorities

As indicated above, an investigation is now in progress to determine priorities and develop programs for national highways for the period 1980-81 to 1989-90. The immediate priorities for major works are:

- (i) Continuation and completion of reconstruction of the Midland Highway from Mangalore to Oatlands.
- (ii) Continuation and completion of the Ulverstone By-pass.
- (iii) Commencement in 1980-81 of the new roads required to link the Midland and Bass Highways near Launceston.

The priorities of other major works such as the Deloraine By-pass, improvement of the Bass Highway between Latrobe and Devonport and between Devonport and Ulverstone, reconstruction of the Bass Highway between Penguin and Burnie and construction of the Burnie Highway system Stage B will be determined by investigations now underway.

(e) National Roads Declarations

(i) National Highways

The present Act defines the national highways in Tasmania as the principal roads linking Hobart and Burnie. The State has always maintained that the definition should be the principal roads linking Hobart, Launceston and Burnie and Launceston and the major port of Bell Bay. The omission of Launceston in the definition has been overcome by declaration of the proposed new roads linking the Midland and Bass Highways near the city but the omission of the principal road linking Launceston and Bell Bay still remains.

At present the East Tamar Highway linking Launceston and Bell Bay is declared as the State's only national commerce road and is being improved slowly using funds from that category. When these limited improvements are completed in two or three years time, the highway will then revert to the rural arterial category.

Except for the omission of the link from Launceston to Bell Bay, the existing declarations of the Midland and Bass Highways and the Launceston link roads as national highways are satisfactory bearing in mind the needs for improvements on those roads and the level of funds likely to be provided. There is some local pressure for the declaration of the Bass Highway to be extended westwards from Burnie to Somerset or Wynyard but

declaration as a national commerce road might be more appropriate.

(ii) National Commerce Roads

As mentioned above, the East Tamar Highway connecting Launceston to the port of Bell Bay is at present the only declared national commerce road in the State. There are a number of other roads in the State which could warrant declaration as national commerce roads. These include -

- . The West Tamar Highway from Launceston to the port facilities at Beauty Point.
- . The Batman Developmental Road linking the East and West Tamar Highways (and hence the ports at Bell Bay and Beauty Point).
- . A section of the Bass Highway from Burnie westwards.
- . The Freestone Point Developmental Road linking the Tasman Highway and the major woodchip plant and ship loading terminal at Freestone Point.
- . The Waratah and Murchison Highways.

At present all the funds provided for the national commerce road category are being used for limited improvements to the East Tamar Highway. Until such time as the East Tamar Highway is declared a national highway or the level of funds for national commerce roads is increased considerably, there is little point in declaring any other roads under this category.

## 5. ASSOCIATIONS OF LOCAL GOVERNMENT ASSOCIATIONS

### 5.1 Originating Letter to Association of Local Government Areas

Dear Mr.

The Bureau of Transport Economics is currently preparing a report for the Minister for Transport to assist the Commonwealth Government in its consideration of grants of financial assistance to the States in connection with roads and road transport. As part of its investigations the Bureau is seeking views and information from State and Territory Departments of Transport and Road Authorities and from organisations of Local Government Authorities.

Accordingly the Bureau invites your organisation to submit in writing any views together with any supporting information on any matters you consider pertinent to our investigations.

One of the concerns expressed by Local Government Authorities in their submissions to the Bureau of Roads in 1975 was the inadequacy of financial assistance they receive from other levels of government. Since then there have been changes in financing arrangements between other levels of government and local government, including general revenue assistance grants from the Commonwealth.

Comment on those matters would be helpful and we would particularly appreciate comment, together with supporting information, on the issues outlined below. In your submission would you identify the issues which affect rural local government differently from urban local government?

(a) Changes in grants to Local Government since 1975

The impact on these changes, particularly on

- (i) level of rates and other general charges
- (ii) loan raisings and repayments
- (iii) charges of local authority public enterprises
- (iv) the levels and directions of expenditures in general
- (v) the levels and direction of expenditures on roads by types of works, eg. maintenance, construction and reconstruction, traffic management.

(b) Future financing of Local Government road expenditures

Anticipated changes in the level and direction of local government road expenditures in 1978-79 and 1979-80, and the expected sources of finance for those expenditures.

(c) Grant categories

Should there be any variation to existing road grant categories, and if so for what reasons?

I would appreciate your reply by the end of October.

Yours sincerely,

G.K.R. Reid  
Acting Director

## 5.2 Submissions from Associations of Local Government Areas

### 5.2.1 Local Government Association of N.S.W., Shires Association of N.S.W.

#### INTRODUCTION

The Local Government and Shires Associations represent all of the general purpose local authorities in New South Wales, and are therefore in a good position to comment on road needs across the State.

In our view, the ability of local government to continue construction and maintenance of its own road network is being seriously eroded.

This submission will show that even with changed financial arrangements under what has been tagged the "federalism policy" of the Commonwealth Government, road improvements are declining because of inadequate funding. Cost pressures are increasing, and grants are decreasing in real terms.

The submission will also comment on other issues such as the inadequacy of the present road category system; the announcement of road grants; and the need for continuing road needs surveys.

#### THE PRESENT SYSTEM

Before developing our argument, it is necessary to comment briefly on the present roads position. At the moment, 85 per cent of the New South Wales road network is the fiscal responsibility of local government. Roads within this network are classified as functional classes 8 and 9 in urban areas (urban local), and 4 and 5 in rural areas (rural local). Councils are also required to build and maintain part of the class 7 and 3 roads - the arterial system. Funding for construction and maintenance is derived from all three arms of government. The source of these funds is interesting - in 1977/78, local government supplied 43 per cent of

the expenditure from its own sources; the State Government 22 per cent, and the Commonwealth 19 per cent, with the balance from council raised loan funds<sup>(1)</sup>.

#### ROAD FUNDS IN A FEDERALISM CONTEXT

Since assuming office in 1975, the Commonwealth Government has made much of its federalism policy - that is, the devolution of responsibility to the most appropriate level of government. The emphasis was to be on "co-operation not conflict, partnership not domination"<sup>(2)</sup>. This implies a new approach to fiscal relations - but no progress will be achieved until the issue of fiscal equity is resolved, and the Commonwealth Government allocates resources and sets priorities having regard to the implications for other levels of government.

This is particularly true in the context of roads. The decision to divert major funds from the arterial and local system, to national highways in 1973-74, for instance, created expenditure crises for the local government road system from which it has not recovered. That sort of decision should not be made without full study and consultation.

A further result of this change in priorities has been a shifting of the burden for funding arterial roads on to the State. This produces a reluctance on the part of that Government to declare new arterial roads because its own revenue base is limited. This leaves local government to pay for what have become in effect major arteries, through changing traffic patterns and congested main roads forcing vehicles to find alternate routes.

Federalism implies a working together for all three arms of government. In New South Wales, there is the unique position of

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(1) Source: ACLGA Roads Survey, 1978.

(2) Liberal and NCP Federalism Policy, September 1975.

rate revenue being monitored by the State Government. This immediately places limits on the level of funds which can be spent on high expenditure, capital intensive works such as roads. Despite obvious needs, councils may be constrained in their decisions to spend on their road systems, which must compete for funds with other vital works.

In addition, while revenue-sharing grants come to councils free of strings, it is our contention that there is an implied use to which these moneys should be first allocated - in the words of Senator Carrick, then Minister Assisting the Prime Minister in Federal Relations, the 1977-78 grants meant that "Councils should not have to increase rates"<sup>(1)</sup>. This sort of comment raises expectations in the minds of ratepayers which councils cannot ignore, with obvious implications for local government expenditure patterns.

Any genuine federalism policy must recognise the different levels of revenue-raising capacity of each arm of government. Both Commonwealth and State Governments have access to road-related expenditure - the first, through fuel tax (of which more will be said later), and the second, through motor vehicle taxation and road maintenance tax.

Local government has access to no such money on its own account. Its principal revenue source is rates - that is, a locally based property tax. There is no question about the equity of local people paying for local roads, but there is also no doubt that much of the benefit accrues to through traffic. This is particularly true in New South Wales where the State Government decision not to proceed with a number of freeways has placed a heavy burden on an urban street system already stretched beyond its capacity.

In our view, if a level of government makes a decision of that nature, then it should be prepared to take the monetary responsi-

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(1) Press Release by Senator J.L. Carrick, August 1978.



bility for it. That would mean increased funding for the local road system to allow proper maintenance and construction to cope with greatly increased traffic volumes, generated largely by decisions taken at levels other than local government.

#### THE ARGUMENT FOR ROAD FUNDING INVOLVEMENT

Since 1947, the national Government has recognised the need to return funds to local government for expenditure on roads. Benefits from an adequate local road system accrue to the whole community, so grants are provided from general taxation revenue.

Beneficiaries are not only motorists, but the citizens at large because our whole economic and social structures depend on roads. In the country, they provide a vital link between property and town for the whole range of services; they contribute to the economic prosperity of the nation in that they carry farm produce to markets. This is equally true of urban roads.

Some rural councils would see roads as being of equal importance to the provision of health and welfare services; indeed, without adequate roads, there would be many times in a year when people could not have access to these services because of flooded creek crossings, impassable natural formation surfaces, and the like.

Finally, a national asset has been created which must be maintained and improved if for no other reason than preservation of that resource.

#### ROADS GRANTS ACTS

Grants for rural local and urban local roads under the Roads Grants Act 1974 and States Grants (Roads) Act 1977 have been as follows, since 1974:

Rural Local Roads (\$m)

(1973 CAR Act: 21.64)

1974	16.87
1975	16.48
1976	18.2
1977	25.8
1978	27.6

Urban Local Roads (\$m)

1974	2.0
1975	3.3
1976	4.6
1977	7.4
1978	7.6

For purposes of convenience, these categories of road will be discussed separately.

RURAL LOCAL ROADS

For the period of operation of the above legislation, Commonwealth funding for this category has increased by 63 per cent - but, in money terms, it took until 1977 to restore the funding position to that of the last year of operation of the CAR behind that of 1973 - while costs have increased out of all proportion. The Road Price Index, for instance, has risen 109 points between 1973 and 1978<sup>(1)</sup>. Wages have increased over 50 per cent during the period; plant replacement costs have also increased by approximately 35 per cent. In real terms, the 1978-79 grant barely restores the 1973 position.

Against this background, consideration must also be given to the fact that councils in rural areas have been severely affected by declining levels of real income, taxable capacity and declining

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(1) Source: DMR Annual Report, 1977-78.

population, leading to a decline in total real expenditure - including roads<sup>(1)</sup>. With the forecast upturn in farm income<sup>(2)</sup>, this trend may be averted, but a declining population still requires the same level of road maintenance, with a smaller rate base to pay for it.

With recommendations for new grant levels due, it is appropriate to examine the effectiveness of past grants, in terms of work done. Between 1974 and 1976, a survey indicated that new construction, and maintenance work had actually declined, despite increased funds (in cash terms). Although there was a substantial increase in 1977 over 1976, a telephone follow-up indicated that the position was holding but not improving<sup>(3)</sup>.

These Associations have consistently argued for the Commonwealth Government to accept the recommendations of the then Bureau of Roads, which suggested the following levels of grants in respect of rural local roads<sup>(4)</sup>:

	<u>Grant</u>	<u>% Increase</u>
1978-79	\$42.5m	
1979-80	\$47.7m	12
1980-81	\$53.0m	11

Nothing has occurred to change that view.

The Minister for Transport, the Hon. P.F. Nixon, M.P., has indicated that grants will continue to be indexed to the inflation rates; meaning an effective nil increase since that decision was made in 1977. This is in the context of increased fuel taxes (yielding an additional \$772m in the current financial year), and a sales tax reduction on new motor cars designed to put more vehicles on the road.

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- (1) Rural Local Government Study, EHCD, p.32.
  - (2) Bureau of Agricultural Economics: Farm Incomes and Forecasts, June, 1978.
  - (3) Shires Association & Local Government Association of New South Wales. Local Roads in New South Wales, 1977.
  - (4) Bureau of Roads: Roads in Australia - 1975.

These facts illustrate clearly that the Government's priorities are to hold down road grants whilst stimulating the local car manufacturing industry and encouraging greater road use - leading to heavier wear and tear with more expensive maintenance and reconstruction.

We can only return to our earlier statement that levels of government, in a federalism context, should be prepared to reimburse other levels for the consequences of their decisions.

One of the most serious problems facing the Government is that of unemployment. Consistent with its policy of reducing inflation with the objective of producing a private sector led economic recovery, there has been a reluctance to inject funds into any unemployment relief scheme.

We see the road funding area as being an ideal one for stimulating economic growth. Road works are labour intensive. With bigger grants, more men can be employed on vital projects. Increased grants can also spill over into the private sector in the form of orders for new plant and equipment - many councils in the country areas let their plant resources run down when grants were cut in 1974, and have not returned to the earlier levels.

#### URBAN LOCAL ROADS

This category first received funding in 1974, and the Associations have continued to express appreciation for the Commonwealth's recognition that a serious deficiency existed in this area. The money is little more than a token, however, for areas such as Newcastle and Wollongong, and the high growth areas fringing Sydney, where rapid expansion has meant existing roads, are totally inadequate to handle present day requirements.

The total urban local road length is almost 17 000 km. \$7.6m spread over 49 councils represents only a small percentage of the funds spent on urban local roads. This imbalance between rate

derived funds and grants, is inequitable because the local community is not the sole user of the local road system. Ratepayers are having to find money to pay for wear and tear on these roads caused by transit vehicles, whose owners contribute nothing. Why should a ratepayer in Parramatta pay for the damage caused to his local streets by traffic generated, say in Burwood? The fact that a small grant is available does show recognition of this equity problem by the Commonwealth. In our view, though, it is not nearly sufficient when all of the other demands placed on the ratepayer dollar to fund genuinely local concerns, are taken into account.

Until the main road system in the Sydney, Newcastle and Wollongong areas is improved, more and more traffic will be diverted on to the local street system because of congestion on arterials. This is a telling argument in favour of shifting more of the burden away from the ratepayer and placing it where it belongs - on the community as a whole.

The same problems which bedevil the rural local system apply with equal force to the urban: ever increasing costs of machinery, materials and wages. It is also arguable that the reduction of sales tax on cars will hit the metropolitan areas hardest, for that is where the greatest concentration of the population is located. Merely tying grants to the inflation rate will do nothing to alleviate the situation. What is needed is a re-assessment of them to a realistic level, taking into account the inflation rate, the road price index, wage indexation, and the index covering heavy construction equipment. Using 1978-79 as the base year, the groundwork would then have been laid for a proper figure.

#### FUEL TAX COLLECTIONS

So far, we have argued that the level of grants for both rural and urban local roads is inadequate to do more than restore the

situation to that of five or six years ago. We have an expensive national asset which is being allowed to waste through lack of resources.

We would strongly urge that the increases in grants we believe are more than warranted, should come from fuel tax. Up to 1959-60, fuel tax and road grants were linked; this situation should once again prevail.

Fuel tax is a lucrative revenue source for the Commonwealth; in 1976-77, for instance, total collections were \$941.8m (of which \$378.9m came from New South Wales). The 1978-79 budget increased the tax to collect an estimated additional \$772m.

In New South Wales, the Commonwealth collects more than three times as much in fuel taxes as it returns to roads<sup>(1)</sup>. This contrasts with the situation in the United States, where almost all fuel tax is put back into roads expenditure<sup>(2)</sup>.

The arguments for and against this proposal have been put many times and we do not intend to reiterate them here; suffice is to say that in our view, the case for relating road grants to fuel tax collections far outweighs the case against.

#### FUTURE FUNDING EFFORT

A further issue on which the Bureau of Transport Economics has sought comments, relates to future funding of local government road expenditures.

We have already canvassed the issues involving the rural areas; where revenue-raising is affected by seasonal conditions. There is nothing to suggest that this situation will change; indeed, one study has suggested that revenue-raising capacity overall has

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- (1) Financing Australia's Roads - A Dismal Failure. E.A. Huxtable. IRF Australian Road Conference, 1978.
  - (2) Sources of Road Funds in Australia - Past, Present and Future. J. Vance. IRF Australian Road Conference, 1978.

declined relative to more urban areas, and in many areas absolutely<sup>(1)</sup>. This has obvious implications for local governments' ability to raise the necessary revenue to carry out a feasible program of road works.

The situation is not as severe in the metropolitan area, although there is a wide variation between the revenue-raising capacities of councils located in high growth areas, and those on the fringes of the central business district, where growth rates are slow or even static. That having been said, in our view, rates should continue to be the basis of funding for roads used purely for local purposes, but the Commonwealth and State Governments must be prepared to play a much wider role in the financing of the local system carrying "through" traffic.

It must also be remembered that, when relative capacity of the three levels of government is taken into account, local government shows the least ability in respect of road expenditure because of the very restricted nature of its revenue base<sup>(2)</sup>. This should be taken into account in any consideration of increased local road grants levels by the Commonwealth. The Bureau of Roads study already referred to, suggested that local government's capacity in respect of increased road effort, should be around 3 per cent of the total compared to the Commonwealth's 11.7 per cent.

#### OTHER ISSUES

The Bureau has asked for views on any other issues appropriate to road funds, and the proper planning and provision of a major resource.

#### ROAD NEEDS SURVEY

Reliable data on roads is sketchy. Proper decisions on the level

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(1) Rural Local Government Study, EHCD 1978.

(2) Commonwealth Bureau of Roads: Report on Roads in Australia, 1975.

of grants can only be made in the light of knowledge of the needs of particular categories, and no proper "stock-take" has been carried out since the NAASRA study in the 1960's.

To provide optimum benefit, the exercise should be carried out every three years, to allow the right amounts of money to be allocated to areas of greatest need. This should be a function carried out by the Bureau, funded perhaps from fuel taxes.

#### TIME SPAN FOR ANNOUNCEMENT OF GRANTS

A significant problem is created for councils' forward planning by the lack of knowledge of grants figures over a specific time cycle, by category. The Minister for Transport has indicated to us that in his view, some security is provided by knowing grants will increase annually at the same level as the inflation rate. This is not sufficient. Councils should know, over a period of at least three years, how much they are to receive in money terms. This would allow proper utilisation of plant and manpower and promote efficiency. The present stop-go nature of road programs would also be prevented.

Should this view not be accepted, at the very least annual grants should be announced in good time before the end of the previous financial year. There must not be a repetition of the situation which occurred in 1978, when councils were still wondering in August what their allocation for the 1978-79 financial year would be.

#### CATEGORIES

Problems exist in relation to class 7 roads (sub-arterials), and class 3 (rural arterials). At the moment, urban councils must provide funds for a number of class 7 roads, but they may not spend urban local road moneys on them. The State Government is allowed to spend urban arterial grants on them but has not done so because it accords higher priority to class 6 roads. This means



class 7's are in a sort of limbo, and the ratepayers have to fund entirely parts of a category of road which is very definitely not a local responsibility.

In our view, this situation could be improved by the sub-division of class 7 into 7(a) and 7(b). Class 7(a) would include roads of a lower order than class 6, but still supplementing in a major way the arterial system. They would become a State responsibility and attract urban arterial funds. Class 7(b) would contain roads of a lower order than class 7(a), distributing traffic to the local street system. They would be eligible for urban local road expenditure.

A somewhat related position occurs in the larger country centres - those with populations of 10 000 and above. They, too, have smaller scale but similar problems to urban municipalities in that their road grants may not be spent on arterial classified roads which are carrying increasing traffic volumes, and funded out of state revenue. We suggest that the position in respect of country centres having populations of over 10 000 be examined, with a view to allowing grants to be spent on roads classified arterial but which are maintained and constructed by local government.

## CONCLUSION

Throughout this submission, we have contended that grants for urban and rural local roads are inadequate, and must be increased to a level consistent with maintaining a satisfactory road network in New South Wales. We have deliberately refrained from being too specific about a level of funding, because we believe that it is important to put the issues involved before the Bureau; a good starting point, however, would be using the recommendations of the 1975 Bureau of Roads in respect of 1978 - 1979 as a base for rural local roads; and the actual urban local grants for that year, and building onto those figures an amount covering inflation, movements in the road price index, heavy equipment index, and wage indexation.

We see increased returns to the road system from fuel taxes as being the most equitable means of achieving this objective, since that tax takes into account road usage and ability to pay.

Our comments on road needs surveys, announcement of grants and categories, are made in the light of experience based on remarks from councils actually involved in the day to day operation of building and maintenance of our State's roads.

### 5.2.2 Municipal Association of Victoria

#### STATEMENT OF RECOMMENDATIONS

1. Local government should remain responsible for the construction and maintenance of local roads.
2. An increased amount of financial assistance should be provided by the Commonwealth Government for roads.
3. Funds coming from the Commonwealth Government should be predictable.
4. That in the absence of local government receiving a percentage of total Commonwealth revenue, a fixed percentage of petrol/energy tax be made available by the Commonwealth Government for local government road responsibilities.
5. That in the absence of the State receiving a percentage of total Commonwealth revenue, a fixed percentage of petrol/energy tax be also made available to State Governments.
6. That a fixed percentage of State motor vehicle taxes, plus a proportion of the States share of petrol/energy tax, be made available to local government.
7. That MAVPLAN be introduced as an equitable solution to road funding.
8. That road grant categories be rationalised and standardised Australia-wide and that Commonwealth legislation should provide for not less than four categories of road funding.
9. That increased consultation take place between Commonwealth, State and local government on road funding matters in order to give effect to co-operative federalism.

10. That Commonwealth legislation be introduced to provide for at least a 5 year rolling program of road funding.
11. That functional road classifications adopted by Australian Roads Surveys be incorporated in Commonwealth roads legislation without a requirement that the Commonwealth Minister for Transport declare arterial roads after receiving a request from State Government.
12. That a roads need survey be conducted on a regular basis.

## INTRODUCTION

### Background

It is generally acknowledged that local government plays an important part in the provision of roads. Because of the widespread benefits of such an activity, local government maintains that no phase of road funding should continue to be purely a local financial responsibility. Municipalities, in addition to being road constructing authorities, are also responsible for maintaining all roads in their area. An examination of local government expenditure upon roads reveals that by far the greatest proportion of its expenditure is for maintenance and a very small percentage on improvements. Local government activity in the area of roads reflects the importance of this facility in the community, particularly in rural areas.

In Victoria the CRB should continue to act as co-ordinator of road construction and maintenance and be responsible for allocating available funds to municipalities.

### Object of Submission

Some kind of predictability and certainty needs to return to the issue of road funding. Local government must feel confident that it can start and complete its program with no fear of funds being

reduced or removed in the process. Not only does the flow of funds need to be predictable, they need to be increased in order that local government resources can be applied to its other activities.

They need also to reflect more the user/payer concept. The responsibility should be spread over a wider area rather than just being confined to local government.

#### IMPACT OF CHANGES IN GRANTS ON LOCAL GOVERNMENT SINCE 1975

##### Level of Rates and Other Charges

###### (a) Rural Areas

In the first instance Grants Commission allocations had little effect but, in subsequent years, the allocations have enabled councils to avoid or to minimise large increases in the level of rates or other charges. The advent of direct Federal financial assistance to local government helped avert what might have been a very serious financial dilemma for country municipalities caused by the downturn in the rural sector.

###### (b) Urban Areas

Although rate levels have increased markedly in some urban areas, this increase has been weakened somewhat by grants from the Commonwealth Government. In instances where road grants have decreased, urban councils have resorted to loan funds or deferral of programs.

Reduction in road grants has therefore not affected the rate level directly, whereas general grants have assisted in stabilising the level of rates. Some municipalities found that the level of grants was insufficient to meet the increased amount of road works and, as a result, the rate level had risen. Many councils adopted the policy that if no subsidy or grant was available, the project was postponed.

The level of government grants do affect the level of rates but in the final analysis councils strike a rate level that the community will accept as being reasonable.

#### Loan Raisings and Repayments

##### (a) Rural Areas

Loan raisings and repayments have largely been unaffected, save for a few municipalities which have resorted to loan borrowings to finance road works with the decline of road grants for their particular municipality. Loan raisings have increased dramatically in those areas, e.g. Horsham Division.

An increasing number of rural councils are now resorting to loans to finance road works. Slight increases in loan raisings for some municipalities have reflected difficult economic times in the country.

##### (c) Urban Areas

As a result of the shortfall of government grants for roads, a trend has developed for loan raising to be applied to road works and this is reducing the availability of loan funds for other capital projects.

Municipalities endeavouring to keep their debt redemption down to a minimum are resorting to the postponement of other services.

A limited number of councils have been unaffected by changes in government grants as they do not use loan monies for road works. However, those councils using loans for this purpose have experienced significant increases in loan raisings.

## Charges of Local Authority Public Enterprises

### (a) Rural Areas

Charges of local authority public enterprises have been unaffected in country areas as a result of changes in government grants. This type of activity does not apply in many areas.

### (b) Urban Areas

No significant changes have occurred in the urban areas either. Any effect would be slight and indirect.

## Level and Direction of Expenditure in General

### (a) Rural Areas

The levels of expenditure have been increased but not sufficiently to overcome inflationary losses. The direction of expenditure has changed to the extent that more funds have been spent in recent years on welfare work and on community facilities. Expenditure on roads, drainage and other similar services has also increased. The change in direction has been made possible by increased government assistance for specific projects (e.g. home help) but has not been influenced greatly by the Grants Commission allocations. In an effort to keep rate levels to a minimum, rural councils have adopted policies of providing the basic minimum service especially in regards to road works. Most councils which are providing many more welfare type services are doing so at the expense of road works.

### (b) Urban Areas

The direction of expenditure on roads has not changed all that markedly. However, the increase in demand for "personal" services has resulted in an increase in expenditure in these areas. In some instances grants available for other services have tended to

draw funds away from road works. Urban municipalities in the main spend more on "personal" services in proportion than rural counterparts. An increase in road funds would no doubt increase the number of proposed road works programs.

#### Level and Direction of Expenditure on Roads

##### (a) Rural Areas

New construction works have been negligible in recent years as available funds have only been sufficient to meet the needs of re-construction works on the existing road network. This trend is increasing.

In one instance (Shire of Benalla) council expenditure on roads had increased by 131 per cent, whereas grants had only increased by 101 per cent. Hence, that council was progressively spending more ratepayers' funds on road maintenance.

##### (b) Urban Areas

Insufficient funds for roads in the urban area has resulted in necessary works being deferred which has in turn caused an increase in expenditure of a routine maintenance nature. Because of the lack of construction funds, roads have been constructed on a staged basis and this has resulted in the escalation of maintenance costs. Traffic management has contributed to an escalation of costs.

#### Future Financing of Local Government Road Expenditure

##### (a) Rural Areas

Should present trends continue, which is expected, councils will have to contribute an increasing proportion of roads expenditure each year. It is expected that maintenance works will absorb an increasing proportion of those funds.



Rural councils' resources are somewhat limited in this area and when one considers the extent of road works which are necessary and the amount of finance required, it soon becomes clear that councils' resources are quite inadequate in some instances to meet present and future needs. Inadequately constructed and maintained roads will be the result.

(b) Urban Areas

In the urban areas, road expenditure is expected to increase as a percentage of rate income, the maintenance component taking precedence. The direction of expenditure will probably move towards traffic management schemes together with some upgrading of the existing main roads, particularly at intersections.

Increased funding for this work should be provided by other levels of Government by maintaining current level of motor registration fees and increasing the proportion of petrol taxes that flow on to councils.

Grant Categories

(a) Rural Areas

Most rural municipalities stressed the need for the adoption of a common functional classification of roads. In the interests of efficiency and simplicity, categories need to be made uniform. Some municipalities considered the existing Commonwealth road categories were sufficient while others favoured the Country Roads Board concept of "National Roads" and "Other Roads" with State Governments receiving funds for the latter "en bloc" to be allocated as the State deems appropriate. The introduction of a separate category, school bus routes, was also suggested.

(b) Urban Areas

Urban municipalities also considered that the road classifications

should be common to both Federal and State Governments. The present conflict of categories acts against an appreciation of the situation and equitable distribution of funds. Councils in general had complete confidence in the Country Roads Board's ability to allocate road funds and some advocated that road categories be reduced to "National Highways" and "All Other Roads". Other councils thought that three categories were adequate, i.e. National, State (Urban, Rural) and Municipal.

An opinion was expressed that the present classifications do not fully cover the inner suburban situation due to a wide range of traffic densities on the roads. Recognition should be given, for example, to residential streets carrying a large percentage of through traffic.

But as one council put it, there is little point in creating new categories or varying existing ones if no additional monies are forthcoming.

## OVERVIEW

### (a) Impact of Changes in Grants to Local Government

The consensus established from individual councils and division submissions would indicate some kind of dichotomy between rural and urban areas as to the effect changes in Government grants has had, possibly because of different activities and lifestyles of the two municipal categories.

The following table, extracted from the Victoria Grants Commission 1978 Report, illustrates the difference between rural and urban municipalities in the way they allocated their annual budget. Rural councils spend approximately 50 per cent of annual budget on roads, whereas urban councils spend only 25 per cent.

TABLE 1 - TOTAL FUNDS SPENT ON ROADS BY LOCAL GOVERNMENT AS COMPARED  
TO LOCAL GOVERNMENT TOTAL BUDGET - VICTORIAN GRANTS  
COMMISSION ANNUAL REPORT 1978

	Road Budget \$m	Total Budget \$m	%
Urban Municipalities (Cities, Towns & Boroughs)			
1974-75	54.61	299.31	18
1975-76	91.65	346.14	26
1976-77	121.68	421.63	29
	<u>267.94</u>	<u>1067.08</u>	<u>25</u>
Rural Municipalities (Shires)			
1974-75	58.90	113.82	52
1975-76	66.93	133.86	50
1976-77	78.71	157.71	50
	<u>204.54</u>	<u>405.39</u>	<u>50</u>

Increased revenue sharing and "personal" service type grants have assisted urban areas more than rural, whereas the diminishing amount of road grants have detrimentally affected rural areas. The advantage of changes in grants has possibly been capitalised to a greater extent by the urban municipalities. Direct Government grants have, however, assisted in the rural financial crisis and assisted with the rate stabilisation in urban areas.

The decrease in road grants in both the rural and urban municipalities has led to increased loan borrowing and/or deferment of road projects. The latter has generally been the case.

Although some Government grants have increased, grants as a whole have not increased at the same rate as rate revenue. This is particularly so in rural areas.

The following table summarises, on a CRB division basis, the movement in municipal rates and loan raisings over the period 1974-75 to 1977-78. The summary contained in Appendix No. 2

presents the same information but divided into urban (cities, towns and boroughs) and rural (shires) categories.

TABLE 2 - CHANGES IN RATES

Division	No. of Councils Surveyed	1974-75 \$'000	1977-78 \$'000	% Change
Bairnsdale	8	2 252	3 323	48 (Inc)
Ballarat	10	2 282	3 056	34 "
Benalla	19	5 421	7 670	42 "
Bendigo	8	2 925	3 525	21 "
Dandenong	6	9 308	14 703	58 "
Geelong	0	n.a.	n.a.	n.a. "
Horsham	14	4 750	6 165	30 "
Metro	17	34 914	50 836	46 "
Traralgon	5	2 576	3 272	27 "
Warrnambool	6	2 607	3 408	31 "
TOTAL	93	67 035	95 958	43 (Inc)

TABLE 3 - CHANGES IN LOAN RAISINGS

Division	No. of Councils Surveyed	1974-75 \$'000	1977-78 \$'000	% Change
Bairnsdale	8	576	1 331	131 (Inc)
Ballarat	10	284	654	130 "
Benalla	19	1 862	2 701	45 "
Bendigo	8	434	427	2 (Dec)
Dandenong	6	2 176	4 326	99 "
Geelong	0	n.a.	n.a.	n.a.
Horsham	14	1 186	1 419	20 "
Metro	17	7 581	11 641	54 "
Traralgon	5	897	1 621	81 "
Warrnambool	6	64	318	397 "
TOTAL	93	15 060	24 438	62 (Inc)

(b) Transport Revenue Sources

All municipalities want not only an increase in funds available for roads, but a predictable flow of funds. There was also a strong consensus established for a "user/payer" concept of road funding.

What local government needs, and which is consistent with Federalism policies, is a guaranteed and predictable level of funding for roads. This could be achieved, in the absence of local government receiving a percentage of total Commonwealth revenue, by the Commonwealth providing a fixed percentage of Commonwealth fuel/energy taxes and the State Government providing a fixed percentage of motor vehicle taxes in order to assist local government with its road construction and maintenance.

It must be stressed that local government needs only the percentage of tax that bears a relation to road usage. A full return of fuel tax to local government is not being requested. Fuel has the closer relationship between user and payer and is therefore considered most appropriate. Personal income tax has no direct relationship.

Should increased funding to local government for roads not eventuate, what council funds are available will be absorbed in maintenance works, which, because of the nature of the short life span of such works, will, if allowed to continue, ultimately lead to no new construction works being carried out in this State.

(c) Adequacy of Current Road Funds

Present funds for both rural and urban municipalities are totally inadequate for both construction and maintenance purposes. As a result of the lack of sufficient funds, the maintenance component has steadily been taking precedence over capital works.

Local government is carrying a considerable proportion of the burden of road facilities and is in urgent need of financial support in order to maintain the current standard of roads in this State.

As a result of pressures in other service areas, local government is finding it extremely difficult to channel additional general revenue funds into road works.

(d) Grant Categories

Councils are unanimous in a desire to see road categories standardised. Much dissatisfaction was expressed with the current classifications which varied between the Commonwealth and the State, and the resultant confusion which emerged.

It is stressed that whatever the number of categories are used, all eventualities and specific situations should be covered. Should individual or isolated cases be not covered by the categories, they then become fairly meaningless for the purpose of allocating grants.

(e) Other Requirements

Municipalities actively engaged in tourism now find with the increased flow of traffic to their particular areas that their roads are deteriorating more quickly and that additional funds are now required, e.g. seaside or snow resorts. These special needs, which may be confined to a certain period, need to be catered for.

With the depletion of cheap and accessible road materials, councils require assistance with finding alternatives. The ability to quarry Crown Land would be of assistance and financial support with investigations of the possible use of local pavement materials would assist councils in decreasing purchasing costs of materials.

In relation to road funding reviews, it cannot be stressed too strongly the need for greater consultation between the Commonwealth, State and local government. The only consultation local government has experienced is with the Country Roads Board. Municipalities are very critical of this fact and of the limited time available to prepare individual submissions.

With the establishment of freight centres throughout the State and the closing down of many country rail services, roads connecting country centres have received a considerable increase in usage. Some kind of compensation should be provided to cover the additional wear and tear on such roads. Not only are country municipalities having to pay increased freight charges as a result of the removal of certain rail lines, they are also having to pay increased road maintenance costs.

#### SUMMATION

In 1976 the Municipal Association of Victoria promoted a new concept for the sharing of road funding responsibilities which had a formula for sharing the cost of the road financing program along the following lines:

Commonwealth Government	50%
State Government	35%
Local Government	15%

The proposal, known as MAVPLAN, sought to achieve a more equitable distribution of responsibility for finding road funds in accordance with ability to pay. MAVPLAN proposes that the Commonwealth should meet the full cost of National Highways and half the cost of construction and maintenance of all other public roads (Appendix No. 3 presents details of MAVPLAN).

Local government in this State is unanimous that the funding responsibility should be put in the correct perspective. Ability to pay is a key component of this concept and with the 50-35-15

division of responsibility between Commonwealth, State and local government this can be achieved. It can be achieved by the Commonwealth Government allocating a percentage of fuel or energy tax to the States for distribution to councils. The State Government should enter into the spirit of co-operative federalism by providing a fixed percentage of motor vehicle charges for distribution to councils by the Country Roads Board.

Both State and local government need to be in a position to know the level of Commonwealth road funding in order to plan on-going activities and to establish some degree of certainty of requirements. Hence a period of at least 5 years is required to establish and maintain a rolling program for roads for each sphere of government.

In relation to road categories, it is submitted that the current road categories are not an accurate reflection of the recognised functions of many roads, e.g. many functionally classified arterial roads, both urban and rural, are not declared to be arterial roads for the purpose of the States Grants (Roads) Act 1977. The only solution is if all roads classified as arterial roads by the Bureau of Roads, in conjunction with NAASRA, to be declared by the Commonwealth Minister automatically as arterial roads for the purpose of the States Grants (Roads) Act legislation.

The weakness in the present system, a weakness which is causing anomalies and confusion at the present time, is that the Commonwealth Minister does not declare a road to be arterial unless requested to do so by the State (Clause 3, States Grants (Roads) Act 1977).

The table below lists the nine functional classifications for roads adopted with the agreement of the States in the Australian Roads Survey 1969-74. Definitions of each classification are also listed.



TABLE 4 - COMMONWEALTH BUREAU OF ROADS/BUREAU OF TRANSPORT  
ECONOMICS/NATIONAL ASSOCIATION OF STATE ROAD AUTHORITIES:  
FUNCTIONAL CLASSIFICATION OF ROADS

Functional Class	Definition	Corresponding Category of Road in Commonwealth Roads legislation
1	Those roads which form the principal avenue for communications between major regions of Australia including direct connexion between capital cities	
2	Those roads, not being Class 1, whose main function is to form the principal avenue of communications for movements: <ul style="list-style-type: none"> <li>(i) between a capital city and adjoining States and their capital cities;</li> <li>(ii) between a capital city and key towns;</li> <li>(iii) between key towns</li> </ul>	"RURAL ARTERIAL ROADS" except those declared as National Roads. (Cl 1, 2, 3)
3	Those roads, not being Class 1, or 2, whose main function is to form an avenue of communication for movements: <ul style="list-style-type: none"> <li>(i) between important centres and the Class 1 and Class 2 roads and/or key towns;</li> <li>(ii) between important centres;</li> <li>(iii) of an arterial nature within a town in a rural area.</li> </ul>	
4	Those roads, not being Class 1, 2 or 3 whose main function is to provide access to abutting property (including property within a town in a rural area).	"RURAL LOCAL ROADS" (Cl 4, 5)

5	Those roads which provide almost exclusively for one activity or function and which cannot be assigned to Classes 1, 2, 3 or 4.	) ) ) ) )	
	<u>URBAN AREAS</u> (as defined)		
6	Those roads whose main function is to perform the principal avenue of communi- cation for massive traffic movements. (Arterial Roads)	) ) ) ) )	"URBAN ARTERIAL ROADS" except those declared as National Roads.
7	Those roads, not being Class 6, whose main function is to supplement the Class 6 roads in providing for traffic movements or which distribute traffic to local street systems. (Sub-arterial Roads)	) ) ) ) ) ) )	
8	Those roads not being Class 6 or 7, whose main function is to provide access to abutting property.	) ) ) )	"URBAN LOCAL ROADS"
9	Those roads which provide almost exclusively for one activity or function and which cannot be assigned to Classes 6, 7 or 8.	) ) ) ) )	

The Commonwealth Bureau of Roads, in its 1975 Report on Roads, stressed that when roads are submitted by the States for declaration, that such declaration should be consistent with the functional classifications. Victorian municipalities totally support this concept.

Appendix 4 tabulates the road classifications on a divisional basis. The point to note here is that many roads classified local roads (rural and urban) for purposes of the States Grants (Roads) Act 1977 could in fact be functionally arterial roads (rural and urban) but are not legally classified as such because the States have not requested the Minister to declare them as arterial roads, e.g. for the Bairnsdale Division some of the 3826.8 km of legally classified local roads may in fact be arterial roads in a functional sense. Hence, insufficient funds are available for the functionally classified local roads. It should also be noted that unclassified roads form a considerable part of the States road system and local government is responsible for these.

It is also submitted that Commonwealth legislation should provide for not less than four categories of road funding. In suggesting not less than four categories, it is recognised that the greatest part of Commonwealth financial assistance available to municipalities should be for rural and urban local roads categories if the financial needs of local government are to be met.

In order to establish an overview of the movement in the level and direction of expenditure on roads, a summary of CRB allocations and council contribution to roads has been extracted. These findings, which have been listed below on a divisional basis, indicate that councils in most instances have matched the CRB in any increases and in some cases have increased their contribution percentage wise by more than CRB.

General revenue sharing assistance has played a significant part in the stabilisation of rates in municipalities, particularly rural areas, and has assisted to an extent with the provision of

TABLE 5 - SUMMARY OF ASSOCIATION SURVEY FINDINGS OF CRB ALLOCATIONS AND COUNCIL CONTRIBUTIONS

CRB Division	No. of Councils Surveyed	CRB Allocation		% Inc	Council Contribution		% Inc	% Dec
		1976-77	1978-79		1976-77	1978-79		
		\$	\$		\$	\$		
Bairnsdale	4	1 330 951	1 899 200	42.6	137 358	178 519	29.9	
Ballarat	13	2 524 088	3 020 920	19.6	316 476	379 617	19.9	
Benalla	17	4 193 635	5 019 165	19.6	597 719	622 314	4.1	
Bendigo	19	5 358 373	5 878 567	9.7	875 573	871 260		.5
Dandenong	13	6 616 211	7 848 910	18.6	1 024 090	1 557 660	51.1	
Geelong	10	2 448 652	3 007 225	22.8	340 316	501 791	47.4	
Horsham	16	3 267 131	4 340 897	32.8	635 858	669 220	5.2	
Metro	24	9 557 616	13 143 654	37.5	1 729 190	2 251 855	30.2	
Traralgon	7	3 040 828	3 330 613	9.5	369 460	414 061	12.0	
Warrnambool	14	4 769 922	5 939 470	24.7	661 308	807 513	22.1	
TOTAL	131	43 107 407	53 428 621	23.9	6 687 348	8 253 810	23.4	.5

roads. But one should not speculate as to the future and, in particular, should not rely on a fixed percentage of personal income tax coming to local government. Talk of the introduction of a broader based tax, e.g. V.A.T., could reduce local governments' proportion of the revenue sharing cake.

Local government needs a revenue source of known dimensions and, in the absence of local government receiving a percentage of total Commonwealth revenue, the obvious choice is for local government to receive a fixed percentage of Commonwealth Government fuel/energy taxes and State Government motor vehicle taxes for roads.

#### Appendix 1

##### CRB Division Submissions

Bairnsdale Division - The following municipalities comprise this Division:

Avon Shire	Omeo Shire
Bairnsdale Town	Orbost Shire
Bairnsdale Shire	Tambo Shire
Maffra Shire	

- a. A great percentage of Commonwealth Government grants (revenue sharing) has been applied to road works and, in particular, maintenance.
- b. Road works would have been deferred if Government grants were not made available.
- c. Commonwealth Government grants are being used to pay off loans applied to road purposes. Borrowing would not have been made without the knowledge that grants would be made available.

- d. Councils in this division require that the level of grants be at the minimum maintained and hopefully increased.
- e. It is suggested that a fixed percentage of petrol tax be made available to local government for roads by the Commonwealth Government in the form of grants.
- f. Councils in this division support the Country Roads Board concept of two road categories for grant purposes, i.e. "National Roads" and "Other Roads".

Ballarat Division - The following municipalities comprise this Division:

Ararat City	Grenville Shire
Ararat Shire	Kyneton Shire
Avoca Shire	Lexton Shire
Ballan Shire	Maryborough City
Ballarat City	Newham & Woodend Shire
Ballarat Shire	Newstead Shire
Bungaree Shire	Ripon Shire
Buninyong Shire	Romsey Shire
Creswick	Sebastopol Borough
Daylesford & Glenlyon Shire	Talbot & Clunes Shire
Gisborne Shire	Tullaroop Shire

- a. The decentralisation value of local government is strongly emphasised. So too is the dependency on employment of day labour for road works and the considerable costs associated with this.
- b. It is considered that capital works are a better use of public money than maintenance, the latter has developed as a trend.
- c. In relation to the impact of changes in grants to local government, the following points are made:

- (i) The levels of rates and other income, including loans, which relate to road works is increasing due to a generally increasing level of expenditure on roads coupled with a decreasing grant.
  - (ii) Loan raising for road works is an increasing trend and is thus reducing the availability of loan funds for other capital projects.
  - (iii) It can be shown that the reduced road funding has decreased the frequency of reconstruction to once in 90-100 years in a time when roads are subject to larger, heavier and faster trucks (major roads are constructed on a design life of 25 years).
  - (iv) Road expenditure is generally increasing as a percentage of rate income and the maintenance component of this expenditure is taking precedence, with capital works generally decreasing. This general increase is less than the increase in costs due to inflation.
- d. The trend of the maintenance component taking precedent over capital works will not be reversed unless the level of grants from the Commonwealth Government is substantially increased by amending legislation.
- e. The CRB concept of 2 road categories, i.e. "National Roads" and "Others", is considered satisfactory. The CRB is considered a suitable vehicle to distribute Commonwealth and State funds and maintain the necessary flexibility.
- f. There is an urgent need to press for:
- (i) re-establishment of the principle of road grants tied to petrol tax, whereby the user pays;
  - (ii) amending legislation to increase grants for the remaining two years of the triennium.

Benalla Division - The following municipalities comprise this Division:

Alexandra Shire	Seymour Shire
Beechworth Shire	Shepparton City
Benalla City	Shepparton Shire
Benalla Shire	Tallangatta Shire
Bright Shire	Tungamah Shire
Chiltern Shire	Upper Murray Shire
Cobram Shire	Violet Town Shire
Euroa Shire	Wangaratta City
Goulburn Shire	Wangaratta Shire
Mansfield Shire	Wodonga Rural City
Myrtleford Shire	Yackandandah Shire
Oxley Shire	Yarrawonga Shire
Rutherglen Shire	Yea Shire

a. In relation to changes in grants to local government for this Division:

- (i) the rate level has increased 149 per cent since 1972, whereas road grants have only increased 101 per cent;
- (ii) in the period 1971/72-1977/78, loan raisings have remained steady at 9 per cent to 10 per cent;
- (iii) municipalities in this division are now spending less on public services (road works in the main) than they were in 1971-72;
- (iv) a summary of the levels and direction of expenditure on roads is as follows:



	<u>1971-72</u>	<u>1977-78</u>	
	<u>\$'000</u>	<u>\$'000</u>	
Total Expenditure			
- all funds	6 102	17 466	up 187%
Expenditure - roads	2 762	6 379	up 131%
Roads exp. as a % of total expenditure	45.2%	36.5%	decreasing
% of roads expenditure on:			
- construction	57%	49%	decreasing
- maintenance	43%	51%	increasing

Most councils make the comment that they are spending more money maintaining their existing road network in a satisfactory condition rather than constructing more new roads. Reseals are a significant expenditure item as councils strive to preserve their sealed roads.

Although the expenditure on roads has increased by 131 per cent, the grants have only increased by 101 per cent, so councils are spending more ratepayers' funds on road maintenance.

- b. If the present trends and patterns continue, then councils are expected to have to contribute an increasing proportion of roads expenditure each year. More road grants are therefore required, especially for the maintenance of other than main roads.
- c. It is requested that Commonwealth funds for roads continue to be allocated as specific purpose grants and that the present Commonwealth classification of roads be retained.
- d. There has been a large increase in council funds required to maintain rural local roads. In the 1971/72-1977/78 period for unclassified roads the Country Roads Board patrol maintenance for the Shire of Benalla, as a percentage of council maintenance, has decreased from 74.5 per cent to 21.9 per cent. Funds previously set aside for construction have now to be directed to maintenance.

Shire of Benalla

	CRB Patrol Maintenance	Council Maintenance	CRB Patrol Maintenance as % of Council Maintenance
1971-72	\$13 460	\$18 059	74.5%
1977-78	\$18 200	\$83 016	21.9%

- e. Most resealing works are carried out by the CRB and grants to municipalities for that work do not enable the council to utilise its own plant and workforce. Increased grants for road works would result in more employment opportunities in rural areas.
- f. Special needs of municipalities, caused by excessive use over short periods, should be taken into consideration, e.g. high volume of traffic in snowfields area.
- g. Increase funds are required to replace wooden bridges on rural local roads.

Bendigo Division - The following municipalities comprise this Division:

Bet Bet Shire	Huntly Shire
Bendigo City	Kerang Borough
Broadford Shire	Kerang Shire
Castlemaine City	Kilmore Shire
Charlton Shire	Korong Shire
Cohuna Shire	Kyabram Borough
Deakin Shire	Maldon Shire
Eaglehawk Borough	Marong Shire
East Loddon Shire	McIvor Shire
Echuca City	Metcalfe Shire
Gordon Shire	Mathalia Shire
Numurkah Shire	Strathfieldsaye Shire
Pyalong Shire	Swan Hill City
Rochester Shire	Swan Hill Shire
Rodney Shire	Waranga Shire

- a. Rate revenue of some municipalities in this Division has markedly increased over past years, but Commonwealth and State road allocations have not increased to the same extent.
- b. The CRB proposal for two categories of road funding is considered desirable, i.e. one for national highways and another for all other roads.
- c. Road funding should be on the basis of MAVPLAN or at the very least, the Bureau of Roads plan be adopted.

Dandenong Division - The following municipalities comprise this Division:

Bass Shire	Knox City
Berwick City	Lillydale Shire
Chelsea City	Mornington Shire
Cranbourne Shire	Nunawading City
Croydon City	Pakenham Shire
Dandenong City	Phillip Island Shire
Doncaster & Templestowe City	Ringwood City
Eltham Shire	Sherbrooke Shire
Flinders Shire	Springvale City
Frankston City	Upper Yarra Shire
Hastings Shire	Waverly City
Healesville Shire	Wonthaggi Borough

- a. The impact of changes in grants to local government has meant that the percentage of rate income to total income has remained reasonably constant for some municipalities. Other methods of funding have been obtained, e.g. Area Improvement Fund, and in many instances there has been a decrease in expenditure on road works.
- b. Grants available for other services have tended to draw funds away from road works. Also funds received by the State Government from motor registration have suffered the same fate.

- c. Users (i.e. motorists) should pay for road works and if the receipts from petrol tax etc., were applied in their entirety to road works, there would be more than adequate funds available.
- d. MITERS grants have not kept up with traffic management costs. Council costs are increasing whereas CRB contribution is static. Lack of construction funds ultimately lead to increased maintenance costs.
- e. A fixed percentage of petrol tax should be the means of financing future local government road expenditure. A disproportionate amount of funds available is being directed to national roads.
- f. Road classifications should be common to both Federal and State Governments. Three categories are considered adequate, i.e. National, State (urban and rural) and Municipal.

Geelong Division - The following municipalities comprise this Division:

Bacchus Marsh Shire	Geelong West City
Bannockburn Shire	Leigh Shire
Barrabool Shire	Newtown City
Bellarine Shire	Otway Shire
Colac City	Queenscliffe Borough
Colac Shire	South Barwon City
Corio Shire	Werribee Shire
Geelong City	Winchelsea Shire

- a. The present road funds provided by State and Commonwealth Governments are inadequate to meet road needs for both maintaining and upgrading the present road network. The shortfall in funds in this division for 1978-79 is \$7.555m.

<u>Total Allocation to Road Works</u>	<u>Justifiable exps</u>	<u>Shortfall</u>
\$13 700 000	\$21 455 000	\$7 555 000

- b. Local government continues to provide the largest proportion of funds in this area, even though councils are facing increasing demands on their reserves from other areas in 1978. Local government provided 53 per cent of funds for road works and, with the exclusion of Grants Commission funds for roads, this increases to 60 per cent. The details below highlight this point.

<u>Source of Funds</u>	<u>1975</u>		<u>1978</u>	
	<u>Amount \$'000</u>	<u>%</u>	<u>Amount \$'000</u>	<u>%</u>
State & Commonwealth Govt. (incl. Grants Commission)	4 007	46	6 395	47
Local Government	4 643	54	7 191	53
State & Commonwealth Govt. (excl. Grants Commission)	3 316	41	4 822	40
Local Government	4 643	59	7 191	60

- c. Since 1972 road construction and maintenance costs have, on a State-wide basis, more than doubled. Therefore, the tying of allocations to the inflation rate is not sufficient.
- d. Greater Commonwealth assistance either in tied or untied grants would provide an opportunity for the backlog of urgent road maintenance and capital works to proceed. There is also a need for Commonwealth/State funds to be fixed on a set ratio, thus enabling local government to program future works in the knowledge of a balanced input annually from other government sources.
- e. Confusion and delays in funding will continue while a variation between the State and Commonwealth Government road classification system exists. In addition, the present Commonwealth classification system has serious anomalies while it remains

tied to the Australian Bureau of Statistics - Statistical Districts. The present system has serious limitations and specific requests for variations in grants in certain areas are meaningless.

- f. Special needs of municipalities should be considered, e.g. effect of tourists during holiday periods.
- g. On average, 40 per cent of funds available are spent on employment of labour and relief in this area is needed.
- h. The growth area of road works in this division is traffic management reflecting a continuing need for intersection control measures.

Horsham Division - The following municipalities comprise this Division:

Arapiles Shire	Lowan Shire
Birchip Shire	Mildura City
Dimboola Shire	Mildura Shire
Donald Shire	St. Arnaud Town
Dunmunkle Shire	Stawell Town
Horsham City	Stawell Shire
Kaniva Shire	Walpeup Shire
Kara Kara Shire	Warracknabeal Shire
Karkarooc Shire	Wimmera Shire
Kowree Shire	Wycheproof Shire

- a. Rural local roads make up 84 per cent of the trafficable roads in Australia but in the last triennium (1975-77) grants available for this type of road were severely cut.
- b. Drainage expenses in flat areas add to the road making costs.
- c. The 1978-79 expenditure on roads in this Division is approximately 50 per cent of the need. MAVPLAN should be pursued to

meet this shortfall. The Commonwealth and State Governments could meet this increased allocation through fuel and transport taxation/charges.

- d. Because of the regressive nature of municipal rates, limits are now being set on its application towards cost of road works.
- e. Councils in this Division have indicated that some have raised loans to assist in overcoming the shortfall in road grants, the majority of them indicating that this is an interim measure. Other councils road systems' are deteriorating because of the inability to raise extra revenue to offset the lack of road funds.
- f. By the time the triennium under consideration is reached, it is quite possible that the average cost of road construction in many municipalities could have increased by 30 per cent to 40 per cent, due partly to the depletion of the cheaper road making material.
- g. The shortage of road making materials also emphasises the need to increase the length of sealed roads in order to conserve the available material. A higher allocation of funds for rural roads would be necessary to increase the sealed road program.
- h. There is a need to standardise grant categories throughout Australia and the present Commonwealth classifications are considered suitable.

Metropolitan Division - The following municipalities comprise this Division:

Altona City  
Box Hill City  
Brighton City  
Broadmeadows City  
Brunswick City  
Bulla Shire  
Camberwell City  
Caulfield City  
Coburg City  
Collingwood City  
Diamond Valley Shire  
Essendon City  
Fitzroy City  
Footscray City  
Hawthorn City  
Heidelberg City  
Keilor City  
Kew City

Malvern City  
Melbourne City  
Melton Shire  
Moorabbin City  
Port Melbourne City  
Mordialloc City  
Northcote City  
Oakleigh City  
Prahran City  
Preston City  
Richmond City  
Sandringham City  
South Melbourne City  
St. Kilda City  
Sunshine City  
Williamstown City  
Whittlesea Shire

- a. Special consideration should be given to the problem of financing urban roads in the major cities.
- b. A separate study of urban local and urban arterial road needs should be undertaken in conjunction with the municipal needs.
- c. A realistic system of indexation of road grants should be introduced and maintained.
- d. The proportion of road finance apportioned to local government should be reviewed to ease the burden on ratepayers, particularly in urban areas.
- e. That firm criteria should be established on a national basis for the declaration of roads into defined classification for funding purposes, such criteria are to include heavy emphasis on traffic volumes, costs and proportion of local traffic use.



Traralgon Division - The following municipalities comprise this Division:

Alberton Shire	Rosedale Shire
Buln Buln Shire	Sale City
Korumburra Shire	South Gippsland Shire
Mirboo Shire	Traralgon City
Moe City	Traralgon Shire
Morwell Shire	Warragul Shire
Narracan Shire	Woorayl Shire

- a. The recommendations of the Commonwealth Bureau of Roads in 1975 in their report "Roads in Australia" are still valid and more urgent because these were not heeded and adopted by the Government.
- b. The method of road tax levies and gathering, needs drastic overhaul with fixed percentages of these taxes returned specifically for road purposes. Only one tax on fuel should apply. In this form user pays.
- c. Funds should be made available for investigation and research into extraction and use of local pavement materials.
- d. Road grant funds should be used to service loans specifically for road construction purposes.

Warrnambool Division - The following municipalities comprise this Division:

Belfast Shire	Minhamite Shire
Camperdown Town	Mortlake Shire
Dundas Shire	Mount Rouse Shire
Glenelg Shire	Port Fairy Borough
Hampden Shire	Portland Town
Hamilton City	Portland Shire
Heytesbury Shire	Wannon Shire

Koroit Borough

Warrnambool City  
Warrnambool Shire

- a. Direct Federal financial assistance to local government since 1975 has helped councils avoid a serious financial dilemma.
- b. The receipt of untied Federal grants has permitted greater expenditure on roads from councils own resources. However, new construction works have been negligible in recent years as available funds have only been sufficient to meet the needs of reconstruction works on the existing road network. This is illustrated with the Shire of Portland submission, which showed that the average percentage increase in total CRB grants (including direct works) over four years is 14.72 per cent, whereas council's increase in spending from its own resources on road works is around 32.8 per cent and inflation increased by 50 per cent during that period. The average increase in rate revenue of untied grants for this period was 22.5 per cent.

Year	Total CRB Grant	CRB Direct Works	% Increase
1974-75	\$390 415	\$30 740	- 4.28%
1975-76	408 324	20 100	4.64%
1976-77	559 535	82 410	37.03%
1977-78	648 000	128 000	15.81%

Year	Total Expenditure	% Increase
1974-75	\$268 009	43.29%
1975-76	262 482	- 2.00%
1976-77	383 983	46.29%
1977-78	432 556	12.65%

Rather than increase rates considerably, councils have found it necessary to direct resources from other areas of expenditure to road works in order to sustain expenditures from council funds.

- c. Since 1975 there has been an increase in councils' rate of borrowing, some of which has been attributed to the economic times.
- d. There is a need for some funds to be allocated for research into the procurement of road making materials in an endeavour to lessen the costs of purchasing materials in some areas.
- e. There is a need for a three year rolling system of funding to be introduced to enable municipalities to plan and design CRB grant works on a realistic basis, and with some guarantee that funds will be forthcoming.
- f. There is a need for special funding allocations for the large backlog of bridge construction priorities in all municipalities.

## Appendix 2

TABLE 1 - CHANGES IN RATES RECEIVED BY RURAL (SHIRES) MUNICIPALITIES  
FOR PERIOD 1974-75 TO 1977-78 ON CRB DIVISIONAL BASIS

Division	1974-75 \$'000	1977-78 \$'000	% Change
Bairnsdale	1 739	2 565	48 (Increase)
Ballarat	1 553	1 953	26 "
Benalla	3 615	4 622	28 "
Bendigo	2 283	2 687	18 "
Dandenong	4 961	8 048	62 "
Geelong	n.a.	n.a.	n.a. "
Horsham	3 034	3 844	27 "
Metropolitan	4 012	6 195	54 "
Traralgon	1 924	2 392	24 "
Warrnambool	2 066	2 626	27 "
TOTAL	25 187	34 932	39 (Increase)

TABLE 2 - CHANGES IN RATES RECEIVED BY URBAN (CITIES, TOWNS AND  
BOROUGHES) MUNICIPALITIES FOR PERIOD 1974-75 TO 1977-78  
ON CRB DIVISIONAL BASIS

Division	1974-75 \$'000	1977-78 \$'000	% Change
Bairnsdale	513	758	48 (Increase)
Ballarat	729	1 103	51 "
Benalla	1 806	3 048	69 "
Bendigo	642	838	31 "
Dandenong	4 347	6 655	53 "
Geelong	n.a.	n.a.	n.a. "
Horsham	1 716	2 321	35 "
Metropolitan	30 902	44 641	44 "
Traralgon	652	880	35 "
Warrnambool	541	782	45 "
TOTAL	41 848	61 026	46 (Increase)

TABLE 3 - CHANGES IN LOAN RAISING BY RURAL (SHIRES) MUNICIPALITIES  
FOR PERIOD 1974-75 TO 1977-78 ON CRB DIVISION BASIS

Division	1974-75 \$'000	1977-78 \$'000	% Change
Bairnsdale	456	806	77 (Increase)
Ballarat	47	260	453 "
Benalla	670	818	22 "
Bendigo	176	233	32 "
Dandenong	1 296	2 336	80 "
Geelong	n.a.	n.a.	n.a. "
Healesville	326	298	9 (Decrease)
Metropolitan	1 733	2 812	62 (Increase)
Traralgon	671	1 171	75 "
Warrnambool	64	318	397 "
TOTAL	5 439	9 052	66 (Increase)

TABLE 4 - CHANGES IN LOAN RAISING BY URBAN (CITIES, TOWNS AND  
BOROUGHES) MUNICIPALITIES FOR PERIOD 1974-75 TO 1977-78  
ON CRB DIVISIONAL BASIS

Division	1974-75 \$'000	1977-78 \$'000	% Change
Bairnsdale	120	525	338 (Increase)
Ballarat	237	394	66 "
Benalla	1 192	1 883	58 "
Bendigo	258	194	33 (Decrease)
Dandenong	880	1 990	126 (Increase)
Geelong	n.a.	n.a.	n.a.
Horsham	860	1 121	30 "
Metropolitan	5 848	8 829	51 "
Traralgon	226	450	99 "
Warrnambool	n.a.	n.a.	n.a.
TOTAL	9 621	15 386	60 (Increase)

### Appendix 3

"Why the future of our roads depends on you?", Published as a supplement to the Australasian Municipal Journal, March 1976 and not reproduced in this report.

Appendix 4

Division	Classification				
	Rural Arterials (Cl 1,2,3)	Rural Locals (Cl 4,5)	Urban Arterials (Cl 6,7)	Urban Locals (Cl 8,9)	Cl 1-9
(a) Roads for which Local Government has Prime Responsibility (CRB unclassified roads) (length (km) as at June 1972)					
Bairnsdale	56.8	3826.8	-	-	3883.6
Ballarat	68.5	9445.2	69.6	-	9583.3
Benalla	115.5	12550.1	-	-	12665.6
Bendigo	84.6	21934.1	82.0	-	22100.7
Dandenong	9.8	1819.2	731.4	2648.5	5208.9
Geelong	42.2	4108.9	212.3	928.6	5292.0
Horsham	115.1	25980.9	-	-	26096.0
Metro	-	-	1179.9	943.3	2123.2
Traralgon	130.2	577.2	-	-	5907.4
Warrnambool	121.1	10291.0	-	-	10412.1
TOTAL					103272.8
(b) Roads for which State has Prime Responsibility (CRB Classified Roads) (length (km) as at June 1972)					
Bairnsdale	791.3	955.2	-	-	1746.5
Ballarat	1467.2	570.5	47.7	-	2085.4
Benalla	2703.0	872.6	-	-	3575.6
Bendigo	3030.0	593.5	42.8	-	3666.3
Dandenong	429.6	285.8	1202.1	0.6	1918.1
Geelong	1034.1	284.5	250.0	-	1568.6
Horsham	2755.2	823.6	-	-	3578.8
Metro	-	-	762.8	-	762.8
Traralgon	1095.5	1300.1	-	-	2395.6
Warrnambool	2137.8	538.4	-	-	2676.2
TOTAL					23973.9
(c) All Roads in Division (length (km) as at June 1972)					
Bairnsdale	848.1	4782.0	-	-	5630.1
Ballarat	1535.7	10015.7	117.3	-	11668.7
Benalla	2818.5	13422.7	-	-	16241.2
Bendigo	3114.6	22527.6	124.8	-	25767.0
Dandenong	439.4	2105.0	1933.5	2649.1	7127.0
Geelong	1076.3	4393.4	462.3	928.6	6860.6
Horsham	2870.3	26804.5	-	-	29674.8
Metro	-	-	1942.7	943.3	2886.0
Traralgon	1225.7	7077.3	-	-	8303.0
Warrnambool	2258.9	10829.4	-	-	13088.3
TOTAL	16187.5	101957.6	4580.6	4521.0	127246.7

### 5.2.3 The Local Government Association of Queensland (Inc.)

#### INTRODUCTION

The Local Government Association of Queensland (Inc.) appreciates the invitation contained in a letter dated 8th September, 1978 from the Bureau of Transport Economics that the Association make a written submission to the Bureau with respect to the several aspects of roads and road funding as set out in the Bureau letter.

The Bureau states that it is preparing a report for the Minister for Transport to assist the Commonwealth Government in its consideration of grants of financial assistance to the States in connection with roads and road transport. In this connection the Association has confined its considerations to the matter of roads and road funding as distinct from road transport, there being only three local government authorities in Queensland which conduct transport services and for this reason the Association would have little knowledge of the problems those authorities experience with their transport services. On the other hand, all local government authorities within the State, with the possible exclusion of Arukun and Mornington Island Shires, play a very major role in the construction and maintenance of roads. In fact, in many local authority areas, particularly the rural local authorities, the greatest proportion of local government expenditure is on roads.

Paragraph three of the letter from the Bureau refers to concerns expressed by local government authorities in earlier submissions to the former Commonwealth Bureau of Roads over the inadequacy of financial assistance received from other levels of Government and goes on to refer to the changes in financial arrangements between other levels of Government and local government including general revenue assistance grants from the Commonwealth.

Later sections of this submission will demonstrate to the Bureau that there still exists concern in local government authorities over the inadequacy of financial assistance to local government

from other levels of Government. In so far as the reference to changes in financial arrangements and general revenue assistance grants from the Commonwealth are concerned, the Association would draw the attention of the Bureau to the speech given in Canberra on Thursday, 25th October, 1973 by Senator D. Willessee, the then Special Minister of State when he opened the General Hearings of the Commonwealth Grants Commission into the principles and methods that might be adopted by the Grants Commission in its inquiries into applications by local government bodies for financial assistance. Part of the speech delivered by the Senator reads:

"There are, I think, certain misconceptions concerning the purpose of the grants of special assistance provided for in the Grants Commission Act. It is not my intention to deal with these at any length because I think that these points will be well covered in these hearings. However, it is important to re-state the Australian Government's intention as outlined by the Prime Minister in his second reading speech on the Grants Commission bill. That is 'It should be clearly understood that the financial assistance to local government bodies which will flow from the Commission's recommendations will in no way be a substitute for the revenues normally raised (by them) by long established methods such as rates and charges for services, nor will it replace assistance normally provided by State Governments to local governing bodies in one way or another. Rather, it will be in the nature of a 'topping-up' process of the financial resources of lesser endowed bodies to enable them, by reasonable revenue raising efforts on their part, to provide a standard of services to their communities that will be comparable with that enjoyed by communities elsewhere.'"

(Source - Transcript of Proceedings, Commonwealth Grants Commission Hearings, Canberra, 25th October, 1973. Page 4B).



The Association would submit that the criteria outlined in the Senator's speech in 1973 have not been altered in any way in the intervening years and grants of financial assistance of a general revenue nature are still without strings attached and may be expended by local authorities in what ever manner they choose. Whilst generally there are no statistics available which would demonstrate the level of general purpose grants expended by local governing authorities on road construction and maintenance, it has been estimated by a reliable source to be in the vicinity of 60 per cent plus. While there is no requirement for local authorities to account in detail for the manner in which general purpose grants are expended, it is anticipated that future returns may enable the Australian Bureau of Statistics to define such expenditure by function.

Paragraph four of the Bureau's letter asks that the Association identify issues which affect rural local government differently from urban local government. To draw definite distinctions between rural and urban local authorities would be unwise from the Association's point of view as the Association represents 100 per cent of local authorities in Queensland and maintains one set of standards whether a member council is an urban or rural local authority.

On an area and population basis, Queensland enjoys the highest level of decentralisation in comparison with the other States and Queensland's economy is based largely on primary production. The economic fluctuations of primary industries are reflected directly and indirectly in the stability or otherwise of urban businesses and while the degree of such fluctuations may be less pronounced in metropolitan Brisbane or the provincial cities, the effect of rural industry fluctuations is reflected.

Because of its large area, degree of decentralisation and predominantly rural base, Queensland local authorities are required to construct and maintain extensive networks of roads which comprise the major communication network of the States population. In this

regard the following table on length of roads normally open to traffic is significant.

TABLE 1

Formed Roads (kilometres)					
Concrete or Sealed Pavement	Unsealed Pavement	Formed only	TOTAL	Unformed Roads	All Roads
42 648	28 969	62 558	134 175	51 373	185 548

Source: ABS Publication - Queensland - Local Government - Table 14.

The Annual Report of the Queensland Main Roads Department as at 30th June, 1977 (Appendix II - Part A) indicates that roads declared under the Main Roads Act total 39 240 km so that Queensland local authorities are directly responsible for 146 308 km of roads. It is submitted that the Bureau should take cognizance of these road distances as local authorities are required to provide road links to the system of declared roads to permit primary producers to transport their produce to rail heads and markets, transport children to schools, the ill to medical care and generally provide access links to centres of social and sporting activities. In reverse, the road system is the principal communication link for mails and general supplies from the urban to rural areas.

One important aspect of Queensland roads which the Association would submit should be considered by the Bureau is the relatively long distances which are constructed to unsealed standard. Whether it be transporting mails and essential supplies to rural areas or perishable rural products, school children or the ill from rural areas to urban centres, a system of sealed roads is of limited value if the condition of the network of undeclared roads prevents access to the declared or formed roads. In view of the interdependence which exists between rural and urban areas and as the major portion of Queensland roads fall within the "rural" category, the Association submits there should be an increase in the allocation of funds to those roads which are in a "rural" category.

The Bureau invites comment on specific issues placed under three sub-headings and the Association would submit the following considerations:

#### CHANGES IN GRANTS TO LOCAL GOVERNMENT SINCE 1975

The following table summarises the level of payments to or for local authorities (nationally) by the Commonwealth Government since 1975-76 together with the percentage change over the previous year and the percentage change from 1975-76. (Source - 1978-79 Budget Paper No. 7 Table 83).

TABLE 2

	1975-76	1976-77		1977-78	
	\$000	\$000	% change over 1975-76	\$000	% change over 1976-77
<u>For Roads</u>	75 284	87 020	+ 15.6	116 954	+ 34.4
<u>Total Payments</u>					
- Excluding Roads	270 197	190 055	- 29.5	202 674	+ 6.6
- Including Roads	345 481	277 075	- 19.8	319 627	+ 15.4

#### Percentage Change - 1975-76 to 1977-78

- Roads Plus 55.4%
- Total including Roads Minus 17.5%

The following table shows the level of general and specific purpose grants paid by the Commonwealth Government to Queensland local authorities (direct and via State Treasury) during the period 1975/76-1977/78.

TABLE 3

	\$000 Roads	\$000 Total Incl. Roads
1975-76	9 932	65 323
1976-77	11 794	42 347
1977-78	14 746	48 730

Source: Australian Bureau of Statistics - Qld Branch

The above tables clearly show that there has been an increase in Commonwealth Government payments to local authorities for road purposes. The first table in fact shows that there has been an increase of some \$41.7 million or 55.4 per cent between 1975-76 and 1977-78.

However, whilst this may be the case, the 'total' level of payments (including roads) by the Commonwealth Government to local authorities has fallen dramatically over the same period by some \$26 million or a reduction of 17.5 per cent. This reduction would be considerably higher in real money terms.

There is steadily increasing pressure on local authority finances to allocate and direct a greater proportion of their expenditure to 'new community services' such as aged persons care and accommodation, community youth support services, recreation culture and art, etc., and as a result of this pressure, there are less funds available from local authority sources for expenditure on roads.

This shift in emphasis and spending when compounded by the reduction in 'total Commonwealth Government payments' has resulted in a continuing widening of the gap between road needs and the level of real funds available for expenditure on roads.

The table shown under Section (d) below highlights this fact and shows that expenditure on roads by Queensland Local Authorities over the period 1973-74 to 1976-77 has fallen from 30.3 per cent of total spending to 26.3 per cent despite an increase in spending in \$ terms of \$29.0 million on roads over the same period.

Notwithstanding this trend in spending, roads are still very high on the priority list of Queensland local governments as is evidenced by the manner in which the 'untied' Commonwealth Government grants are expended. A sample of 27 of Queensland's 131 local authorities (Brisbane excluded) shows that in 1977-78, \$34 million of untied grant money or 64 per cent of a total grant of \$5.3 million was expended on road works.

The various statistics which follow further demonstrate and confirm the fact that Queensland local government is shouldering its share of the responsibility for fund raising despite the limited scope and access to fund sources, and that despite continually mounting pressure for 'new community services', every effort is being made to maintain a reasonable level of expenditure on road construction and maintenance.

As pointed out above, the downward trend in total payments from the Commonwealth Government to local government is of considerable concern and if a reasonable standard of progress on roadworks is to be achieved then this trend will need to be changed to ensure that local government has access to a progressive revenue source at the Commonwealth level.

#### (a) Level of Rates and Other General Charges

The summary below provides details of the general fund revenue raised by Queensland local authorities over the period 1973/74-1976/77. The revenue raised from general fund rates is shown, together with the total general fund revenue for these years and the percentage change in comparison with the previous year. The Queensland Consumer Price Index is also shown to provide a comparison of inflationary trends with the increases in revenue raised by Queensland local authorities.

TABLE 4

	General Rates \$000	% Change over Previous Year	Total General Revenue Raised \$000	% Change over Previous Year	Consumer Price Index Qld
1973-74	70 971	-	185 364	-	-
1974-75	88 893	+25.3%	240 936	+30.0%	+15.5%
1975-76	105 345	+18.5%	276 873	+14.9%	+13.2%
1976-77	129 837	+23.2%	322 921	+16.6%	+14.2%
Average % Change over Last 3 Years		+22.3%		+20.5%	+14.3%

Source: ABS Publication - Qld - Local Government - Table 6

Reference was made earlier to the fact that local government was shouldering its share of the responsibility for fund raising. The above table clearly demonstrates that Queensland local authorities have not only accepted this responsibility but in fact may well have exceeded it to ensure that a reasonable level of funds is available.

During the period sampled above, the revenue raised by Queensland local authorities from its major traditional revenue source, general rates, rose at an average annual level of 22.3 per cent which was well in excess of the average inflation rate for the same period of 14.3 per cent.

Obviously, this trend cannot be continued and local government is looking to the two higher levels of government to provide some relief. It is submitted that the recent rise in fuel taxes is a form of revenue raising which places the responsibility for paying for the use of road facilities more equitably where it belongs - 'with the user'. In recent years the proportion of motor fuel taxes returned to the States for road works has fallen from 54.8 per cent in 1974-75 to an estimated 42.1 per cent in 1977-78. This reduction in proportion returned is despite a significant increase in revenue received from this source. The increase is estimated at some \$448m or 40 per cent over the three year period

referred to above. It is further submitted that as local government is the major provider of roads and road maintenance, then it should be entitled to some increased proportion of the revenue raised from this form of tax.

(b) Loan Raising and Repayments

Table 5 shows the total borrowings by Queensland local authorities (Source - 1978-79 Budget Paper No. 7 - Table 98) from 1974-75 through to 1977-78 and the General Fund Loans Received (Source ABS Publication - Qld Local Govt. Table 6) for the period 1973-74 to 1976-77. The percentage change over the previous year is also shown.

Table 6 shows the Level of Loan Repayments (General Fund - Interest and Redemption) (Source - ABS Publication - Qld Local Govt. Table 7), together with the Level of Expenditure on Roads from Loan Funds (Source ABS Publication - Qld Govt. Table 8) by Queensland local authorities for the period 1973-74 to 1976-77. The percentage change over the previous year is also shown, together with the ratio of expenditure of loan funds on roads to the general fund loans received.

Several points of significance arise from an analysis of the above tables.

- . The total level of borrowing available to Queensland local authorities has not kept pace with inflation. The average increase in total loan borrowings over the 3 year period sampled was only 4.9 per cent compared with the average inflation rate of 14.3 per cent. This must of necessity mean a reduction in real money terms of funds available to local authorities from capital sources for expenditure on new works and in particular, roadworks as they form the major part of local authority spending of funds from this source.

TABLE 5

	Total Borrowings by Qld Loc. Govt. \$000	% Change over Previous Year	Gen.Fund Loans Received Qld.L.A. \$000	% Change over Previous Year
1973-74	-	-	38 050	-
1974-75	102 804	-	59 311	+55.8%
1975-76	102 097	-0.7%	50 481	-14.9%
1976-77	116 118	+13.7%	61 101	+21.0%
1977-78	117 993	+ 1.6%	-	
Average % Change over periods shown		+ 4.9%		+20.6%

TABLE 6

	Qld Local Authorities Gen.Fund Int. & Red. Repayments \$000	% Change over Previous Year	Exp.on Roads from Loan Funds \$000	% Change over Previous Year	% Exp. on Roads from Loan Funds to General Loan Receipts
1973-74	27 093	-	16 347	-	43.0%
1974-75	31 397	+15.9%	26 856	+64.3%	45.1%
1975-76	38 177	+21.6%	27 961	+ 4.1%	55.4%
1976-77	44 175	+15.7%	29 810	+ 6.6%	48.8%
Average % Change over 3 year period		+17.7%		+25.0%	



- . whilst there has been a reduction in total borrowed funds available, local authorities have allocated a higher proportion of available borrowings to services of a general nature (i.e. non-undertaking or enterprise type services). This no doubt is due partly to the pressure for 'new community services' referred to above. The final column in Table 6 indicates also that in addition to a higher proportion of borrowings being allocated to general services, an increasing proportion of these borrowings is being expended on roadworks. In the 4 year period sampled, this proportion was increased from 43.0 per cent to 48.8 per cent peaking at 55.4 per cent in 1975-76. This is further evidence of the importance placed on roadworks by local authorities in this State.
  
- . the third significant point is the erosion of local authority finance by increasing interest and redemption repayments. In the 3 year period sampled, these payments have increased at rates in excess of the rise in consumer price index despite a much lower rate of increase in the availability of borrowed funds to local authorities. High interest rates over the last 4-5 years have no doubt contributed to this position and it is submitted that some form of relief could be provided by the Commonwealth Government in the form of additional grants or interest free loans to local authorities for road construction purposes.

In this connection the Association would submit that in view of the high per capita loan indebtedness of local authorities, the Commonwealth Government which has the widest taxing powers should seriously consider giving local government some relief from its loan commitments as it did to a limited extent with the States in recent years.

#### (c) Charges of Local Authority Enterprises

Table 7 shows the total earnings of Queensland local authority enterprises over the period 1973-74 to 1976-77. Also shown is a

percentage change over the previous year. The Queensland Consumer Price Index is shown to provide a measure of how charges by Queensland local authorities have moved in relation to prices and inflation generally.

Reference was made earlier in this submission to the fact that Queensland local authorities had shouldered their share of the responsibility for revenue raising in the area of general revenue or general rates. The same comments can be made in relation to charges made by local authorities for services provided by local authority enterprises. Table 7 shows that revenue raised by these enterprises has risen at an average annual rate of 22.0 per cent over the last 3 years which is well in excess of the 14.3 per cent necessary to keep pace with inflation.

#### (d) Levels and Direction of Expenditure in General

Table 8 shows the Final Consumption Expenditure and Expenditure on New Fixed Assets by Queensland Local Authorities classified by purpose/function for the period 1973-74 to 1976-77.

Comments were made earlier in this submission regarding the increasing competition for a share of local authority finance for new services such as youth welfare, culture, recreation and arts, etc and how it was becoming more and more difficult for local government to maintain a satisfactory level of expenditure on roadworks.

Table 8 demonstrates this changing pattern of expenditure statistically and it can be seen that expenditure on the function, Recreation and Culture, has increased from 8.5 per cent of local government spending in 1973-74 to 12.0 per cent in 1976-77. Conversely, expenditure on road systems and regulation has, despite an increase in spending in \$ terms of \$29.0 million during the same period, reduced from 30.3 per cent of local government spending to 26.3 per cent.

TABLE 7 - QUEENSLAND LOCAL AUTHORITY ENTERPRISE REVENUE (\$000)

	1973-74	1974-75	1975-76	1976-77
Waterworks	32 031	37 528	47 814	62 449
Sewerage, Cleansing & Sanitary Services	31 963	39 251	51 382	69 344
Electricity Services	63 698	80 327	97 464	110 755
Parking Undertaking	2 357	2 642	3 230	4 564
Transport Services	11 626	10 393	10 495	10 253
Totals	141 675	170 141	210 385	257 365
% Change over Previous Year	-	+ 20.1%	+ 23.7%	+ 22.3%
Qld Consumer Price Index	-	+ 15.5%	+ 13.2%	+ 14.2%
Average Change over 3 years - Qld L.A. Enterprise Charges				+ 22.0%
Qld C.P.I.				+ 14.3%

Source: ABS Publication - Queensland Local Government - Tables  
9 to 13.

TABLE 8

Purpose/Function	1973-74		1974-75		1975-76		1976-77	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%
General Public Services	34.5	18.1	48.6	17.5	55.4	17.8	69.2	21.0
Health	3.4	1.8	4.0	1.4	4.5	1.5	4.6	1.4
Social Security & Welfare	0.3	0.2	0.1	-	0.1	-	0.7	0.2
Housing & Community Amenities	44.0	23.0	75.0	26.8	78.4	25.2	81.3	24.6
Recreation and Culture	16.3	8.5	25.0	8.9	29.7	9.6	39.6	12.0
<u>Economic Services -</u>								
Road Systems & Regulation	57.8	30.3	82.5	29.5	94.1	30.3	86.8	26.3
Other Economic Service	34.6	18.1	44.5	15.9	48.5	15.6	47.7	14.5
Total	190.9	100.0	279.7	100.0	310.7	100.0	329.9	100.0

Source: ABS Qld. Local Authorities - Tables 32 & 33.

NOTE: The figures in the above table represent all revenue less grants. Local authorities are having to spread their available funds further in their overall effort to provide "people oriented" services.

This changing pattern of expenditure has been evident for a number of years and the reasons for it are twofold:

- . the standards and expectations of the community are changing necessitating increased expenditure on welfare, social and culture type activities
- . the responsibility for some of these activities is shifting from the two higher levels of Government to local government which is somewhat closer to the community in these areas.

In the light of this changing pattern of expenditure and shifting responsibility, the reduction in total payments to local authorities by the Commonwealth Government referred to above at the beginning of this submission, places an increasing and undue strain on the financial resources of local government and it is again submitted that this trend must be reversed if this level of government is to be able to continue to discharge its total responsibility, including roadworks as a prime part thereof, to an acceptable standard.

(e) Levels and Direction of Expenditure on Roads by Type of Work

Table 9 shows the level and type of expenditure by Queensland local authorities on roadworks both from revenue and loan funds.

(Unfortunately insufficient information is available to provide a dissection of Loan Fund expenditure between construction and maintenance but as it is unlikely that any significant portion of Loan Funds would be expended on maintenance, the Association has placed the whole of loan funds under construction.)

Table 9 shows that there has been a slight shift from maintenance to construction but it would appear that no firm conclusions can be drawn from this as the movement has been both slight and fluctuating.

TABLE 9 - FROM REVENUE AND LOAN FUNDS

	1973-74		1974-75		1975-76		1976-77	
	\$000	%	\$000	%	\$000	%	\$000	%
Construction -								
Revenue & Grants	13 960	27.1	23 094	31.7	31 240	34.7	28 056	30.8
Loan Funds	16 347	31.7	26 856	36.9	27 961	31.1	29 810	32.8
Sub Total	30 307	58.8	49 950	68.6	59 201	65.8	57 866	63.6
Maintenance	20 611	39.9	22 409	30.8	30 160	33.5	32 403	35.6
Traffic Management	688	1.3	460	0.6	685	0.7	691	0.8
Total	51 606	100.0	72 819	100.0	90 046	100.0	90 096	100.0

Source: ABS - Queensland Branch.

Note: Whilst the source of the figures in Table 9 is the ABS - Queensland Branch, from figures provided by the ABS the following amounts (being special flood relief damage) have been deducted for the respective years maintenance figures.

<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
\$m 7.0	\$m 10.0	\$m 4.5	\$m 6.0

#### FUTURE FINANCING OF LOCAL GOVERNMENT ROAD EXPENDITURE

The figures in Table 10 are actual expenditures by Queensland local authorities in the years mentioned (1978-79 figures are Treasury approvals) from the following fund sources:

Treasury Loans

Debenture Loans

State Government Subsidies

(Revenue Expenditure is excluded)

TABLE 10

Year	\$m Expended on Roads, Drainage, Streets & Bridges	\$m Total Expenditure from these Sources	% Expenditure on Roads Drainage Streets & Bridges
1975-76	30.2	128.1	23.6
1976-77	32.4	142.5	22.7
1977-78	34.6	148.4	23.3
1978-79	55.6	215.2	25.8

There is insufficient information available for the years beyond 1978-79 to provide any worthwhile projection of likely future expenditure levels and patterns.

Table 10 viewed in isolation suggests that there has been little change in the proportion of loan and subsidy funds allocated to

roads by Queensland local authorities and, at least for 1978-79, this pattern will not change.

Some relaxation of the constraints placed on local authorities in connection with their borrowing powers may assist local authorities in having access to increased levels of finance for road works in the future.

There is no doubt, a strong relationship between the level of resources available to local government for expenditure on roadworks and the actual level of expenditure on such works.

Throughout this submission, it has been demonstrated that there is increasing pressure on local authority finances to provide a wider range of community service and at the same time, maintain and improve the level of service on traditional functions, such as the provision and maintenance of roads.

It has also been demonstrated that Queensland local authorities have shouldered their part of the responsibility for raising revenue and in fact, have increased rates and charges to rate-payers at levels considerably in excess of the average inflation rate.

It is submitted that compared to other levels of Government, the Commonwealth Government has access to a wider range of revenue sources with potential for considerable growth and that if future expenditure on roads by local authorities is to be continued at any reasonable level, then the Commonwealth Government will need to provide, and continue to provide, additional finance to local government for this specific purpose.

#### GRANT CATEGORIES

The Bureau invites comment as to whether there should be any variation to existing road grant categories.



The Association submits that with the categories in the current legislation plus the categories of roads prescribed under the respective State statutes, an excessive amount of available funds for road construction and maintenance is lost in administration and for this reason there should be a reduction in the number of road grant categories.

It is the Association's understanding that national highways which are the subject of separate legislative provisions will continue and as the funding of national highways is the prerogative of the Commonwealth, the Association would have no comment to make in this connection.

It is submitted that the States Grants (Roads) Act 1977 contains unnecessary categories and that these could, to advantage, be reduced to two:

Declared roads (under State statutes)  
Roads wholly controlled by local authorities

and that road categories should be nationally uniform throughout the Commonwealth.

It is the view of the Association that local authorities and State Governments are the best equipped to have an appreciation of the road requirements in the respective States and as all States are sovereign States it is submitted there should be no necessity or justification for State Road Authorities having to submit programs for approval of the Commonwealth Minister for Transport.

The standard of many Queensland roads, when compared with similar categories of roads in the more favoured States of New South Wales and Victoria is much lower and the Association submits that any action to reduce administrative procedures will provide an increase in funds available for road construction and maintenance. For those road categories outside national highways, priority

determinations should be in the hands of State Governments with certification from the respective State Auditor's-General to the Commonwealth Government being satisfactory and adequate proof to the Minister that funds allocated by the Commonwealth have been expended on the respective road categories as defined in the legislation.

5.2.4 Local Government Association of South Australia

No comments provided.

#### 5.2.5 Local Government Association of Western Australia

Thank you for the opportunity to comment concerning the matter of Commonwealth assistance to the States in connection with roads and road transport.

On behalf of the Associations and as a general expression, local government in Western Australia has necessitated some adjustment in the area of funding of roads over the past few years and has been possibly in a worse situation than its Eastern States counterparts, for not only have the Commonwealth grants to roads failed to reflect inflation, but the percentage allocation to Western Australia of the total grant has been diminishing. In this respect there has been a decrease from about 18 per cent of the total allocated to the State ten years ago to slightly more than 12 per cent at the present time. In addition, there has been some quite severe movement of funding amongst the various categories to which class of roads the funds must be spent. Therefore, to determine a balanced program of work throughout the State required a movement of State funds and the total allocations to individual shires has not in all cases in recent times reflected the percentage increase of the total funds from the Commonwealth.

Another disturbing factor, while it is now history and hopefully will not be repeated, some two or three years ago the Commonwealth increased its total grant by 8.8 per cent. However, only 3.6 per cent was passed to this State. It is generally accepted that inflation is comparable between States and therefore if the Commonwealth is to mark up its total grant in real terms, or by some fixed percentage, such percentage increase should be passed on to all States in total and one State should not be disadvantaged over another.

As you are aware, the local government in this State has received some criticisms in previous reports of the Bureau of Roads, in relation to their poor effort of expenditure and in this respect a significant increase in matching requirements for local govern-

ment authorities has been imposed in State legislation, in an effort to bring those shires with a relatively poor performance up to a reasonable level of expenditure from their own resources.

Local government is involved in discussions with the Main Roads Department on the distribution of road grants and generally accepts that it is treated fairly and a balanced program of works for both tiers of government is prepared. It is believed that the statistics currently being compiled by the Australian Council of Local Government Associations will substantiate the view that the general purpose revenue sharing has been in part needed to balance the funds allocated to road purpose by local government on account of the reduction in the share of funds to the State from the Commonwealth and to keep within reasonable limits rate increases.

Forward planning is seriously hampered by the uncertainty of the amount of funds that can be expected, particularly towards the end of each triennium when new legislation is required.

To overcome this situation, an alternative would be that road grants could be tied to, say, a percentage of fuel tax, or on a basis reflecting the user pay concept, which should provide an inbuilt growth factor and councils would be able to plan long term for road construction and maintenance programs.

If such a suggestion were adopted, it would of course be necessary for such legislation to ensure that the total allocation could not fall below that of the previous year.

Another suggestion which could assist local government is that the base grant should be paid in a lump sum at the commencement of the financial year rather than by 12 equal monthly payments. This would enable local authorities to commence programs at an early date without the need to enter into overdraft arrangements.

Without research, which time does not permit, it is not possible to identify and substantiate the issues which affect rural local government differently from urban local government. Nevertheless it would seem that the following factors have greater significance to rural local authorities:

- (a) Revenue raising capacity.
- (b) Cost of road construction and particularly road construction machinery.
- (c) The length of roads to be developed and maintained.
- (d) A demand to extend services and facilities, such as swimming pools libraries, welfare activities etc.

I am aware that the Local Government Ministers Conference appointed a Steering Committee to study rural local government and quite obviously road funds received consideration and, before firm conclusions are reached, it would seem appropriate that the findings of this Committee should be considered and evaluated in conjunction with local government.

On the question of future financing for local government road expenditure, the Associations in this State have no firm policy but were receptive to the MAVPLAN promoted by the Municipal Association of Victoria some two or three years ago, that road funding be on the basis of Commonwealth 50 per cent, State 35 per cent, local government 15 per cent. I think it fair comment to say that this proposal was floated as a long term philosophy. In the short term and pending some fuller consideration of a proposal such as the MAVPLAN, it would seem that because roads must be regarded as one of the nation's greatest assets, a funding system should be devised which takes road grants out of the political arena of Budget discussions and to tie the grants to some form of index, which gives a growth factor, thereby allowing State and local governments to develop long-term programs for road construction and maintenance with some certainty of funding.

It is pointed out that the Associations in this State support that road funds should remain a specific purpose grant.

The Associations also do not have a firm policy on categories other than it is believed that local government generally requires the protection of categories to ensure that it receives the funds directed by the Commonwealth. However, due to its relationship with the Main Roads Department, local government in this State has not been called upon to consider variations to the existing road categories.

#### 5.2.6 Municipal Association of Tasmania

(Note: The submission below does not necessarily represent the policy of the Municipal Association of Tasmania. The submission was prepared by a sub-committee appointed for the purpose of reviewing road funding in Tasmania.)

#### SUMMARY OF RECOMMENDATIONS

All reference to Sections apply to the States Grants (Roads) Act 1977.

##### Urban Local Roads

- (a) Guidelines for use of these funds to be re-examined by Commonwealth, State and local governments participation. (Request that the Australian Council of Local Government Engineers Associations supply input at local government level).
- (b) The guidelines for establishment of programs of acceptable works to be based on environmental improvements in residential areas similar to that recommended in "Road Safety Guidelines for Town Planning."
- (c) Traffic management programs for Urban Local roads also to be eligible for assistance under this program.
- (d) Classification and Declaration processes relating to functional Class 7 and 8 roads be investigated to enable greater local government responsibility in this process.
- (e) Expand the definition of urban area to include towns over 15 000 in population.
- (f) All urban councils to then assess real cost needs in accordance with amended guidelines in (a) and supply this to both State and Federal bodies.



- (g) The allocation for this aspect of assistance to councils be based on the recognised and approved needs of councils qualifying and that these needs be satisfied over a 6 or 9 year period.
- (h) Allocations to be considered in light of (d) to provide a stable program of works over a multiple of 3 year periods of allocations, based on the populations of areas and the needs of each council area.
- (i) Section 18 Committees be set up in each State to prepare a program of allocation for agreement by both Federal and State ministers.

#### MITERS Allocation

- (a) If it is essential that this schedule be retained as a separate allocation then local government bodies or associations be involved in a full participation of priority assessments for recommendation to both Federal and State ministers.
- (b) Due to the small proportion of the total funds (1.5 per cent) being provided by both Federal and State for roads programs that this schedule be included in these areas requiring improvement of road safety problem area.
  - (i) Traffic control equipment
  - (ii) Urban Arterial roads on existing systems where warranted
  - (iii) Urban Local roads on existing systems
  - (iv) Rural Arterial roads on existing systems
  - (v) Rural Local roads on existing systems

#### Rural Local Roads

- (a) That in each State the minimum amount allocated to councils for works of construction and maintenance of rural local

roads be the funds provided by the Commonwealth as schedule 7 funds.

- (b) As is currently the case in Tasmania where the DMR, under the State Roads and Jetties Act, maintains and repairs bridges and culverts, outside proclaimed town areas, where the cost per repair exceeds \$140, the allocation be reduced by an agreed sum per year for this purpose.
- (c) The allocation to each council be on a stable basis from year to year.
- (d) That a Section 18 Committee be set up in each State including representation of the local government association and that a program of allocations be determined as allowed under Section 12.
- (e) That if the State Ministers don't agree to the processes in (a) and (d) that the local government associations request the Federal Minister to set up committees under Section 26 to perform the functions of that section with regard to the schedule 7 funds allocations.
- (f) That a common distribution formula be set up for all States so that the allocation to any council of comparable population, length of roads, density of population and road rating effort shall not differ substantially from that of any other like council.
- (g) That due to the dependance of rural councils (as described in the Harris classification of local government areas as Classes 7 and 8) on finance for their largest activity of road construction and maintenance, they be especially considered in any fund distribution formula in relation to population density and road rating effort.

- (h) That payments to councils from the State to be on the same regularity basis as that of the Commonwealth to the States.
- (i) That audit verification of expenditure of rural local road funds be sufficient proof of the bona fide use of such funds.
- (j) Any allocation of such funds to a Council attract the same conditions relating to expenditure completion date as Section 21 applies to the State.

#### SUBMISSION TO BUREAU OF TRANSPORT ECONOMICS ON COMMONWEALTH ROAD FUNDING

##### (a) Urban Councils

Three types of Federal road grants affect local government in Tasmania.

- (i) Urban Arterial Schedule 9 Funds
- (ii) Urban Local Schedule 10 Funds
- (iii) MITERS Schedule 8 Funds

Until recently it was rare indeed for urban councils to be actively involved in the design and/or construction of such roads where State or Federal funding was involved.

Possible exceptions to this have been works associated with the Tasman Bridge Disaster works when three Councils (as far as is known Hobart, Glenorchy and Clarence) participated in certain roadworks.

The Launceston Area Transportation Study (1976) resulted in agreement being reached, between the Department of Main Roads and certain northern urban councils, on a cost sharing arrangement relating to some works included in the future proposed roadworks required in this area.

As a result of this agreement the DMR issued a policy to include all urban councils in the State (Appendix 'A') whereby subject to DMR and presumably Government approval, urban arterial funds may be made available on a \$ for \$ basis for special projects.

Winds of change appear to be occurring in the area of transport studies especially if the present Hobart revision is any indication where the local government authorities are playing a more active part in at least being involved in the possible options to be finally presented both the public discussion and final resolution.

The fact that local area studies, on a council area basis, are being undertaken to identify local problems and to attempt to present solutions (or a range of options) before finalising the regional (or major arterial) study is a heartening sign of recognition of local government in the consultative processes.

It is known that Section 26 of the States Grants (Roads) Act 1977 provides for consultative processes and decision making on allocation of funds from various schedules and these sections should be reinforced to include local government participation on the programming, priorities and expenditure of funds from schedules 8 and 9. Local government should also be fully informed as to the manner in which the State allocates funds from its own sources to works in this category.

(b) Urban Local Allocations (Schedule 10 - Funds)

It can be said that the provision of these funds has been welcomed by urban councils, especially the method by which individual council allocations were arrived at.

This was done by consultation at Federal, State, council officer level and a reasonable system arrived at. (See Appendix 'B').

Probably the split up of the Tasmanian allocation on a population basis could be said to be too simplistic and that the priority of

needs situation was not properly recognised. However, it can be fairly said that the needs within each council are so great financially that many years' allocations could be readily effectively used immediately.

The guidelines set forward for the projects acceptable for urban local funds do restrict the classification of road on which these monies can be spent.

In Tasmania, due partly to the particular States Grants (Roads) Act 1977 definitions and restrictions, many worthwhile projects are prevented, where either guideline redefinition or classification of functions on roads other than urban locals (Class 8 local streets) is required to allow broadening of the expenditure guidelines.

Many roads presently classified as class 7 (urban sub-arterials) merely act as local collector or feeder roads onto State classified roads. These roads are usually entirely the responsibility of the urban councils and even within the proposed \$ for \$ policy of the DMR would be extremely unlikely to qualify for assistance from urban arterial funds.

Apart from Hobart and Launceston urban areas there are two other urban centres of Burnie and Devonport both of populations of 20 000 persons which are presently excluded from participating in the allocation of Schedule 9 funds. Both these councils currently receive grants for rural local roads but it understood that these funds are excluded from being used on town streets maintenance or construction.

These two "urban" areas being port centres as well are quite justified in attracting a grant specifically for urban local roads purposes.

As far as is known there is nothing to prevent the State Government

from making an allocation of its funds to supplement the schedule 10 funds and bringing Burnie and Devonport into the total allocation.

Councils should have a direct input to the formal classification process which results in the declaration of roads into functional classes by the Federal Minister where projects of an urban local nature transgress the guidelines of policy. In this area councils should have greater discretion to allocate such funds to the upgrading of such projects especially if councils could supplement these funds from their own resources (either revenue or loan funds).

(c) MITERS Funding

Under the present situation these funds are allocated by State, Federal consultation and do not have a great local government content of input other than submission of proposals. The State prepares a program and submits it direct to the Federal Minister for approval.

Projects are usually limited to a maximum of \$50 000 and great emphasis is put on favourable benefit-cost ratio as far as accident reduction is related to any particular site.

The report by the then Commonwealth Bureau of Roads 1975 made specific reference to a MITORS program as distinct from a MITERS program. In this content it was recommended that in urban areas the 1977-81 years be allocated \$93.9m of a total \$1982m or 4.74 per cent for MITORS activities (p.143).

In relation to rural roads it was recommended that \$22.4m out of \$2430m be allocated for MITORS activities (0.92 per cent) (p.193) (2.11 per cent of total recommended program of \$5500m).

The States Grants (Roads) Act 1977, schedule 8 specifies \$13.4m out of total Federal and State expenditure of \$893.8m or 1.5 per cent.

With this relatively small allocation it could be more effectively distributed over the existing road network in the areas where needs exist if it is distributed between the categories of urban arterials, urban locals, rural arterials and rural locals in direct proportion to the totals allocated to these activities.

The need for these activities is usually found on existing systems where improvements are required to road safety and traffic engineering functions.

Where new urban or rural arterials are being provided or re-constructed it should be a function of the design and construction that these factors are properly provided for in these projects.

To effectively provide that this allocation is used on related matters there appears to be no reason why the schedule 8 funds should not be distributed over the areas of -

- Rural arterial road maintenance
- Rural local roads maintenance
- Urban local roads
- Urban arterial roads maintenance

It cannot be determined what proportion of the previous year MITERS funding has been applied to the provision of traffic signals, however this also is a valid area of expenditure for this allocation.

Suggested preliminary allocation of MITERS funds -

- 25% - Traffic signals and associated traffic engineering requirements
- 25% - Urban local roads
- 25% - Urban arterials maintenance
- 15% - Rural arterials maintenance
- 10% - Rural local maintenance

Alternatively use the program of allocations techniques as in Section 12.3 applying to rural locals and urban locals to MITERS funds.

(d) Rural Councils Road Funding (Schedule 7 Funds)

As distinct from the urban councils, i.e. those classified in the Harris classification of local government as classes 1.2.3 & 4 the town and rural classifications are classes 5.6.7 & 8 and it is of interest that in Tasmania in common with the rest of Australia the largest percentage is rural, 63 per cent of councils are class 7 and 8.

Based on estimated populations at June 1977 of the towns on which the local government area is centred the councils in Tasmania have been categorised for purposes of comparison.

All the rating and grants figures quoted in this submission originate in the Australian Bureau of Statistics publication Local Government Finance, and cover the years 1971-72 continuously through to 1976-77, which is the latest available year.

These figures have been analysed fairly thoroughly and cover the following main comparisons as included in the appendices to this submission.

For all councils where available -

- (i) Road plus street lighting expenditure 1976-77 Appendix "C"
- (ii) Total ordinary services expenditure and a comparison with
  - (i) for 1976-77 for individual councils. Appendix "C".
- (iii) For all councils combined a comparison between road rate and ordinary services income for 1971-72 through to 1976-77 showing the trend for 1978-79 and 1979-80.  
Figure 1.



- (iv) For all councils for the same years road rates plus road grants compared with all ordinary services income plus all grants and showing a possible trend into the 1980's. Figure 1.
- (v) For all councils for the same years a comparison of road and bridges etc expenditure to expenditure on all ordinary services. Figure 2.
- (vi) As usually road expenditure and drainage (as distinct from sewerage) expenditure are interdependent a comparison has been shown between loan fund expenditure on this aspect compared with loan fund expenditure on all ordinary services. Figure 3.
- (vii) Tables have been prepared for all councils showing road rate actual incomes and road grant actual incomes for each of the six financial years together with a ratio of grant to rates finance for each. Appendix "D"
- (viii) Using the figures in (vi) and the average population for the period 1972 to 1977 the effort of rating per head of population over this period has been assessed as well as the level of road grants per head of population.
- (ix) Additionally loan raisings for road purposes has also been established for each council where available over this period and a loan effort per head of population also assessed.
- (x) A ratio has then been assessed of road grants per head compared to total expenditure; and to expenditure from council funds both rates and loans. Appendix "E"

It is competent to state that in urban predominantly town oriented municipalities, e.g. Devonport and Queenstown the ratio of road expenditure to ordinary services expenditure is relatively low

say generally less than 0.25. This ratio becomes quite significant in all purely rural areas generally ranging between 0.45 to 0.60 with the exception going up to 0.69.

It is therefore fair to state quite undeniably that, as road expenditure plays such an important part in the operations of the rural municipality, the size, method of determination of the road grant and the manner in which it can be spent within the budget of the individual council is of paramount importance to the council.

With the exception of the councils where road rating is not separately listed e.g. Hobart, Launceston and Devonport a study of the road rate increased from 71-72 through to 76-77 indicates that in the majority of councils effort on road rating has generally been in line with inflationary trends.

Few councils namely Deloraine, Green Ponds, Flinders and Ross appear to have kept their road rate increases below average and it is assumed this is due to subsidising road rate from untied grants. See Appendix "D"

It is also fair to state that Classes 7 and 8 councils have not been borrowers of road loan funds to the same extent as council in other cases with the exception of councils where town works have been required e.g. Zeehan due to expansion of mining etc in the area and Sorell to cater for fringe urban commuters.

The 31 councils which represents 63.3 per cent of the local government authorities in Tasmania only represent 20.26 per cent of the population. Of these, 13 councils have not raised any road loans over the years investigated.

The remaining 18 raised \$1 579 800 out of a total of \$16 678 600 or 9.47 per cent. So 15.13 per cent of the population raised only 9.4 per cent of the road loans. See Appendix "G"

A conclusion which can be drawn is that the rural councils cannot afford to enter into loan commitments for road works unless these works are associated within the towns. Basically States Grants (Roads) Act 1977 funds cannot presently be applied to town streets unless the definition of rural local road in that Act is enlarged to include streets in towns that are not defined as urban areas.

The Rural Local Government Study of April 1978 makes it clear that the most important function of rural local government is the construction and maintenance of roads (Ref. p. 18 Item 2.3).

From information available from the Department of Main Roads Tasmania it has been determined that of the schedule 7 funds for 1977-78 under the SGR Act 1977 only \$3.026m of the \$4.9m total allocation was made available to councils.

TABLE 1 - SCHEDULE 7 - \$4 900 000 - RURAL LOCAL ROAD ALLOCATIONS  
1977/78 TO COUNCILS

<u>Electorate</u>	<u>No Councils</u>	<u>\$</u>	<u>Average per Council \$</u>
Wilmot	22	1 417 862	67 790
Franklin	5	234 245	46 849
Denison	..	..	Included in Kingborough/Franklin
Braddon	11	816 812	74 256
Bass	7	567 025	81 004
		3 025 944	

It would appear that the balance of \$1.894m or 38.2 per cent has been allocated for use on other than council controlled roads, possible HEC and Forestry Roads and an unspecified amount used by the Department of Main Roads for construction or maintenance of classified roads which by some means have been included in the rural local roads category.

Statistics at June 30th, 1977 indicate that 29.56 per cent of the roading in local government areas other than classified roads, was HEC and Forestry Commission roads.

It is acknowledged there is no present way in which this Association or councils can prevent this occurring.

It is submitted however that as both the HEC and Forestry Commission operate, if not wholly, at least substantially, as trading undertakings of a commercial nature and as such the cost of construction and maintenance of roads under their jurisdiction should form a portion of their operating expenses independent of government grants and that no schedule 7 funds should be allocated to these authorities.

As far as can be ascertained little if any schedule 7 funds are allocated to the HEC or Forestry and so it appears that the DMR are appropriating most of the remaining funds (38.25 per cent) for its own use on bridge repairs on rural local roads and to construct and maintain the 721 kms of rural local roads which are classified as part of the State road system.

The removal of this large amount of funding from councils naturally leaves the already sparsely populated and underfinanced rural area councils in a parlous situation.

If each municipality was charged with maintenance and construction of the roads which are fully opened for public usage, in particular rural local roads which have been classified as State roads, this would then make quite logical the distribution of all schedule 7 funds to the municipal councils of Tasmania with the exclusion of the requirement to repair and replace bridges and culverts on council roads.

From the 1976-77 annual report of the Tasmanian Department of Main Roads indications are that a total of \$6 119 930 was spent

on rural local roads of which Federal funds contributed \$4 100 000. Presumably the balance of \$2 019 930 came from State funds (pp. 13 & 15).

Stated in the Appendix 3 of the DMR report, the expenditure on rural local roads by the Department and some councils, was \$762 826.

Also mentioned in Appendix 2 of the report is the break up of grants to councils 1976-77. Direct grants to councils from rural local (schedule 7) funds were:

	\$	
Maintenance	942 192	
Construction	750 406	
\$ for \$ sealing	681 514	
School bus routes	190 671	
Settlers roads	183 769	
Flood damage	89 575	2 838 127
Bridgeworks (carried out by DMR on RL Roads)		974 324
Subsidised roadworks		77 744
		<hr/>
		\$3 890 195

Other funds allocated to councils were:

Urban local funds	612 367
Rural arterial funds	128 871
Urban arterial funds	26 130
MITERS	190 559
	<hr/>
Total grants to councils	\$4 848 122
	<hr/>
Spent by DMR on rural local roads	762 826
	<hr/>
	\$5 610 948
	<hr/>
Unaccounted for balance	508 982
	<hr/>
	\$6 119 930

With the introduction of NAASRA loads and dimension regulations in Tasmania in March 1978 a slight increase in axle and group axle loadings was permitted.

This combined with the reduction in available rail services has, it is believed, led to an increase in heavy transport on many rural local roads and town streets particularly in the port towns such that Tasmania continues to justify at least the current level of rural local road funding. Under no conditions would Tasmania be agreeable to accept any less than the relative proportion of total rural local road funds allocated from Federal sources to the States.

(e) Distribution of Schedule 7 Funds to Tasmanian Municipalities

In attempting to determine a pattern of road grants distribution, rating effort per head of population over the period 71-72 to 76-77 and length of unsealed and unpaved roads as at June 77 has been studied. It is apparent that there is no correlation between rating effort and the level of grants except to say that in respect to the larger towns (class 5) and those of higher population class 3 & 4 the level of grants is lower per person than generally for the rural areas class 7 & 8.

Even in these areas many councils which have exercised above average rating effort have not consistently received comparable grant assistance even when there is still at June 1977 a heavy burden of unsealed length of rural local roads in the area.

Another problem of grant distribution is the yearly variations which have occurred to the grant allocations. Generally these have been relatively upward but several councils have had a relatively large increase in one year followed by a heavy decrease in years following.

This, when the workforce on a day labour basis is comparatively small can mean either temporary employment or alternatively engaging contractors for a special task.

It should be the aim of any grant distribution formula in practice to remain within a relatively predictable level of funding so that councils can plan in advance and depend on stability of finance.

Apparently it has been the practice in Tasmania for the Government through the DMR (formerly PWD) to set aside a proportion of Federal grants for roads and to distribute this on a \$ for \$ basis to councils prepared or eager to match this money. It also appears that funds have been provided on a construction grant basis at a heavier rate than normal for selected projects.

This in effect means that the government distributing authority has excessive control over where these funds are spent through its ability to approve where \$ for \$ allocations are to be provided.

It can be seen by reference to Figure 4 that there is no pattern in the distribution matter of grants compared to rating effort.

Of the 44 councils shown on the figure, eleven have had equal or better grant to rating effort. More importantly of the remainder, nineteen councils in the classes 7 & 8 have not benefited in any consistent pattern.

#### (f) Future Distribution of Schedule 7 Funds

Firstly it can be said that grants to councils for roads and street works over the total spectrum of councils road expenditure in Tasmania have not represented a consistent pattern of assistance.

As shown in Table 2 the yearly variations indicate an uneven ratio of State to council funding. It also appears that the level of assistance from State funds which has been added to Federal funding handled by the States has been at a negative level.

TABLE 2

	A			B		C		
	State Road	Govt. Grants	Yearly Var. %	A/B	Local Govt. Road Rates	Local Govt. Road Loans	Yearly Var. %	A/B B+C
71-72	2	057.3		.476	4 320.1	2 024.5		.324
72-73	2	060.5	- 9.7	.430	4 795.0	2 065.0	- 7.4	.300
73-74	2	299.6	+ 2.8	.442	5 196.9	2 563.9	- 1.3	.296
74-75	3	126.3	+ 4.1	.460	6 789.8	2 449.0	+14.2	.338
75-76	4	280.5	+17.2	.539	7 939.3	3 277.4	+13.0	.382
76-77	4	073.3	-18.7	.438	9 299.8	4 298.8	-21.5	.300

The manner in which schedule 7 funds should be handled from State to local government would be more appropriate if the following was agreed to.

- (i) Where a conflict exists between State classification and functional classes in the declared roads this be resolved with local government and State being made responsible for the relevant parts of the roading system.
- (ii) The State allocate to councils whatever schedule 7 funds are set down by the States Grants (Roads) Act 1977; bridges and culverts expenditure being first resolved and agreed to, where this can be justified being financed from these funds.
- (iii) A Federal-State-local Government committee being set up under Section 26 to advise both the State and Federal Ministers for Transport and/or Main Roads as appropriate on the program of allocations which should be approved by them for expenditure by the local government authorities.
- (iv) Where a road common to two or more areas, not State classified, should for strategic planning or transport purposes be constructed to improve access and communication between areas and or towns priority of funds for such a project should be considered by the section 26 committee.



- (v) The formula for distribution of funds between councils could be based on the following factors.
- . A maintenance allocation based on the length of sealed rural local roads in each area.
  - . A construction allocation based on the length of unsealed and unpaved rural local roads in each area.
  - . A factor based on the road rating effort in \$ per head of population in each area based on the average of the preceeding two or three years.
  - . A factor based on the proportion that total road rating bears to the total rating for all ordinary services.

#### Appendix A

##### Policy for State Government Financial Assistance to Councils for Construction of Urban Arterial Roads

The State Government has accepted full financial responsibility for construction of new urban arterial roads (freeways, expressways and outlet roads) designated in the Reports of the Hobart Area Transportation Study and the Launceston Area Transportation Study or Reports of Reviews of those Studies.

This policy statement sets out the general conditions and arrangements for State Government financial assistance to councils for construction of certain urban arterial roads which are the responsibility of the councils.

The total amount for grants of financial assistance to councils which the State may allocate in any financial year or over a number of financial years will be limited. The amount available will depend upon the grants made to the State by the Commonwealth for the construction of urban arterial roads and the proportion

of these grants which are required to maintain a satisfactory rate of development and improvement of the major urban arterial roads for which the State is responsible.

For the purposes of this policy statement, the following definitions apply:

"urban arterial road" means a council road in the Hobart Statistical Division or the Urban Area of Launceston currently declared by the Commonwealth Minister for Transport as an urban arterial road under the provisions of the States Grants (Roads) Act 1977 and which the Minister for Main Roads and Transport determines to be an important element in the arterial road system.

"construction" in relation to an urban arterial road means the reconstruction or realignment of a road which brings the road to a substantially higher standard and includes:

- (a) The acquisition of land for the purpose of reconstructing or realigning the road; and
- (b) investigation and associated engineering studies in connection with the reconstruction or realignment of the road.

The Minister for Main Roads may, at his discretion, provide grants of financial assistance to councils for the construction of a defined length of a specified urban arterial road. As the grants of financial assistance to councils are to be funded from the Commonwealth grant for urban arterial roads provided to the State under the States Grants (Roads) Act 1977, any decision by the Minister for Main Roads to grant assistance to a council for a project will be subject to approval of that project by the Commonwealth Minister for Transport.

The amount of assistance provided for a project will be on the basis of 50 per cent of the agreed cost.

The amount of the grant payable for a project in any financial year will be 50 per cent of a specified limit of total expenditure for that year or 50 per cent of the approved actual expenditure incurred in that year, whichever is the lesser.

In general, a grant of assistance will be provided only for a project which meets the following requirements:

- (i) The proposed construction work on the defined section of the urban arterial road is to be carried out and completed during a period not exceeding two consecutive financial years; and
- (ii) the proposed total expenditure on the project in each financial year is not less than \$200 000 and not more than \$500 000 (i.e., the amount of the State grant would be not less than \$100 000 and not more than \$250 000 in each year).

A council will be eligible to receive assistance for only one project in each financial year, except in cases where the Minister determines that one project may be completed and another commenced within a financial year.

In granting assistance for a project, the Minister for Main Roads may attach conditions relating to:

Standards of design and construction.

Submission of plans and specifications for approval.

Submission of environmental impact statements.

Limitation on the cost of investigations and engineering studies.

Limitation on the cost of supervision, administration and overheads which the council may charge as part of the cost of construction.

Limitation on the cost of alterations to and replacement of municipal services which may be charged as part of the cost of construction.

Supervision of the project.

Traffic management on the completed project.

Administration of this policy will be in accordance with the guidelines laid down by the Commonwealth in relation to the grants to the States for urban arterial roads.

Applications for grants of financial assistance are to be made prior to 31st December in the year preceeding the financial year for which the grant is sought. The application is to be supported by a project description report as required by the Commonwealth guidelines, a detailed estimate of the total cost, a proposed program showing financial years and estimated expenditure for each year, and preliminary design and other information sufficient for preliminary assessment of the project including checking of the estimates.

The information required by the Commonwealth in project description reports is as follows:

(a) General

- (i) Objectives of the project including the reasons for selecting the proposal, its effect on the road system and the longer term plans for the road.
- (ii) Expected benefits of the project.

- (iii) The main environmental effects including safeguards proposed.
- (iv) Any impacts of the proposed works on National Estate sites.
- (v) Regional or community implications of the proposed works.
- (vi) Programs for completion of the proposed works and of future stages or associated works.
- (vii) Effects on public utilities.

(b) Physical Details

- (i) Drawings showing the alignment of the road and its location in the road network.
- (ii) Basic design criteria including advice on number of traffic lanes, staging proposals, information on service facilities, etc.
- (iii) Estimated cost of the project and of subsequent stages or associated works.

Department of Main Roads

June 1978

## Appendix B

### Dealing with Schedule 10 - Funds for Urban Local Roads

TABLE 1 - URBAN LOCAL ROADS 77-78 ALLOCATION \$1.0M

<u>Launceston Urban Area</u>	\$
Beaconsfield	9 500
St. Leonards	80 000
Lilydale	27 000
Launceston	169 000
Westbury & Launceston	17 250
	<u>\$302 750</u>
Launceston Urban Area	<u>\$320 000</u>
<u>Hobart - Urban Area</u>	
Hobart	185 000
Glenorchy	155 000
Clarence	155 000
Kingsborough	60 000
Sorell	25 000
Brighton	25 000
New Norfolk	35 000
	<u>\$640 000</u>
Appropriated by DMR under Section 22	<u>40 000</u>
	<u>\$1 000 000</u>

Of the \$1.0m allocated in 1977-78, councils in Urban Launceston and the Hobart Statistical Division have been allocated \$960 000, the remaining \$40 000 being appropriated by the Department of Main Roads under section 22. This will apparently continue for the next two financial years.

A meeting was held by representatives of the Minister of Transport (Commonwealth) and Minister of Highway and Transport (State) and the local government authorities concerned. It would seem that

this took place under the provisions of section 18 and basically that the agreement reached at the meeting relative to allocations of funds to the various councils was automatically approved by both Ministers.

The only criteria to be observed for the spending of these funds were observation of the guidelines, the work being of a "construction" nature in accordance with the States Grants (Roads) Act 1977. Construction as defined in Annexure 2 of the Notes.

The problem urban councils are experiencing is that DMR officers say this money cannot be spent on class 6 and 7 roads as previously defined but merely on class 8 roads (urban streets). There are areas of contradiction where some class 7 roads are only collectors, serve as 'bus routes' where expenditure on these roads is warranted, and yet is supposedly ineligible.

On many class 6 urban arterials where the DMR is responsible only for up to 7 metres of pavement width councils are responsible for the remaining 6 or 7 metres and yet are barred from using urban local funds for reconstruction of these substandard pavements.

Two areas of attack appear to be open to the MAT:

- (i) Where an urban arterial or sub-arterial requires the use of the full width of the constructed pavements (both council and DMR) in order to cope with the traffic volumes i.e. clearways on 4 lanes at all times, the State (DMR) should take over responsibility for both construction and future maintenance of the full width. In this case an amendment of section 11 of the Roads and Jetties Act 1935 is necessary.
- (ii) Where these conditions apply and a council is willing to allocate funds from urban local road funds to the reconstruction of these paved areas, other than the 7 metres maintained by the DMR, they should be allowed to do so with either the State or the councils being responsible for later maintenance.

The provisions for amending the Minister's (Commonwealth) declaration of the various categories of roads should be able to be originated, in an agreed manner, by the local government areas involved.

### Appendix C

	Harris's Class	Roads, Streets X + St.Lighting Expend.76-77 \$000	Total Ordy. Services Exp. Y \$000	Ratio $\frac{X}{Y}$	
Hobart	3	1777.3	8717.2	.204)	
Glenorchy	3	870.2	3790.5	.223)	Av .211
Clarence	3	720.5	3624.6	.200)	
Launceston	3	1333.4	6126.7	.218)	_____
Devonport	4	685.8	3183.5	.215)	Av .311
Burnie	4	881.4	2965.0	.297)	
St. Leonards	4	559.3	1327.7	.421	See Note (a)
Kingborough	5	343.6	1089.1	.315)	See Note (b)
Ulverston	5	365.4	1413.3	.258)	See Note (c)
Beaconsfield	5	507.0	1029.4	.492)	
New Norfolk	5	336.5	873.6	.385)	Av 0.389
Lilydale	5	329.4	670.7	.491)	
Georgetown	5	351.4	891.9	.394)	_____
Wynyard	6	462.3	1219.9	.379)	
Circular Head	6	542.5	1019.0	.532)	See Note (d)
Penguin	6	121.1	672.4	.180)	Av 0.372 See Note (e)
Queenstown	6	152.5	464.9	.328)	
Brighton	6	198.7	448.3	.443)	_____
Westbury	7	340.3	492.5	.691)	
Scottsdale	7	196.2	552.4	.355)	
Huon	7	227.8	413.0	.551)	
Longford	7	207.1	467.8	.443)	0.492
Latrobe	7	264.1	615.9	.429)	
Zeehan	7	201.0	470.8	.427)	



Sorell	7	230.4	517.4	.445)	
Deloraine	7	224.2	378.1	.593)	
Bothwell	8	90.0	178.5	.504)	
Bruny	8	128.3	193.2	.664)	
Esperance	8	132.6	229.5	.578)	
Galmorgan	8	165.2	294.1	.562)	Av .532
Green Ponds	8	86.3	143.1	.603)	
Hamilton	8	207.7	313.4	.663)	
Oatlands	8	153.6	280.8	.547)	
Port Cygnet	8	149.9	277.9	.539)	
Richmond	8	168.4	280.7	.600)	
Spring Bay	8	82.2	180.4	.456)	
Tasman	8	90.9	154.3	.589)	
Evandale	8	107.6	230.2	.467)	
Cambelltown	8	169.1	244.7	.691)	
Fingal	8	180.1	276.8	.651)	Av .532
Flinders	8	217.5	332.6	.654)	
Portland	8	157.6	309.7	.509)	
Ringarooma	8	124.1	213.7	.581)	
Ross	8	82.9	166.0	.499)	
Kentish	8	126.6	246.5	.514)	
King Island	8	137.0	302.1	.453)	
Gormanston	8	22.7	47.2	.481)	
Straham	8	6.5	54.5	.119)	See Note (f)
Aratah	8	52.3	164.7	.317)	See Note (g)

- NOTES:**
- (a) Rapidly urbanised area. Heavy street expenditure required.
  - (b) Expanding urban area. Most new development paid by developers. 75% total population urban.
  - (c) 70% population urban.
  - (d) High \$/\$ grant allocations over recent years.
  - (e) No obvious explanation for this low ratio.
  - (f) In the lower bracket road rating effort.
  - (g) Only 0.5 km road still unsealed, low total road length.

# Appendix D

## CLASS 3 - MEDIUM CITIES (25 000-100 000)

\$000

	Road Rate	Road Grants	Ratio- Grants Rates		Road Rates	Road Grants	Ratio- Grants Rates
<u>Hobart</u>				<u>Glenorchy</u>			
71/72	N/A	25.9		71/72	462.5	81.8	.177
72/73	"	27.1		72/73	543.5	81.1	.149
73/74	"	28.5		73/74	648.2	84.5	.130
74/75	"	29.3		74/75	767.5	77.5	.101
75/76	"	226.6		75/76	982.1	85.9	.087
76/77	"	110.0		76/77	1069.7	222.3	.208*
Total		444.4		Total	4473.5	633.1	.142 Av
<u>Clarence</u>				<u>Launceston</u>			
71/72	382.1	66.7	.174	71/72	N/A	58.0	
72/73	447.1	30.3	.068	72/73	"	66.5	
73/74	482.8	35.1	.073	73/74	"	8.5	
74/75	690.9	43.5	.063	74/75	"	16.5	
75/76	729.2	580.3	.796*	75/76	"	71.3	
76/77	839.6	94.1	.112	76/77	"	72.6	
Total	3571.7	850.0	.214 Av	Total		293.4	

\* Tasman Bridge Disaster Works

## CLASS 4 - SMALL CITIES

<u>Devonport</u>				<u>Burnie</u>			
71/72	N/A	38.8		71/72	410.1	68.7	.167
72/73	"	41.3		72/73	475.3	59.1	.124
73/74	"	46.8		73/74	507.5	68.0	.134
74/75	"	69.2		74/75	682.3	64.7	.095
75/76	"	43.2		75/76	744.4	32.5	.044
76/77	"	142.5		76/77	882.8	80.6	.091
Total		381.8		Total	3702.4	373.6	.109 Av

CLASS 4St Leonards

71/72	256.3	23.0	.090
72/73	315.7	41.5	.131
73/74	318.1	45.1	.142
74/75	397.8	47.4	.119
75/76	554.5	212.2	.383
76/77	700.1	69.3	.099

Total	2542.5	438.5	.161 Av
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CLASS 5Beaconsfield

71/72	155.3	58.2	.375
72/73	162.0	66.1	.408
73/74	186.1	81.0	.435
74/75	270.1	117.4	.435
75/76	291.2	118.0	.405
76/77	355.7	185.5	.521

Total	1420.4	626.2	.430 Av
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CLASS 5Ulverstone

71/72	149.1	50.7	.340
72/73	191.1	52.2	.273
73/74	199.3	42.4	.213
74/75	246.7	65.7	.266
75/76	296.9	81.6	.275
76/77	421.2	64.4	.153

Total	1504.3	357.0	.253 Av
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CLASS 5Georgetown

71/72	146.1	55.1	.377
72/73	148.6	53.7	.361
73/74	164.3	64.6	.393
74/75	236.1	66.2	.280
75/76	245.8	105.3	.428
76/77	275.5	104.9	.381

Total	1216.4	449.8	.370 Av
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CLASS 5Lilydale

71/72	93.4	53.7	.575
72/73	99.2	55.2	.556
73/74	102.0	66.4	.651
74/75	137.9	112.6	.817
75/76	163.6	144.9	.886
76/77	205.4	157.3	.767

Total	801.5	590.1	.709 Av
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CLASS 5Kingborough

71/72	187.4	48.0	.256
72/73	206.7	34.4	.166
73/74	196.4	26.3	.134
74/75	251.0	28.1	.112
75/76	271.1	88.0	.325
76/77	284.8	113.6	.399

Total	1397.4	338.4	.232 Av
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CLASS 5New Norfolk

71/72	120.5	79.2	.657
72/73	134.4	73.5	.547
73/74	148.2	46.9	.316
74/75	187.9	75.4	.401
75/76	218.4	101.7	.466
76/77	227.6	100.7	.442

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Total	1037.0	477.4	.471 Av
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CLASS 6Wynyard

71/72	163.0	41.4	.254
72/73	187.4	40.8	.218
73/74	212.8	64.9	.305
74/75	292.8	114.3	.390
75/76	374.1	102.6	.274
76/77	483.6	192.9	.399

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Total	1713.7	556.9	.307 Av
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CLASS 6Circular Head

71/72	183.0	100.9	.551
72/73	195.7	96.6	.495
73/74	195.6	255.2	1.305
74/75	240.2	325.3	1.354
75/76	277.0	190.9	.689
76/77	292.7	253.9	.867

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Total	1384.2	1223.1	.877 Av
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CLASS 6Queenstown

71/72	56.1	8.1	.144
72/73	52.6	8.1	.154
73/74	76.4	10.1	.132
74/75	106.3	12.0	.113
75/76	127.0	9.4	.074
76/77	142.3	10.8	.076

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Total	460.7	66.6	.116 Av
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CLASS 6Brighton

71/72	41.1	26.8	.652
72/73	43.1	40.4	.937
73/74	57.9	46.3	.800
74/75	75.1	45.9	.611
75/76	101.4	51.6	.509
76/77	125.9	51.4	.408

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Total	44.5	262.4	.653 Av
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CLASS 7Westbury

71/72	107.3	54.2	.505
72/73	97.9	73.7	.753
73/74	100.8	44.9	.445
74/75	125.0	27.9	.223
75/76	162.1	47.3	.292
76/77	206.6	49.3	.239

Total	799.7	297.3	.409 Av
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CLASS 7Zeehan

71/72	87.1	14.8	.167
72/73	91.4	15.2	.166
73/74	108.0	17.3	.160
74/75	125.8	37.2	.296
75/76	145.1	24.9	.172
76/77	211.9	44.4	.210

Total	769.3	153.8	.195 Av
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CLASS 7Sorell

71/72	73.9	63.2	.855
72/73	85.2	55.7	.654
73/74	100.3	65.3	.651
74/75	128.0	102.0	.797
75/76	144.2	182.5	1.266
76/77	160.4	82.7	.516

Total	692.0	551.4	.790 Av
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CLASS 7Longford

71/72	101.3	28.9	.285
72/73	115.6	35.7	.309
73/74	120.9	29.1	.241
74/75	146.9	37.3	.254
75/76	185.0	31.5	.170
76/77	201.1	42.1	.209

Total	870.8	204.6	.247 Av
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CLASS 7Deloraine

71/72	70.7	78.3	1.107
72/73	92.3	85.8	.929
73/74	89.8	78.0	.869
74/75	118.4	91.3	.771
75/76	119.4	65.6	.549
76/77	117.0	82.9	.708

Total	597.6	481.9	.822 Av
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CLASS 7Scottsdale

71/72	55.4	26.9	.485
72/73	56.7	34.1	.601
73/74	59.8	27.8	.465
74/75	87.2	64.4	.738
75/76	88.9	244.9	2.755
76/77	112.0	64.0	.571

Total	460.0	462.1	.936 Av
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CLASS 8Waratah

71/72	25.5	8.7	.341
72/73	26.1	3.7	.142
73/74	28.0	8.7	.311
74/75	34.7	12.2	.352
75/76	35.3	10.8	.306
76/77	45.6	8.6	.189

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Total 195.2 52.7 .274 Av

CLASS 8Bothwell

71/72	23.7	49.4	2.084
72/73	25.0	36.3	1.452
73/74	24.3	49.9	2.953
74/75	32.0	59.8	1.869
75/76	39.2	91.0	2.321
76/77	45.3	68.0	1.501

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Total 189.5 354.4 1.880 Av

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CLASS 8 - RURAL AREASBruny

71/72	9.3	19.5	2.097
72/73	9.0	20.3	2.255
73/74	9.2	20.1	2.185
74/75	13.3	39.2	2.947
75/76	14.4	101.2	7.028
76/77	10.8	123.4	11.426

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Total 66.0 323.7 4.656 Av

Esperance

71/72	47.5	41.7	.878
72/73	56.1	42.2	.752
73/74	57.9	39.4	.680
74/75	60.2	55.9	.929
75/76	64.2	31.9	.497
76/77	79.5	49.3	.620

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Total 365.4 260.4 .726 Av

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Glamorgan

71/72	31.3	10.1	.327
72/73	34.2	11.7	.342
73/74	38.5	25.1	.652
74/75	56.4	17.3	.307
75/76	66.8	15.5	.232
76/77	82.2	117.8	1.433

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Total 309.4 197.5 .549 Av

Green Ponds

71/72	16.9	47.2	2.793
72/73	17.5	36.6	2.091
73/74	18.4	43.1	2.342
74/75	26.9	36.1	1.342
75/76	29.6	46.4	1.568
76/77	29.1	60.6	2.082

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Total 138.4 270.0 2.036 Av

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<u>Hamilton</u>				<u>Huon</u>			
71/72	44.7	50.0	1.119	71/72	72.7	50.0	.688
72/73	47.6	42.7	.897	72/73	72.3	47.0	.650
73/74	57.0	66.7	1.152	73/74	72.8	51.4	.706
74/75	76.5	72.8	.952	74/75	121.7	38.0	.312
75/76	81.3	83.7	1.029	75/76	141.8	37.7	.266
76/77	89.0	82.2	.924	76/77	150.9	26.4	.175
Total	347.0	398.1	1.021 Av	Total	632.2	250.5	.466 Av
<u>Oatlands</u>				<u>Port Cygnet</u>			
71/72	58.4	42.3	.724	71/72	41.7	48.5	1.163
72/73	63.3	36.5	.577	72/73	33.0	60.8	1.842
73/74	77.4	35.3	.456	73/74	28.8	45.6	1.583
74/75	93.9	51.1	.544	74/75	34.7	80.2	2.311
75/76	118.8	43.5	.366	75/76	42.9	102.1	2.380
76/77	121.9	54.8	.499	76/77	71.1	84.8	1.193
Total	533.7	263.5	.519 Av	Total	252.2	422.0	1.745 Av
<u>Richmond</u>				<u>Spring Bay</u>			
71/72	48.3	23.3	.482	71/72	30.3	34.1	1.125
72/73	48.6	34.7	.714	72/73	31.1	32.5	1.045
73/74	48.9	36.8	.753	73/74	37.2	37.1	.977
74/75	59.0	51.9	.880	74/75	59.4	46.5	.781
75/76	73.5	38.4	.522	75/76	72.7	24.1	.331
76/77	74.2	99.4	1.340	76/77	78.4	21.9	.279
Total	352.5	284.5	.782 Av	Total	309.2	196.2	.760 Av
<u>Tasman</u>				<u>Evandale</u>			
71/72	12.7	27.6	2.173	71/72	42.1	21.3	.506
72/73	15.4	13.0	.844	72/73	46.6	26.8	.575
73/74	16.2	13.0	.802	73/74	50.1	23.9	.477
74/75	18.6	21.7	1.167	74/75	64.7	47.5	.734
75/76	25.3	17.1	.676	75/76	78.6	70.3	.894
76/77	28.1	32.3	1.149	76/77	82.3	47.8	.581
Total	116.3	124.7	1.135 Av	Total	364.4	237.6	.628 Av

<u>Campbelltown</u>				<u>Fingal</u>			
71/72	45.3	23.3	.514	71/72	52.2	28.2	.540
72/73	42.8	26.7	.624	72/73	55.4	34.3	.619
73/74	49.2	19.8	.402	73/74	55.9	29.2	.522
74/75	67.0	36.8	.549	74/75	72.5	81.6	1.126
75/76	67.9	117.6	1.732	75/76	78.8	43.7	.555
76/77	87.0	110.5	1.270	76/77	91.7	60.4	.659
Total	359.2	334.7	.848 Av	Total	406.5	277.4	.670 Av

<u>Flinders</u>				<u>Portland</u>			
71/72	36.3	86.3	2.377	71/72	33.8	51.1	1.512
72/73	32.9	89.9	2.932	72/73	36.6	39.3	1.074
73/74	44.4	103.1	2.322	73/74	38.1	53.1	1.394
74/75	45.1	289.6	6.421	74/75	38.2	66.9	1.751
75/76	45.9	179.6	3.919	75/76	39.4	55.9	1.419
76/77	46.1	194.6	4.221	76/77	45.7	78.1	1.709
Total	250.7	943.1	3.655 Av	Total	231.8	344.4	1.476 Av

<u>Ringarooma</u>				<u>Ross</u>			
71/72	47.0	39.5	.840	71/72	18.4	19.5	1.060
72/73	49.6	41.8	.843	72/73	20.1	20.2	1.005
73/74	54.8	38.4	.703	73/74	20.1	16.2	.806
74/75	70.9	30.6	.432	74/75	30.1	31.8	1.056
75/76	71.4	45.0	.630	75/76	30.0	20.8	.693
76/77	94.7	45.1	.476	76/77	31.1	28.8	.910
Total	388.4	240.5	.654 Av	Total	149.8	136.8	.922 Av

#### CLASS 8 - RURAL ROADS

<u>Kentish</u>				<u>King Island</u>			
71/72	65.4	70.1	1.072	71/72	48.9	46.6	.953
72/73	61.4	58.8	.958	72/73	49.4	60.6	1.227
73/74	60.9	95.4	1.566	73/74	49.0	63.0	1.286
74/75	88.6	94.9	1.071	74/75	60.0	77.5	1.292
75/76	100.2	62.3	.622	75/76	84.2	72.7	.863
76/77	111.1	65.3	.588	76/77	88.0	37.6	.427
Total	487.6	446.8	.980 Av	Total	379.5	358.0	1.008 Av



<u>Latrobe</u>				<u>Gormanstown</u>			
71/72	99.9	33.1	.331	71/72	4.1	3.5	.854
72/73	103.3	41.1	.398	72/73	4.1	3.5	.854
73/74	104.3	62.1	.595	73/74	4.2	3.6	.857
74/75	142.4	65.4	.459	74/75	4.3	-	-
75/76	175.8	64.7	.368	75/76	4.9	12.6	1.370
76/77	243.0	123.2	.507	76/77	5.6	7.8	1.393
Total	868.7	389.6	.443 Av	Total	27.2	31.0	.888 Av

				<u>CLASS 6</u>			
<u>Strahan</u>				<u>Penguin</u>			
71/72	4.4	5.8	1.318	71/72	57.6	30.3	.526
72/73	3.3	9.7	2.939	72/73	68.7	21.5	.313
73/74	3.4	5.8	1.706	73/74	71.5	30.4	.425
74/75	5.0	7.3	1.460	74/75	100.1	42.5	.425
75/76	5.7	6.3	1.105	75/76	129.5	47.1	.364
76/77	8.8	6.5	.739	76/77	142.7	45.1	.316
Total	30.6	41.4	1.544 Av	Total	570.1	216.9	.395 Av

APPENDIX E - TABLE 1 (part 1)

Council Name	Total Municipal Population Est. 1977	Area km <sup>2</sup>	Persons Per <sup>2</sup> km	L.G.A. ROADS			H.E.C. & Forestry Roads kms	'A' Total Road Rates 71/72 to 76/77 incl. \$000
				Sealed kms	Unpaved & Unsealed kms	Total Length kms		
<u>CLASS 3 MEDIUM CITIES (25000-99999)</u>								
Hobart	50 070	80	626	264.1	10.9	275.0	Nil	N/A
Glenorchy	42 630	120	355	206.6	47.0	253.6	Nil	4 473.5
Clarence	43 200	251	172	204.5	67.6	272.1	Nil	3 571.7
Launceston	32 850	28	1 174	190.2	2.7	192.9	Nil	N/A
<u>CLASS 4 SMALL CITIES (10000-24999)</u>								
Devonport	21 850	116	188	184.6	29.8	214.4	Nil	N/A
Burnie	19 520	618	32	173.6	151.2	324.8	46.8	3 702.4
St. Leonards	18 850	891	21	103.0	149.0	252.0	14.7	2 542.5
<u>CLASS 6 LARGE TOWN (5000-9999)</u>								
Kingborough	14 730	355	41	79.2	273.7	352.9	Nil	1 394.4
New Norfolk	10 240	1 316	8	88.9	245.2	334.1	16.1	1 037.0
Beaconsfield	12 910	638	20	102.8	237.3	340.1	16.2	1 420.4
Ulverstone	12 460	511	24	138.6	167.8	306.4	125.5	1 504.3
Lilydale	8 920	684	13	80.0	212.2	292.2	159.8	801.5
Georgetown	6 910	654	11	54.1	191.8	245.9	21.0	1 216.4
<u>CLASS 6 MEDIUM TOWNS (2500-4999)</u>								
Brighton	5 620	441	13	39.0	122.6	161.6	Nil	444.5
Circular Head	7 770	4 917	1.6	170.0	513.1	683.1	669.4	1 384.2
Penguin	5 100	432	11.8	100.9	98.7	199.6	101.0	570.1
Wynyard	11 830	813	15	153.8	316.8	470.6	179.1	1 713.7
Queenstown	4 460	142	31.4	28.7	2.1	30.9	Nil	460.7
<u>CLASS 7 SMALL TOWNS (1000-2499)</u>								
Sorell	4 430	782	5.7	33.0	252.0	285.0	67.1	692.0
Huon	4 890	774	6.3	22.6	287.1	309.7	56.9	632.2
Longford	5 470	998	5.5	169.3	162.4	331.7	14.5	870.8
Westbury	5 610	904	6.2	165.1	171.0	336.1	37.0	799.7
Deloraine	4 820	2 917	1.6	179.4	246.1	425.5	345.2	597.6
Scottsdale	4 060	1 292	3.1	83.3	287.8	371.1	312.8	460.0
Latrobe	5 660	549	10.3	107.7	161.9	269.6	171.6	868.7
Zeehan	5 420	3 003	1.8	19.6	99.3	118.9	42.7	769.3

## APPENDIX E - TABLE 1 (Cont - part 2)

Council Name	'B' Total Road Grants 71/72 to 76/77 incl. \$000	Road/Rate Person/ Year Av. 71/72 76/77 \$	'C' Road Grant/ Person/ Year Av. 71/72 76/77 \$	'D' Total Road Loans 71/72 - 76/77 incl. \$000	Road Loans/ Person/ Year Av. 71/72 \$	'E' Total Road Ex/Hd/ Per Year 71/72 - 76/77	'D/E' Road Grant c/f Total Road Exp./Hd	'B/A&D' Road Grant c/f Council Road Exp.
<u>CLASS 3 MEDIUM CITIES (25000-99999)</u>								
Hobart	44.4	N/A	1.44	3 520	11.45	12.49+R	N/A	-
Glenorchy	633.1	17.43	2.47	1 892	7.37	27.27	.091	0.100
Clarence	850.0	14.67	3.49*	1 152	4.37	22.53	.155	0.180
Launceston	293.4	N/A	1.45	Nil	Nil	1.45+R	N/A	-
<u>CLASS 4 SMALL CITIES (10000-24999)</u>								
Devonport	381.8	N/A	3.02	2 495	19.74	22.76+R	N/A	-
Burnie	373.6	31.04	3.13	811	6.80	40.97	.076	0.083
St. Leonards	438.5	24.14	4.16	1 129	10.72	39.02	.107	0.119
<u>CLASS 5 LARGE TOWNS (5000-9999)</u>								
Kingborough	338.4	18.05	4.36	1 218.2	15.70	38.11	.114	0.129
New Norfolk	477.4	16.58	7.63	125	2.00	26.21	.291	0.411
Beaconsfield	626.2	19.66	8.67	430	5.95	34.28	.253	0.338
Oliverstone	357.0	21.22	5.04	599.8	8.46	34.72	.145	0.170
Lilydale	590.2	15.40	11.34	115	2.21	28.95	.392	0.644
Georgetown	449.8	31.12	11.51	293	7.50	50.13	.230	0.298
<u>CLASS 6 MEDIUM TOWNS (2500-4999)</u>								
Brighton	262.4	18.47	10.91	156.4	6.50	35.88	.304	0.437
Circular Head	1 223.1	29.29	25.89	66.3	1.40	56.58	.458	0.844
Penguin	216.9	19.12	7.27	387.7	13.00	39.39	.185	0.226
Wynyard	556.9	25.28	8.21	633.4	9.34	42.83	.192	0.237
Queenstown	66.6	16.06	2.32	75	2.61	20.99	.110	0.124
<u>CLASS 7 SMALL TOWNS (1000-2499)</u>								
Sorell	551.4	28.41	22.63	222.2	9.11	60.20	.376	0.603
Huon	250.5	22.07	8.74	Nil	Nil	30.81	.284	0.384
Longford	204.6	27.54	6.47	180	5.69	39.70	.163	0.201
Westbury	297.3	25.46	9.47	30	0.95	35.88	.264	0.359
Deloraine	481.9	20.75	16.43	50.0	1.74	39.22	.427	0.744
Scottsdale	462.1	20.07	20.16	Nil	Nil	40.23	.501	1.004
Latrobe	389.6	26.85	12.05	108	3.34	42.25	.285	0.399
Zeehan	153.8	25.67	5.13	402	13.41	44.21	.115	0.131

\* Including Tas. Bridge Disaster Funds

R = Rate Component Not Available

APPENDIX E - TABLE 1 (part 3)

Council Name	Total Municipal Population Est. 1977	Area km <sup>2</sup>	Persons Per <sup>2</sup> km <sup>2</sup>	L.G.A. ROADS			H.E.C. & Forestry Roads kms	'A' Total Road Rates 71/72 to 76/77 incl. \$000
				Sealed kms	Unpaved & Unsealed kms	Total Length kms		
<u>CLASS 8 RURAL</u>								
Bothwell	840	2608	0.3	27.3	305.6	332.9	89.5	189.5
Bruny	320	362	0.9	13.0	76.3	89.3	72.1	66.0
Esperance	3170	6186	0.5	20.7	169.7	299.4	542.6	365.4
Glamorgan	1350	1535	0.9	24.3	158.2	182.5	209.2	309.4
Green Ponds	870	416	2.1	18.3	95.7	114.0	Nil	138.4
Hamilton	3340	5850	0.6	22.5	343.3	365.8	182.5	397.0
Oatlands	2220	1540	1.4	45.8	379.4	425.2	13.6	533.7
Port Cygnet	2070	240	8.6	34.9	195.3	230.2	1.2	252.2
Richmond	1710	568	3.0	25.4	160.4	185.8	1.2	352.5
Spring Bay	1810	1122	1.6	21.2	185.9	207.1	87.4	309.2
Tasman	950	480	2.0	8.1	132.3	140.4	46.0	116.3
Evandale	1650	990	1.7	51.3	127.9	179.2	Nil	364.4
Cambell Town	1620	1435	1.1	101.6	75.6	177.1	18.5	359.2
Fingal	2850	2731	1.0	51.8	233.0	284.8	692.0	406.5
Flinders	980	1992	0.5	76.5	314.7	391.2	Nil	250.7
Portland	1690	1581	1.1	30.1	246.3	276.4	299.2	231.8
Ringarooma	2240	1632	1.4	50.6	275.6	326.2	287.1	388.4
Ross	550	1240	0.4	36.1	162.0	198.1	40.4	149.8
Kentish	4020	1187	3.4	136.9	270.7	407.6	125.3	487.6
King Island	2700	1099	2.5	25.8	353.4	379.2	25.7	379.5
Gormanston	380	2872	0.1	2.7	6.2	8.9	78.9	27.2
Straham	430	3733	0.1	9.2	40.9	50.1	71.1	30.6
Waratah	2110	2709	0.8	12.9	0.5	13.4	95.5	195.2

APPENDIX E - TABLE 1 (Cont - part 4)

Council Name	'B' Total Road Grants 71/72 to 76/77 incl. \$000	Road/Rate Person/ Year Av. 71/72 76/77 \$	'C' Road Grant/ Person/ Year Av. 71/72 76/77 \$	'D' Total Road Loans 71/72 - 76/77 incl. \$000	Road Loans/ Person/ Year Av. 71/72 \$	'E' Total Road Ex/Hd/ Per Year 71/72 - 76/77	'C/E' Road Grant c/f Total Road Exp./Hd	'B/A&D' Road Grant c/f Council Road Exp.
<u>CLASS 8 RURAL</u>								
Bothwell	354.4	39.73	74.30	40.0	8.39	122.42	.607	1.544
Bruny	323.7	35.48	174.03	Nil	Nil	209.51	.831	4.905
Esperance	260.4	18.51	13.19	15.0	0.76	32.46	.406	0.684
Glamorgan	197.5	41.42	26.44	135.1	18.08	85.94	.308	0.444
Green Ponds	270.0	26.82	52.33	Nil	Nil	79.15	.661	1.951
Hamilton	398.1	17.93	17.98	45.0	2.03	37.94	.474	.901
Oatlands	263.5	41.56	20.52	Nil	Nil	62.08	.331	.494
Port Cygnet	422.0	20.77	34.73	Nil	Nil	55.50	.680	1.672
Richmond	284.5	35.93	29.00	75.0	7.64	72.57	.400	.666
Spring Bay	196.2	30.95	19.64	58.5	5.86	56.45	.348	.536
Tasman	124.7	20.30	21.76	Nil	Nil	42.06	.517	1.072
Evandale	237.6	39.57	25.80	53.0	5.75	71.12	.363	.569
Cambell Town	334.7	37.30	34.76	6.5	0.67	72.78	.478	.915
Fingal	277.4	21.78	14.87	Nil	Nil	36.65	.406	.683
Flinders	943.1	43.30	162.88	Nil	Nil	206.18	.790	3.762
Portland	344.4	24.22	35.99	5.0	0.52	60.73	.593	1.455
Ringarooma	240.5	27.60	17.09	Nil	Nil	44.69	.382	.619
Ross	136.8	46.23	42.22	15.0	4.63	93.08	.454	.830
Kentish	446.8	18.45	16.90	Nil	Nil	35.35	.478	.916
King Island	358.0	23.04	21.74	182.5	8.04	52.82	.416	.699
Gormanston	31.0	10.45	12.45	Nil	Nil	23.37	.533	1.140
Strahan	41.4	11.72	15.86	7.0	2.68	30.26	.524	1.101
Waratah	52.7	15.83	4.27	Nil	Nil	20.10	.212	.270

Appendix FJuly 1978 - Rural Local Roads - Classified by State

		<u>F.C.</u>	<u>Kms</u>
Channel Highway	- Kettering Sub. Rd		
	Gordon - Nichols Rivulet M.R.	4	43.24
Blessington M.R.	- St. Leonards-Upper	"	37.95
	Blessington		
Bracknell M.R.	- Whole length	"	14.76
Bruny M.R.	- Dennes Pt - Church Street	"	8.48
	Sub. Rd		
	Cloudy Bay - end	"	1.07
Calder M.R.	- Whole length	"	13.29
Dalrymple M.R.	- " "	"	17.11
Elderslie M.R.	- Loudon Ave - Elderslie	"	15.17
Evandale M.R.	- Leighland M Rd - End	"	0.82
Glen Huon M.R.	- Whole length	"	13.27
Hillwood M.R.	- " "	"	6.26
Irishtown M.R.	- Grooms Crossroad - end	"	0.69
Kelso M.R.	- Whole length	"	14.35
Kindred M.R.	- Whole length	"	14.44
King Island M.R.	- Rocky Cape Rd - Airport T.O.	"	33.55
Lake Leake M.R.	- Speen to Lake Leake	"	5.91
Lollona M.R.	- Whole length	"	3.64
Low Head M.R.	- Georgetown - Low Head	"	7.50
Lymington M.R.	- Whole length	"	5.30
Mengha	- Whole length	"	10.17
Montagu M.R.	- Whole length	"	16.49
Natone M.R.	- Whole length	"	13.80
Nugent M.R.	- Whole length	"	20.53
Port Sorell M.R.	- Purdon Rd - Wesley Vale	"	3.66
Rowella M.R.	- Whole length	"	7.14
Tunnock M.R.	- Whole length	"	22.13
Winkleigh M.R.	- Whole length	"	10.67
			<u>361.39</u>

Arve Secy. Rd	- Whole length	4	3.97
Bream Creek Secy. Rd	- Whole length	"	4.13
Creamary Secy. Rd	- Whole length	"	3.59
Ellendale Scy. Rd	- Whole length	"	10.28
Fourfoot Secy. Rd	- Whole length	"	3.35
Guildford Secy. Rd	- Whole length	"	9.50
Lachlan Secy. Rd	- End Sp. Limit	"	4.08
Mt. Hicks Secy. Rd	- Bass Hgy - Waratah Hgy	"	15.21
Pegarah Secy Rd	- Whole length	"	12.63
Randalls Bay Secy. Rd	- Whole length	"	3.00
Ranalagh Secy. Rd	- Whole length	"	2.73
Scotts Secy. Rd	- Whole length	"	4.14
Winnaleah Secy. Rd	- Whole length	"	1.60
Woodsdale Secy. Rd	- Whole length	"	13.73
			<u>91.94</u>
Blow Hole Tourist Rd	- Whole length	5	3.75
Cradle Mt. Tourist Rd	- Whole length	"	48.70
Cethana Tourist Rd	- Whole length	"	11.42
Hastings Cave Tourist Rd	- Whole length	"	12.29
Lake Dobson Tourist Rd	- Whole length	"	15.81
Lake St. Clair Tourist Rd	- Whole length	"	5.43
Mt. Barrow Tourist Rd	- Whole length	"	14.11
Notley Gorge Tourist Rd	- Whole length	"	5.37
Olivera Tourist Rd	- Whole length	"	20.92
Paloona Dam Tourist Rd	- Whole length	"	7.60
Tasman Arch Tourist Rd	- Whole length	"	1.07
Commission Dev. Rd	- Savage River	4	24.83
Freestone Pt Dev. Rd	- Whole length	5	5.27
			<u>176.57</u>

Allens Rivulet Sub. Rd	- Whole length	8	6.00
Barnes Bay	- Church St - Bruny M.R.	4	1.09
Bronte-Taraleah	- Whole length	4	21.70
Coles Bay	- Whole length	5	31.45
Lune River	- Whole length	4	3.59
Maydena	- Maydena - end	4	0.80
Regatta Pt	- Whole length	4	1.85
Rheban	- Whole length	4	11.51
Zeehan - Corinna	- Whole length	4	12.87
			<u>90.88</u>

Highways & Main Roads	Rural Locals		361.39
Secondary Roads	Rural Locals		91.94
Tourist Roads	Rural Locals	F.C. 5	146.47
Development Roads	Rural Locals		30.10
Subsidised Roads	Rural Locals		90.88
			<u>720.78</u>



# Appendix G

## Loan Fund Receipts Roads, etc (000's)

	Class	71/72	72/73	73/74	74/75	75/76	76/77	Total	\$ per person per year Aver.
Hobart	3	395	217	470	826	718	894	3250	11.45
Glenorchy	3	320	324	376.5	257	300.5	364	1892	7.37
Clarence	3	212	225	265	250	150	50	1152	4.73
Launceston	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Devonport	4	310	380	340	365	450	650	2495	19.74
Burnie	4	115	193	140	87	126	150	811	6.80
St. Leonards	4	-	-	254	73	440	362	1129	10.72
Kingborough	5	138	105	76.2	20	250	629	1218.2	15.70
New Norfolk	5	25	25	30	5	40	-	125	2.00
Beasonsfield	5	99	40	35	106	60	90	430	5.95
Ulverstone	5	67	71	78	64	91.8	228	599.8	8.46
Lilydale	5	5	55	25	30	-	-	115	2.21
Georgetown	5	81	87	25	-	-	100	293	7.50
Brighton	6	-	34	21.4	-	51	50	156.4	6.50
Circular Head	6	-	-	12.3	-	40	14	66.3	1.40
Penguin	6	42	39	86.4	82	59.3	79	387.7	13.00
Wynyard	6	76.5	81.5	90.6	100	108.8	176	633.4	9.34
Queenstown	6	20	-	20	35	-	-	75	2.61
		1905.5	1876.5	2295.4	2300.0	2885.4	3836.0	15098.8	

Sorell	7	20	4.5	-	-	68.5	129.2	222.2	9.11
Huon	7	-	-	-	-	-	-	-	-
Longford	7	25	25	25	25	40	40	180	5.69
Westbury	7	-	-	30	-	-	-	30	0.95
Deloraine	7	-	-	-	-	-	50	50	1.74
Scottsdale	7	-	-	-	-	-	-	-	-
Latrobe	7	16	26	15.0	-	35	16	108	3.34
Zeehan	7	-	90	102	60	120	30	402	13.41
Bothwell	8	-	-	-	-	40	-	40	8.39
Esperance	8	-	-	-	-	-	15	15	0.76
Glamorgan	8	13	33	-	29	-	60.1	135.1	18.08
Hamilton	8	-	-	-	-	20	25	45	2.03
Richmond	8	15	10	-	20	-	30	75	7.64
Springbay	8	-	-	-	-	28.5	30	58.5	5.86
Evandale	8	-	-	-	15	11	27	53	5.75
Campbeltown	8	-	-	-	-	6.5	-	6.5	0.67
Portland	8	-	-	5	-	-	-	5	0.52
Ross	8	-	-	4.5	-	-	10.5	15	4.63
King Island	8	30	-	80	-	22.5	-	132.5	8.04
Strahan	8	-	-	7	-	-	-	7	2.68
		119	188.5	268.5	149.0	392.0	462.8	1579.8	
		2024.5	2065.0	2563.9	2449.0	3277.4	4298.8	16678.6	

#### REFERENCE MATERIAL

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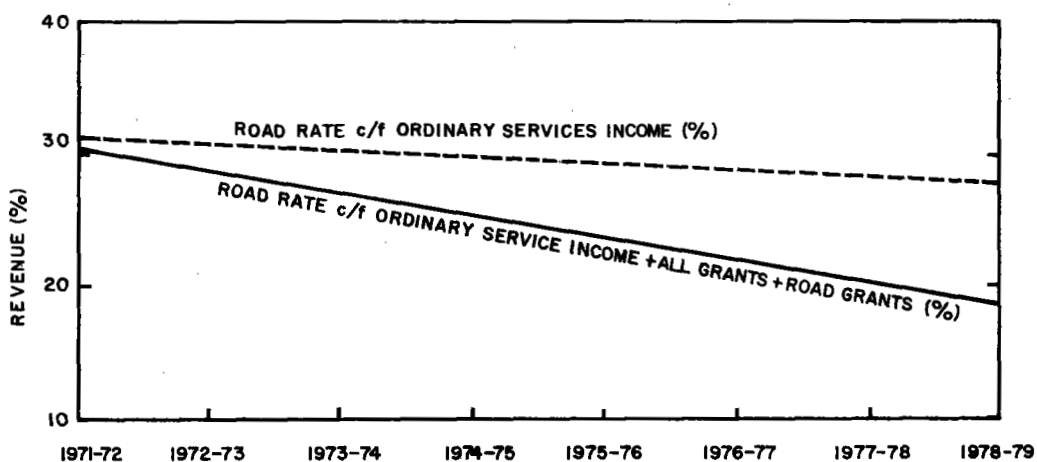
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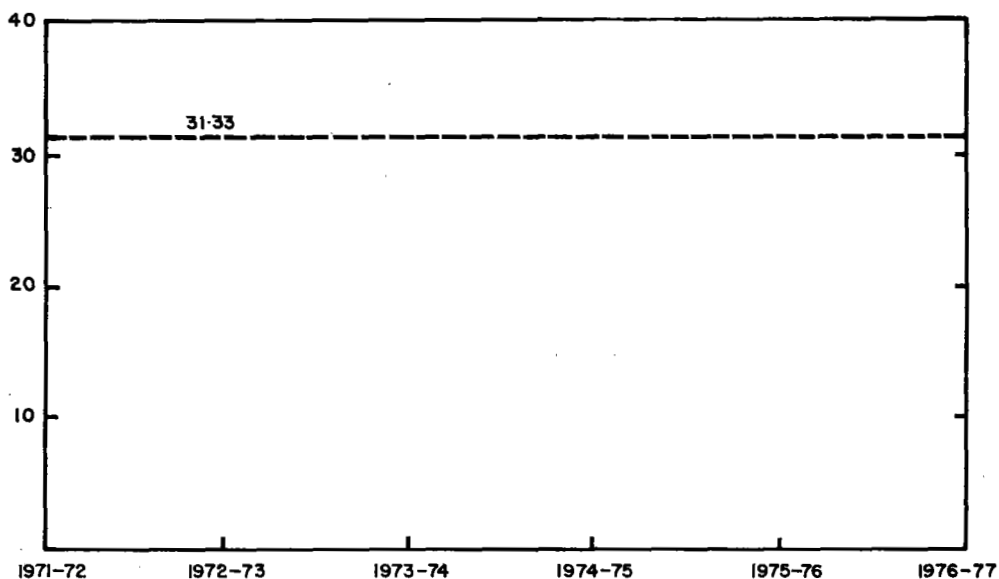
States Grants (Roads) Act 1977.

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**FIGURE 1.**

ROADS, STREETS AND BRIDGES c/f ORDINARY SERVICES REVENUE EXCLUDING  
LOANS AND BUSINESS UNDERTAKINGS



**FIGURE 2.**

**ALL TASMANIAN COUNCILS**

ROADS, STREETS AND BRIDGES PAYMENTS c/f PAYMENTS FOR ALL  
ORDINARY SERVICES INCLUDING LOAN CHARGES BUT EXCLUDING  
BUSINESS UNDERTAKINGS

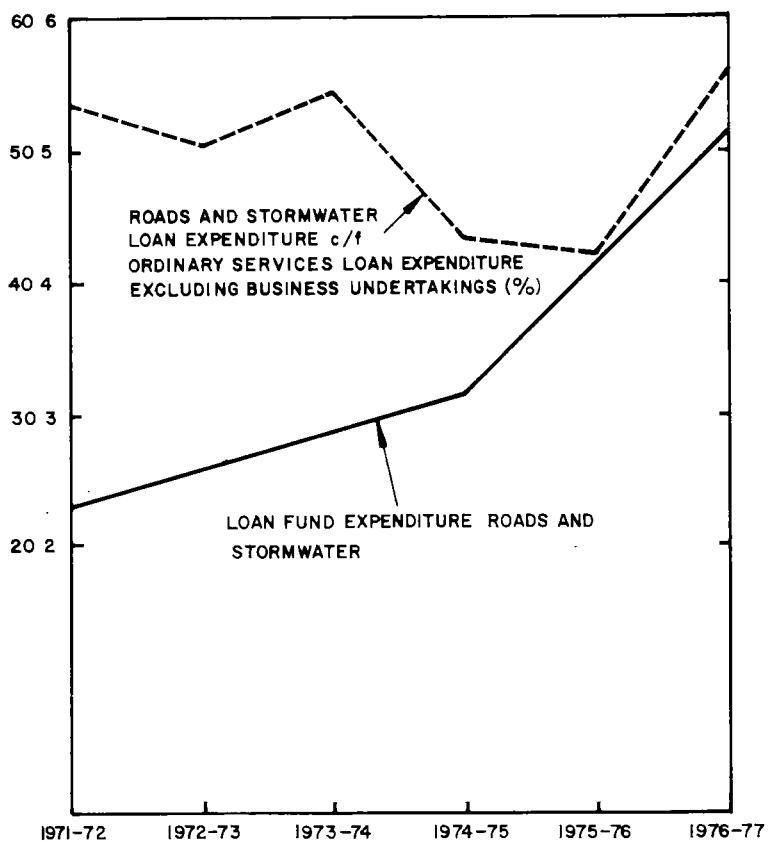


FIGURE 3  
ALL TASMANIAN COUNCILS

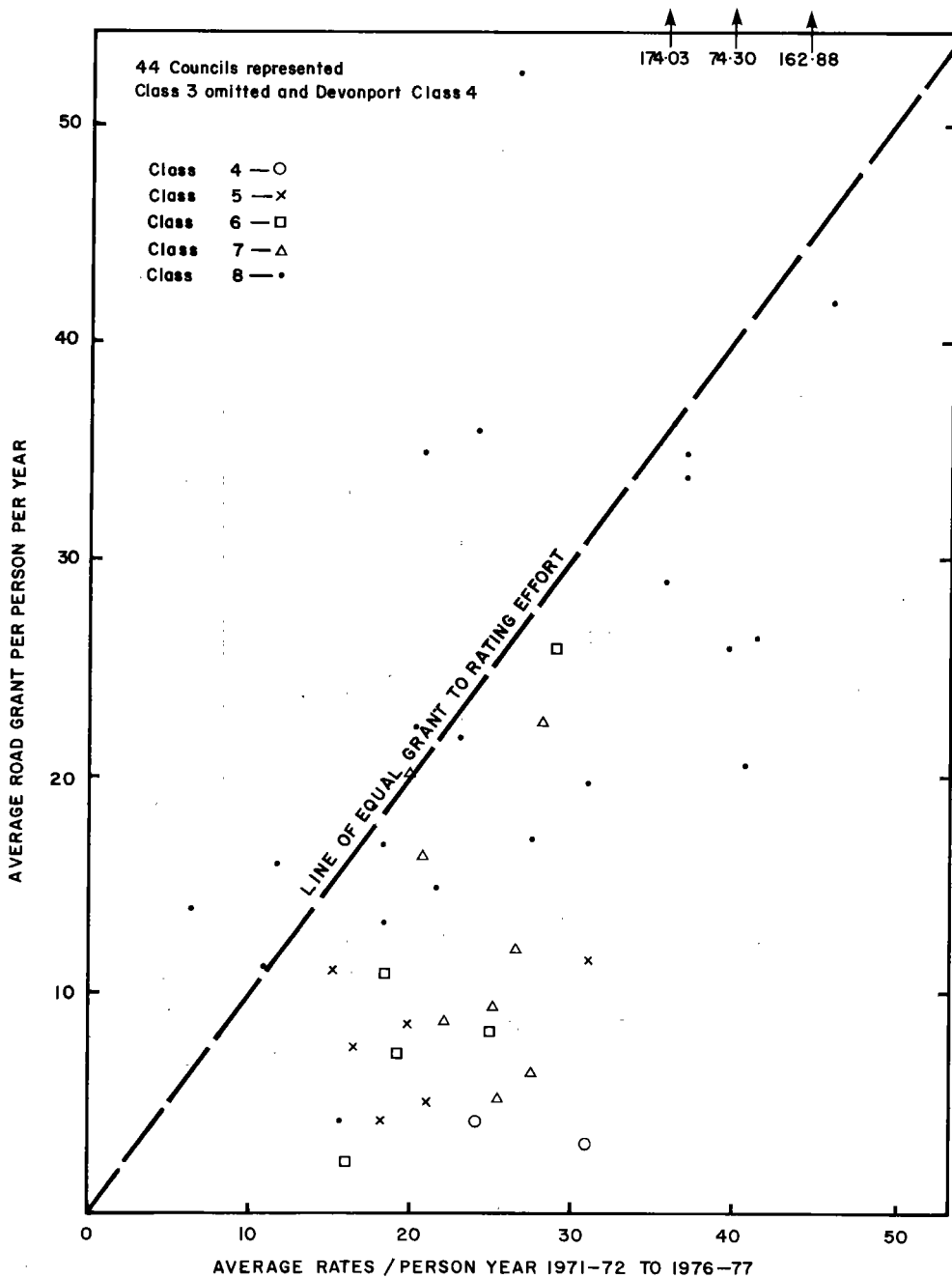


FIGURE 4.

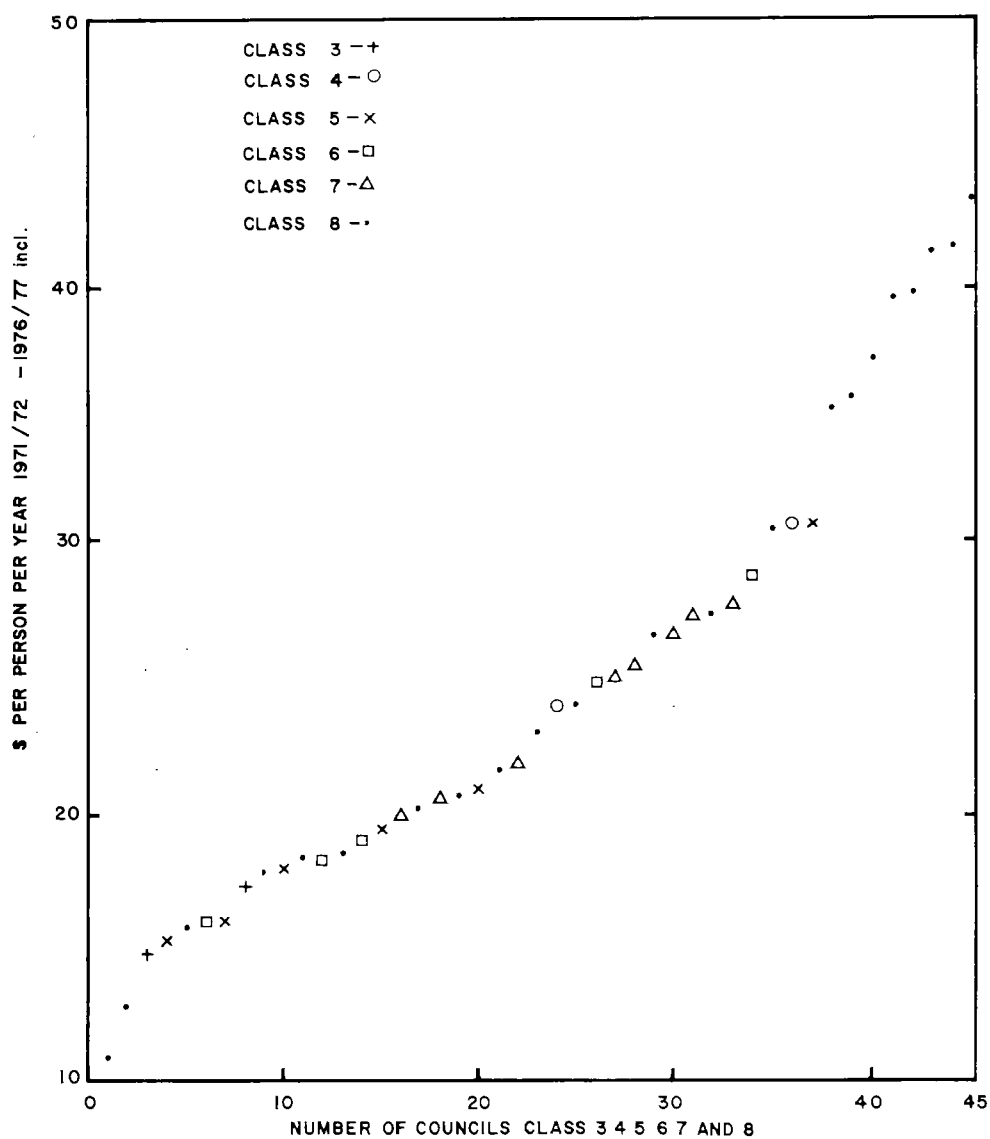


FIGURE 5.  
 DISTRIBUTION OF ROAD RATING EFFECT \$ PER PERSON PER YEAR  
 1971 / 72 - 1976 / 77 incl.

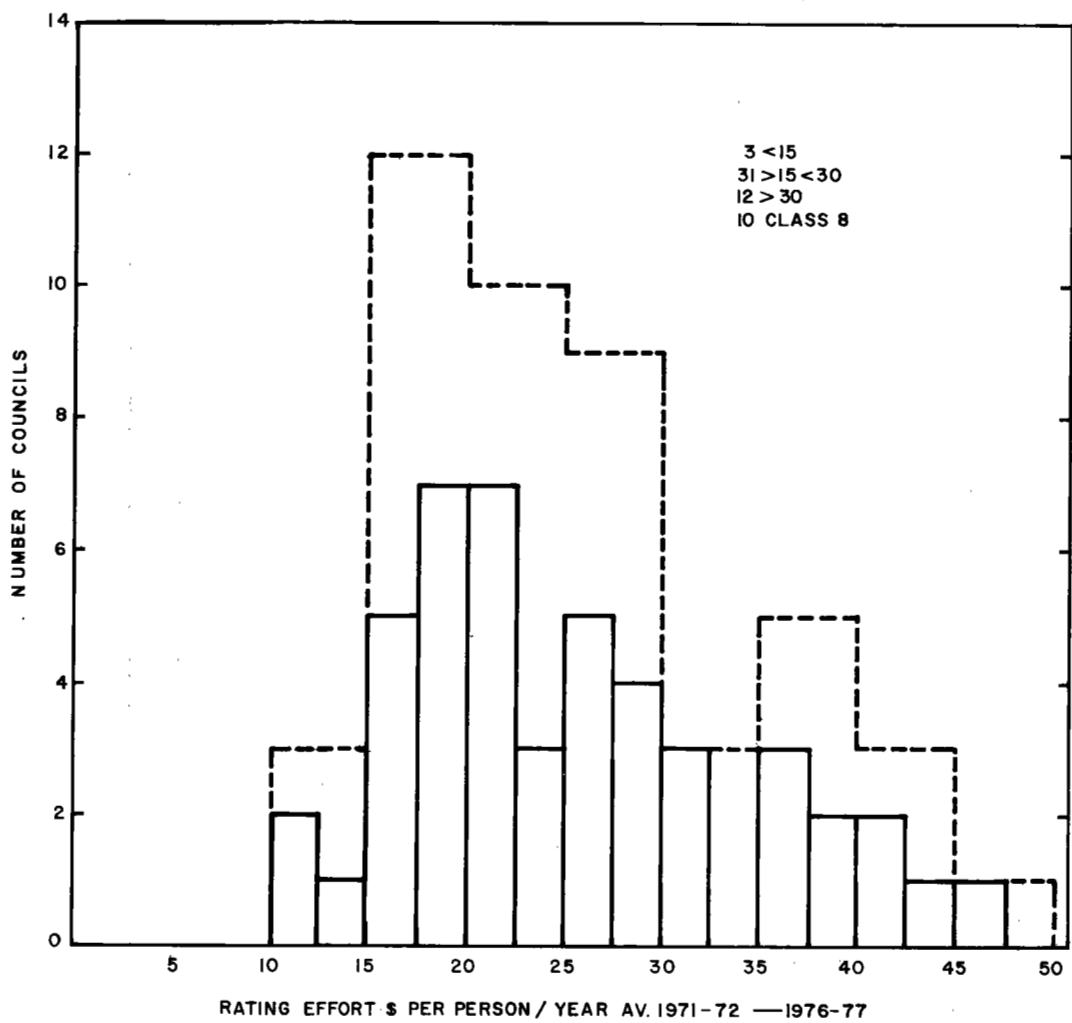


FIGURE 6.



#### 5.2.7 The Local Government Association of the Northern Territory

At this stage local authorities in the Northern Territory are not funded in the same way as those in the States. Most subsidy is on a \$ for \$ basis on a whole range of activities including roads. Any special road funding has resulted from agreements to upgrade certain roads as part of the Government's contribution to the establishment of councils. In 1957 when the Darwin City Council was established, the Government agreed to a road package to fund certain upgradings. When Alice Springs was constituted in 1971 a similar agreement was entered into. I am not aware of arrangements for Katherine and Tennant Creek which were constituted this year.

It is expected in time that the State type road funding arrangements will apply to the Territory.

#### 5.2.8 Australian Capital Cities Secretariat

The Australian Capital Cities Secretariat did not provide a submission on its own behalf. Instead it supports the Australian Council of Local Government Associations' report which follows.

#### 5.2.9 Australian Council of Local Government Associations

The Australian Council of Local Government Associations was formed in 1947 and is the forum and the platform of local government across Australia, through which local government has a national voice.

The Australian Council's members are Australia's State local government associations and the association in the Northern Territory. Between them, the ACLGA constituent members represent 862 local government authorities across the nation. The constituent members of the ACLGA are:

- . Local Government Association of New South Wales
- . Shires Association of New South Wales
- . Municipal Association of Victoria
- . Local Government Association of Queensland
- . Local Government Association of South Australia
- . Local Government Association of Western Australia
- . Country Shire Councils Association of Western Australia
- . Municipal Association of Tasmania
- . Northern Territory Local Government Association

#### PREFACE

Whilst the Bureau of Transport Economics' Inquiry was the catalyst, the subject of roads and road funding was selected for detailed study and this paper has been prepared as the first in a series of discussion documents, because the ACLGA recognises that an understanding of the complexities of this particular issue is essential to an understanding of the inter-relationships which exist between the three spheres of government in Australia.

On behalf of the ACLGA, I wish to thank all those councils throughout Australia who despite obvious time limitations, have made a real contribution to the preparation of this paper through their participation in the financial survey conducted by the Secretariat.

It is only by thorough research, evaluation and open discussion of issues that local government can expect to formulate policies appropriate to the needs of a continuing federal system in the 1980's. With this clearly in view, the Executive of the ACLGA has agreed that during 1979 the Secretariat should produce detailed assessments of a number of issues currently facing local government so that the ACLGA is in a position to make judgements about policies based on sound evaluations of existing situations.

The ACLGA would appreciate receiving comments on the issues raised in this first paper.

Gordon Johnson  
President  
January, 1979

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## CHAPTER 1 - DISCUSSION ISSUES

The ACLGA roads and road funding study was particularly aimed at issue identification and problem definition rather than producing outright solutions. The following section is a summary of the issues canvassed in each chapter along with some possible steps towards, or ideas for, resolution of those issues. These suggestions are offered as possible discussion topics to prompt further consideration of road problems and to help generate effective solutions.

### Chapter 4 - Data Issues

- . Reliable and comprehensive data is essential for the development of soundly based national road policies.
- . Existing data is inadequate and outdated.
- . Since the amalgamation of the Commonwealth's Bureau of Roads with the Bureau of Transport Economics, there is no real mechanism for the Commonwealth to adequately study the issue at the level necessary to formulate firm conclusions.
- . The Commonwealth is now dependent upon the other spheres of government for basic data and those data are designed for specific State or local Government requirements, not the Commonwealth overview.

#### A possible approach

- . That the Bureau of Transport Economics undertake a three-yearly road needs survey to provide a complete and regular audit of the road system and to provide an accurate basis for future decisions in relation to the allocation of funds for roads. Two separate but essential processes are involved: the total amount of road funds needed to

assist the States and local government must be determined; an effective (if not optimal) allocation of the available road funds for any financial period must be planned.

#### Chapter 5 - Road Responsibility Issues

- . A tripartite responsibility for roads and road funding has evolved over the past 100 years.
- . Road responsibilities are now well defined, however, these seem inappropriate to meet the challenges of the next 20 years.
- . The complexity involved in the current three sphere delineation of responsibilities needs to be more clearly understood at each participant level.
- . There are no longer any real Constitutional constraints to three sphere involvement and co-operation on road responsibilities although the dominant nature of the Commonwealth/States involvement has hindered the development of longer-term tripartite road responsibility.
- . The issue of appropriate levels of involvement is critical to Local Government because 40 per cent or more, of its total receipts are spent on roads.

A probable next step

Await the report from the Advisory Council on Inter-governmental Relations (ACIR) roads relationship study, but establish a Committee to study and make recommendations on the desirability of developing uniform national funding responsibilities, procedures and arrangements.

## Chapter 6 - The National Road Needs Issue

- . The national road system has a high level of social, economic and strategic significance.
- . Transportation modes of the future will continue to demand a highly developed, efficient and appropriate road network.
- . The asset values and economic significance of the existing road system is so large, that the investment in roads cannot be allowed to waste.
- . All three spheres of government must continue to afford a high priority to roads.
- . The existing road network is totally inadequate to meet the demands of the 1980's and 1990's and much of the current system is substandard and deteriorating.

Further investigation of this issue is required

A Commonwealth/State/local Government committee be established to determine a national road strategy for the period 1980-2000.

## Chapter 7 - Policy Development Issues

- . The policies affecting roads and road funding in the past have been erratic.
- . Decisions have generally been based on immediate needs.
- . There has been a tendency for all levels of government to make decisions in isolation and without a real appreciation of the impact in the other spheres.



- . Decisions have been taken in the absence of reliable and appropriate data.

#### Possible next steps

- . Existing policy development procedures need to be reviewed because new mechanisms may be required.
- . A Commonwealth/State/local Government Roads Advisory Board could become an appropriate administrative mechanism which could ensure a co-ordination and consistency of road policy development.

#### Chapter 8 - Federalism Policy Issues

- . The fundamental issue is the concept of an active and workable tripartite Federal system of government based on:
  - a philosophy of devolution of power and administrative responsibility.
  - equity in sharing total taxation resources.
  - further redistribution of taxation, e.g. personal income tax sharing to 2 per cent P.I.T.
- . The Federalism Policy is not a panacea and does not remove the Commonwealth's responsibility to confront the issue of equity and appropriateness of matching revenue capacity to newly emerging responsibilities.
- . Recent changes in tax arrangements have not corrected the imbalances which have developed as a result of the centralisation of tax powers since the 1940's.
- . An increase of PIT for local government from 1.52 to 2 per cent, although necessary and critical at this stage, will

have only marginal impact on the huge revenue requirements of local government.

- . The discrepancy between local government's future revenue requirements and Commonwealth redistribution of tax resources is an issue which local government must confront separately.
- . The ability and/or capacity of local government to raise loans is becoming a crucial revenue issue for local government.

A possible next step

ACIR be asked to specifically examine the issue of the existing Australian tax structure and make recommendations on the means by which revenue raising capacity and taxation sharing can better be brought in line with responsibilities.

#### Chapter 9 - Road Revenue Issues

- . Each level of government has a different capacity to raise revenues:
  - local government provides funds for roads from rates and loans;
  - the States' road funds are primarily derived from road user taxes;
  - the Commonwealth funds roads from consolidated revenue but at the same time gathers quite large revenues from road users through customs duties/sales taxes on motor vehicles and from fuel taxes;
- . Yet each level funds Australia's roads to an equal degree.

- . Rate revenues provides the foundation of each council's financial autonomy and a substantial proportion of those funds are channelled into roadworks.
- . The States and local government have far less flexibility in use of their taxes than does the Commonwealth.

A possible new revenue raising formula:

Commonwealth, State and local Government should agree to a long-term road construction program based on a more equitable distribution of effort related to revenue raising capacity, e,g, Commonwealth 50 per cent, States 30 per cent and local government 20 per cent.

#### Chapter 10 - Road Funding Issues

- . Ultimately the real issues for the community are:
  - proper assessment of changing community road needs;
  - thorough evaluation of current and proposed road programs; and
  - effective political management of the road funding system to ensure the optimal distribution of road resources over three to five year cycles.
- . All Australians benefit from the road system, not just road users, but the road funding debate often revolves around two basic principles;
  - the "user pays" principle, or
  - the "ability to pay" principle.
- . The Commonwealth's fuel tax becomes an issue because advocates of the "user pays principle" pointout:

- Commonwealth road grants for 1976-77 were only 46.7 per cent of fuel tax revenue, e.g. for New South Wales, Commonwealth road grants increased by 250 per cent in the ten years to 1976-77 whilst fuel taxes raised increased by 440 per cent;
- Commonwealth funding of roads has decreased as a percentage of tax collections dropping down from 75.1 per cent to 46.7 per cent between 1959-60 and 1976-77.
- . Indexation of Commonwealth expenditures on roads, for whatever reasons, is a tacit acknowledgement by the Commonwealth that roads have not been assessed against other needs in determining the overall national expenditure priorities.
- . Commonwealth shifts in emphasis on funding by grant category seriously affects the States whose reactive decisions often have an adverse impact on local government.
- . Local government's road responsibilities cover more than 75 per cent of the total Australian network. The cost of maintaining this network is increasing while the land-based revenue sources (e.g. rates) is in many cases being eroded.
- . The ACLGA survey suggests that:
  - the influx of funds from the new general revenue sharing arrangements initially provided councils with the opportunity to reduce loan and debt redemption commitments;
  - loan and debt redemption commitments are now expected to increase;

- rural economy expansion suggests increased rural council borrowings;
- local government has been maintaining its rating and road funding efforts and will continue to do so;
- that the short-term and relatively large injections of funds throughout the RED, AAP and other schemes, could have induced a long-term distortion of local government priorities and increased community expectations in some quarters.

#### Some possible new initiatives

- . A commitment from the Commonwealth for increased funding for the triennium 1980-83 be announced in the 1979-80 Budget.
- . In the long-term, relevant reliable and timely data is required as the first step towards the development of a national roads policy for the period 1983-2000.
- . Local government be exempted from payment of Commonwealth fuel tax.

#### Chapter 11 - Other Issues

- . The employment potential of increased road funding, particularly in rural areas, may be extremely important given the current high unemployment levels.
- . Road safety is a national concern.
- . The Commonwealth's grants category system could be more efficient in directing funds to the Commonwealth's road priorities.

#### Possible next steps

- . Serious consideration be given to the employment creation potential of increased road funding.
- . The Commonwealth's road grants category system should be reviewed.

#### CHAPTER 2 - INTRODUCTION

The Bureau of Transport Economics advised the ACLGA on 8th September 1978 that it was in the process of preparing a report for the Minister for Transport to assist the Commonwealth Government in its consideration of grants of financial assistance to the States in connection with roads and road transport. At the same time, the BTE invited the Australian Council to submit its views in writing by 30th October 1978.

The Bureau indicated that it would particularly appreciate comment on the following issues:

(a) Changes in grants to local government since 1975:

The impact on these changes, particularly on

- (i) level of rates and other general charges;
- (ii) loan raisings and repayments;
- (iii) charges of local authority public enterprises;
- (iv) the levels and directions of expenditures in general;
- (v) the levels and direction of expenditures on roads by types of works, e.g. maintenance, construction and reconstruction, traffic management.

(b) Future financing of local government road expenditures:

Anticipated changes in the level and direction of local government road expenditures in 1978-79 and 1979-80, and the expected sources of finance for those expenditures.

(c) Grant categories:

Should there be any variation to existing road grant categories, and if so for what reasons?

After completing preliminary investigations and discussions with Commonwealth officials, the ACLGA came to the conclusion that there was insufficient existing information available from any sources to definitely establish more than broad judgements concerning the matters raised by the Bureau. Because local government considers the road issue as being of such importance within the context of its overall role and functions, the ACLGA decided that it should make every effort to collect all the data from local government authorities necessary for the ACLGA to complete a detailed analysis of the revenue and expenditure issue and also to clearly evaluate local government's road funding needs.

### CHAPTER 3 - ACLGA INQUIRY INTO ROADS AND ROAD FUNDING

Australia is approaching the 1980's after almost a decade of sluggish national growth, the economic disruption of high levels of inflation and major shifts in energy, industrial and social policies. It is a time of structural change affecting governments, workers, employers, educators and other essential elements of our social system.

At present, issue identification and problem definition seem to require much broader approaches than are usual. The effects of change are no longer contained but tumble freely into closely related issues. For example, the effects of the stagnation in our manufacturing industries have directly affected employment opportunities in service industries and spread throughout the domestic economy. It is apparent that no issue is unrelated to other issues. Simple solutions do not exist today!

Australia now faces a situation where road funding issues have become more entangled with other government sector issues than at any other time in our history. If we were to simply ignore the connections between current road funding issues and other more general problems then we would run the risk of misjudging the pace and impetus of change on our road funding system. Then it seems inevitable that "band-aid" solutions would be suggested for our problems, rather than fundamental reappraisals of the basic needs of road funding in a difficult period of social and economic change.

The intention of this paper is to address the road funding issues in terms of the three levels of government with a dual emphasis on local government's current situation and the dominant role of the Commonwealth in road funding. The ACLGA does not seek simple solutions to complex problems, nor to over-dramatise the effects of change on local government's role and function in the road construction and maintenance fields. Rather this paper is an attempt to articulate the issues, and to suggest strategies for future road funding on the basis of the well established tripartite governmental responsibilities. We see this paper as a contribution towards initiating discussions at all three levels of government on the changing circumstances that are affecting inter-governmental relations on road funding.

In pursuing our goal, it has not always been possible to develop the traditional case or argue a proposition to its logical conclusion, because the baseline data is inadequate or supportive of particularly narrow sectional views. Simply put, the data required to substantiate broad perspectives on these issues is not available at present and the ACLGA's attempts at gathering uniform statistical data was very severely restricted by the time and resources available. Within that context the ACLGA Secretariat has attempted a unique, local government based, inquiry into road funding with the hope that further professional assessment and evaluation of the issues raised through this discussion paper, will be prompted and engaged.



Furthermore, the ACLGA contends that a realistic understanding of the roads issue is fundamental to an understanding of the nature and operation of co-operative federalism as it has evolved in Australia during the past two decades. Roads are a clearly defined area where reasonably firm tripartite responsibilities can be identified. The Advisory Council for Inter-government Relations has recognised this and is currently conducting an examination of road responsibilities within the context of their overall study of the inter-relationships between the three spheres of government in Australia.

In addition, local government believes that its, and the other spheres of governments', investment in the nation's road network is a major national asset. It is an asset of such significance to a country that is so large, yet sparsely populated, that no sphere of government can allow the investment to waste.

Local government is also concerned that, in its development of expenditure priorities, the Commonwealth has in recent years tended to under-estimate the economic and social significance of roads and road funding and placed more emphasis in relative terms on less significant, shorter-term but pressing social issues.

Since the late 1960's, the community's expectations of all spheres of government have increased. This has resulted from the increased standard of living of Australians, a general expectation in a planned economy that government will provide what is required, a community reaction to the relative high level of economic instability and uncertainties in recent years, and the positive advocacy of the benefits from implementation of the coalition's "new" approach to federalism including Commonwealth/State/local Government financial relations.

The ACLGA contends that the community's expectations are reasonable and understandable, but that the formulation of a national transport and roads policy requires the development of long-term

bi-partisan strategies combined with resolve on the part of all spheres of government to place the issues in proper perspective.

#### CHAPTER 4 - THE DATA ISSUE

The ACLGA faced a challenging task in responding to the 1978 Bureau of Transport Economics' request on road needs and funding because the baseline research, previously carried out by the Bureau of Roads, has not been updated since 1975.

In the absence of the traditional data base, against which local government could assess its hypotheses on current and future Commonwealth commitments and local governments needs, the ACLGA set about the difficult job of gathering its own baseline data. We realised that updating the comprehensive range of statistical data contained in the 1975 Bureau of Roads Report was not feasible, and so BTE officers were invited to assist the ACLGA Secretariat in setting down parameters for the compilation of a meaningful yet compact data bank.

The ACLGA gratefully acknowledges the professional and competent assistance provided by the BTE who encouraged us and assisted in framing the survey questionnaire as the means of establishing a unique baseline data file.

The challenge was to meet new circumstances which left the ACLGA without a comprehensive statistical picture of local government's part in road funding from 1975 to 1978 and to ascertain the projected needs for the 1980's.

##### The ACLGA Survey

A mail-in survey (See Appendix A) was designed to be dispatched to 862 Local government councils throughout Australia as the means of gaining direct access to official local government records on all revenue sources, all expenditures, and the utilisation of labour or machinery on road works. In addition, some

questions were asked about actual road expenditures and road lengths as classified under the Commonwealth's road category system.

These data were the essential elements sought for the ACLGA's baseline data file. Also the ACLGA sought to establish a time series of actual revenue raisings and expenditures for all councils for all years from 1971-72. The purpose of these data was to record a statistical profile of local governments' contributions towards road construction and maintenance in context with funding requirements for other local community services.

The questionnaire was designed to collect a uniform data set despite the difficulties of State-by-State definitions and procedures, e.g. N.S.W. local government financial year extends to 31 December.

Unfortunately, all public finance researchers are forced to overcome such problems of data inconsistency whenever local government finances are examined. It is an extremely difficult task to assemble a data base on local government finances which would enable any authoritative assessment of councils' activities let alone an evaluation of the issues raised by the BTE.

To further complicate the ACLGA's data gathering exercise the survey results were required by the end of 1978 and this meant that the questionnaire was dispatched to councils in a period when they were already under pressure from other council commitments. In some cases other surveys were competing for officials' time and attention.

#### A Baseline Data File

The ACLGA survey questionnaire collected data in three distinctive fields.

First, information on road lengths in local government areas organised under the Commonwealth functional classifications. Second, financial data on revenue sources separated into own resources, inter-governmental transfers and loan funds. Similarly, some data on all other expenditures were sought under more traditional local government functional headings such as "Public Works", "Health, Welfare, Education", "Business Undertakings", etc. In addition, councils were asked for a cross tabulation of expenditures on roads from own sources, inter-governmental transfers and loan funds sources; and in that segment an estimate of road expenditures split between construction and maintenance was requested. Third, the questionnaire sought more general details on the amount of day labour used on roads in relation to contract works and estimates of councils' road plant utilisation rates over the past five years.

These data collection needs were designed into the questionnaire because three themes emerged from our original hypotheses formulated about local government's current financial circumstances and their future requirements. The ACLGA wanted to know the lengths and types of roads that are the prime responsibility of local councils. We wanted to know local government's financial requirements and ability to pay for future road maintenance, road reconstruction and new road construction. We wanted to know what amounts of resources used for roads are locally raised from rates and other charges, or stem from inter-government transfers.

Many generalised forecasts have been made by local government about the future needs and appropriate levels of road funding for councils, but no professional evaluation of these assessments is possible without baseline data. The ACLGA approach was aimed at data collection and analysis which would enable a professional evaluation of road issues beyond the stage of a simple plea for more money.

## Australian Advisory Council for Inter-governmental Relations (ACIR) Council Classifications

A council classification system was needed to group all councils surveyed into a rural or urban mould. The C.P. Harris Council Category<sup>(1)</sup> System of eight groupings (see Table 1) has been used by many local government researchers because it attempts to establish an ordered grouping of local government authorities by area, population and other urban cluster characteristics.

The ACIR has been working on a compressed Harris Classification System which has six categories ranging from metropolitan councils to rural councils. The ACLGA adopted the ACIR classifications for the survey and pre-coded the questionnaire to enable a State and council category identification code to be established for each council.

### Data Collection

The survey questionnaire were dispatched to councils through State local government associations and the completed questionnaires were mailed back to the ACLGA secretariat in Canberra. The Municipal Association of Victoria found it was unable to dispatch and return the questionnaires in time to meet our processing target dates and therefore, data for Victoria was not available for inclusion in this paper. At a later stage the Victorian data will be processed and added to our baseline data files.

### Processing the Questionnaire

The questionnaires were returned to the ACLGA secretariat in Canberra, where 319 were coded for data processing.

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(1) C.P. Harris, 'The Classification of Australian Local Authorities', Research Monograph No. 9, Centre for Research on Federal Financial Relations, The Australian National University, Canberra.

A data processing deck of 7018 computer cards were punched up and then verified for punching errors. Meanwhile, a program was written to analyse these data. In December 1978, the data cards were run on the Sydney University's computer facilities to produce four print-outs. These print-outs are cross-tabulations of the data with an emphasis on:

- expenditures on roads by sources of funds;
- total council receipts and expenditures (all fields);
- road lengths in local government areas (by Commonwealth road classifications); and
- assessments of employment on roads/road plant utilisation.

#### Sampling

The survey questionnaire was dispatched to 862 councils in Australia.

The sample, as processed, contained 319 councils from five States (Victoria excluded). The sample therefore, has a self-selection bias as well as being much more representative of rural type councils (70 per cent) as compared with urban type councils (30 per cent). However, this bias is offset by the fact that the distribution of councils in the five States surveyed, is itself biased towards rural type councils (72 per cent) compared with urban type councils (28 per cent).

### CHAPTER 5 - ROAD RESPONSIBILITIES

#### Historical Perspective

Many present local government councils evolved from the network of district roads boards established in 19th century colonial Australia.

The road rate levied by these early local authorities was the first source of road funds. These boards and the emergent shires

TABLE 1 - PRIMARY CLASSIFICATION OF LOCAL AUTHORITIES

Population Range of Urban Centre with which Local Authority is Associated	Name of Class	Abbrev- iation
500 000 and over	metropolitan local authority	M
100 000-499 999	large city local authority	CL
25 000-99 999	medium city local authority	CM
10 000-24 999	small city local authority	CS
5 000-9 999	large town local authority	TL
2 500-4 999	medium town local authority	TM
1 000-2 499	small town local authority	TS
no association with an urban centre	rural local authority	R

Source: Harris, C.P., 'The Classification of Australian Local Authorities', Centre for Research on Federal Financial Relations, A.N.U., Canberra, p.5.

and municipalities which succeeded them were increasingly relying on financial support from the central roads boards which had been created mid-century initially to provide a system of main roads.

From the early 1900's State governments allocated to the provision of roads most of the funds derived from annual motor vehicle registration and licences. From the mid 1950's States introduced a road maintenance charge on heavy vehicles. Although States are quite free to allocate funds provided under tax sharing arrangements with the Commonwealth for expenditure on roads, very little of this general purpose assistance is directed to road programs.

For the first two decades following Federation, the States and local government authorities together attempted to meet national road needs. However, their efforts fell well short of requirements and the Commonwealth, through the provisions of Section 96 of the Constitution, decided to enter the field. Thus the Main Roads Development Act of 1923 provided the means by which the first Commonwealth specific funding of roads was made.

The grants were applied to main roads construction in developing areas. The 1926 Federal Aid Roads Act grants were conditional on States meeting certain requirements but the 1931 Act left the States with greater autonomy. The 1947 legislation provided for Commonwealth assistance to local government for the first time in that States were able to purchase road making equipment on behalf of councils in particular need.

Successive legislation resulted in ever increasing Commonwealth involvement in road funding, and the recognition of the need for professional advice on expenditure levels. Eventually the need for professional evaluation of specific road programs was acknowledged by the Commonwealth and the Commonwealth Bureau of Roads was established in 1964. In 1977 this body was absorbed into the Bureau of Transport Economics.



## Constitutional Constraints

The Australian Constitution does not empower the Commonwealth to construct and maintain roads. However, because of its interest in roads and road funding, the Commonwealth has used Section 96 of the Constitution to apply significant Federal moneys to road programs.

In recognition of the increasing relevance of the road network to Australia's economic and social development the Commonwealth introduced the Commonwealth Aid Roads Acts and other legislation which guaranteed grants for particular roads.

The Commonwealth government establishes its accounts primarily in three funds: the Consolidated Revenue Fund, the Trust Fund and the Loans Fund. Effectively, the latter two are subsumed into the first fund, however, each has a clear expenditure role.

Consolidated Revenue Funds form the expenditures for defence, social services, payments to the states, and general administrative functions. Trust Funds are utilised for a wide range of activities outside the ordinary operations of departmental expenditures; for example, future expenditures or those held in trust for others, e.g., Aboriginal Trust Funds. Loan Funds are expended in accordance with the purposes of the issue of a cash loan, for example, public works, and loans to states.

Australia's Constitution explicitly outlines the connection between government spending and the Consolidated Revenue Fund in Section 81, Chapter 4 (Finance and Trade). The section states:

"All revenues or moneys raised or received by the executive government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth in the manner and subject to the changes and inabilities imposed by this Constitution."<sup>(1)</sup>

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(1) Commonwealth of Australia Constitution Act, the Government Printer of Australia, Canberra, 1974, p.20.

Under this provision and Section 96, the Commonwealth assumed it had the endorsement of the Constitution to spend revenue for any purpose without restriction. In fact, the States are the executors of constitutional powers which cover many public sector initiatives, but they lack the revenue-raising capacity to exploit their constitutional powers.

Commonwealth initiative to provide personal grants under the Child Endowment Act, led to a High Court case and ruling which interpreted strict limits to the Commonwealth's spending authority. Consequently, Section 51, xxiii (A) was added to the Constitution after a referenda in 1946, to empower the Commonwealth with a notable further spending authority:

"The provision of maternity allowances, widow's pensions, child endowment, unemployment, pharmaceutical benefits, sickness and hospital benefits, medical and dental services (but not as to authorise any form of civil conscription) benefits to students and family allowances."<sup>(1)</sup>

The High Court of Australia's decisions repeatedly supported the Commonwealth's constitutional spending powers to fund any new initiative which is passed by the Parliament.

#### Resource Allocations

By 1901, Australians had assumed that defence would be the major expenditure item of the newly formed Commonwealth Government.

Since federation the size and influence of government sector resources has grown and today many more goods and services are provided from government sources. Australia's economy is now a complex mixture of public and private resource allocations with some public resources being directed into the market place for housing, water and sewerage, power supplies, telephone and

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(1) ibid, p. 13.

general communicative services, roads and transport, health and education, etc. The rapid growth in the amount of the nation's resources utilised by the public sector has corresponded with the emergence of the Commonwealth government as the effective controller of fiscal policies, especially since the Second World War.

During the Second World War, the centralisation of public expenditures resulted in the Commonwealth becoming directly responsible for up to 84 per cent of government expenditures (see Table 2). Although this involvement of the Commonwealth represents a peak, it also represents a threshold in that the level has been maintained at approximately double the pre-war levels.

It was not until the 1950's that the illusion of decentralisation of the Commonwealth's fiscal powers appeared as funds flowed back to the States and, in some cases, through to local government. In fact, although actual expenditures by State Treasury and local government authorities rose sharply again, the Commonwealth had not relinquished its control over the budgetary processes that set fiscal priorities. In essence, the other spheres of government had become the agents that carried out the Commonwealth's overall resource allocation strategy.

Commonwealth government control of public sector resource allocation has subsequently become a feature of the contemporary federal system and the continuance of the Commonwealth's dominant fiscal role is assured by three mechanisms guiding Federal, State and local Government financial relations.

First, the Commonwealth combines its powers on uniform income taxation (confirmed by High Court Judgements in 1942) and its reimbursement schemes of financial assistance grants to limit, and direct, State and local government expenditure patterns. Second, the Commonwealth has used its influence in the Loan Council, at Premiers' Conferences, and through the Reserve Bank to limit the borrowings of States, and local or semi-governmental

authorities for public works since the 1927 Financial Agreement. Third, by use of constitutional powers under Section 96 the Commonwealth provides tied grants that ensure the States and local government follow the Commonwealth's plans for public resource allocation.

Throughout the early 1970's, the Commonwealth government used Section 96 for specific purpose grants that successfully imprinted the Commonwealth's fiscal priorities on State and local government's expenditure behaviour.

At present, the Commonwealth budget is geared to a resource allocation strategy devised in 1975 which was aimed at three congruent economic management objectives. Those three objectives are:

- To reduce inflationary pressures in the domestic economy, (e.g. reduce real wage levels, constrain money supply, ease interest rates, etc);
- to minimise the budget deficit; and
- to stimulate national production and trade through a private sector expansion assisted by selective government subsidy.

The major tactic used in successfully executing this economic strategy since 1975 has been the extensive indexation of Government current expenditure programs. Recent Commonwealth treasurers have had indexation procedures commit approximately 60 per cent of the Commonwealth's total outlays to social welfare, education and health programs. Indexation of such large proportions has effectively straight-jacketed budget outlays at a time when economic recession has dampened the Commonwealth's revenue-raising capacity; and so, community preferences and needs for government sector resources have been set aside as the automated indexation processes adjust the previous years' outlay priorities in accordance with Consumer Price Index (CPI) statistics.

The process of indexing financial grants to the inflation rate indicators has purposefully continued the 1975 resource allocation priorities, year upon year. The estimated rate of inflation and size of the budget deficit combine to establish the actual dollar amounts allocated to cash programs. A casualty of the process is "capital works" expenditure which has been severely restricted as the momentum of current expenditure programs continues under this automated process of an indexed Commonwealth Budget.

The indexation of the Commonwealth Budget has produced some unexpected distortions for government sector resource allocations in a similar way that the blanket Commonwealth public service staff ceilings have provided temporary inefficiency within some government departments. One such manifestation is the apparent contradiction in 1978-79 resource allocations. The Commonwealth, intent on holding the line on road expenditures, indexed its grants to an increase of 7 per cent that totalled \$508m while subsidising local car producers by reducing sales tax on motor vehicles by \$155m (i.e., 15 per cent).

Commonwealth priorities are to stimulate local car manufacture, put more cars on the roads, while firmly holding down the allocations to road construction and maintenance.

At the same time, the Commonwealth increased fuel taxes to gain an extra \$772m for the consolidated revenue fund in 1978-79.

These 1978-79 allocations are consistent with the 1975 economic strategy to move resources away from the public sector and to stimulate national production. However, it also has developed a heavy-handed approach towards the other 1975 objective of a reduced Commonwealth budget deficit by sharply increasing the levy on road users through fuel taxes.

Other revenue-raising measures of similar dimensions, such as the mooted resources rent tax on mining companies, could have raised

several hundred millions for the consolidated revenue fund. That foregone revenue is in effect a hidden subsidy to the mining industry.

It is hard to substantiate claims of allocative inefficiency in the Commonwealth's budget because the 1975 economic management strategy is being adhered to in these 1978-79 fiscal decisions. However, now that Commonwealth road funding has been indexed, road funding decisions have been condemned to a simplistic mechanism (i.e. controls on the Government's resource allocation strategy) which has more to do with anti-inflationary policies than the community's road needs.

## CHAPTER 6 - NATIONAL ROAD NEEDS

### The Road Network

Australia has about 866 000 kilometres of road which is open to traffic. These roads are used by growing numbers of passengers and freight vehicles which travel greater distances each year. For example, in the period 1963 to 1976 the total number of vehicles on register increased by about 100 per cent, the total kilometres travelled over Australian roads rose by about 130 per cent, the difference is attributed to an increased distance being travelled by each vehicle of 14 per cent<sup>(1)</sup>. Today our road network carries more vehicles and each one on average travels further each year. The increased demand for road transport is evident at both ends of the spectrum with motorcycles increasing their share of the total distance travelled while larger capacity freight vehicles are dominating road freight movements. The articulated road freight carriers increased their share of the tonne-kilometres of freight from 44 per cent to 63 per cent from 1963 to 1976<sup>(2)</sup>.

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(1) Thoresen, T., 'Trends in Road Transport and Roads in Australia, 1959/60 to 1975/76', I.R.F. Australian Road Conference - 1978, Melbourne.

(2) Thoresen, T., loc.cit.

TABLE 2 - PERCENTAGE ANALYSIS OF CONSOLIDATED PUBLIC EXPENDITURES OF AUSTRALIA: 1939-1960,  
SELECTED YEARS

Function	1939	1940	1941	1942	1943	1944	1945	1946	1947
Net Interest Payments	26.6	23.7	16.8	12.8	9.3	10.7	13.1	15.0	19.7
War and Defence	6.1	19.8	46.7	60.8	73.0	69.5	62.8	49.8	12.7
Repatriation, etc.	4.6	3.8	2.5	1.8	1.4	1.8	2.4	3.9	8.2
Health and Welfare	15.3	13.6	9.0	8.4	6.4	7.2	8.2	12.0	17.5
Education	6.9	5.7	3.7	2.6	1.8	2.1	2.6	3.1	4.8
Transport and Communication	15.5	12.2	7.7	4.7	2.6	2.9	3.5	4.6	9.6
Natural Resources	1.4	0.6	0.5	0.3	0.1	0.1	0.2	0.5	1.5
Unemployment Relief	1.2	1.4	0.7	-	-	-	-	-	-
All Other	22.4	19.2	12.4	8.6	5.4	5.7	7.2	11.1	26.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Levels of Government: Direct Expenditure Basis									
Commonwealth	30.2	40.5	61.6	74.9	84.3	83.5	80.6	75.9	61.7
State	56.9	48.9	31.6	21.1	13.4	14.1	16.5	20.5	32.5
Local	12.9	10.6	6.8	4.0	2.3	2.4	2.9	3.6	5.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 2 (continued)

Function	1948	1949	1950	1951	1952	1953	1954	1955	1958	1960
Net Interest Payments	20.2	16.6	14.1	10.5	9.1	9.0	9.8	9.7	7.5	8.5
War and Defence	6.5	7.7	8.2	11.0	14.6	17.2	14.6	13.6	8.3	7.3
Repatriation, etc.	9.9	7.8	6.2	11.4	4.4	4.4	4.7	4.8	4.1	4.3
Health and Welfare	20.4	19.9	19.1	17.6	17.3	19.7	21.4	21.1	18.7	21.5
Education	5.7	5.5	5.5	5.1	5.6	6.2	6.9	7.4	6.3	7.2
Transport and Communication	11.7	12.6	12.7	13.5	14.3	13.6	13.6	13.6	18.8	18.6
Natural Resources	2.0	5.2	6.3	5.9	6.4	5.9	5.0	5.9	2.3	2.2
Unemployment Relief	-	-	-	-	-	-	-	-	-	-
All Other	23.6	24.7	27.9	25.0	28.3	24.0	24.0	23.9	34.0	30.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Levels of Government: Direct Expenditure Basis										
Commonwealth	53.5	53.8	51.9	53.1	48.3	51.1	48.6	47.4	59.8	57.9
State	39.1	38.8	40.8	40.3	44.7	41.9	43.8	45.0	33.7	35.1
Local	7.4	7.4	7.3	6.6	7.0	7.0	7.6	7.6	6.5	7.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Finance Bulletins; Ratchford, B.U., Public Expenditures in Australia, Duke University Press, Durham, 1959, p.296-297.

NOTE: Immigration costs, included in "other expenditure", were significant for the period 1946-47 to 1954-55. In 1949-50, these costs reached a peak at 2.2 per cent of total expenditure, rising from 0.4 per cent at the beginning and falling to 0.7 per cent at the end of this period.



In general, Australians are becoming more mobile and that is a major factor in the need for improved roads. However, the population is small in a large continent with difficult terrain for road construction and maintenance, so road work in Australia is costly. Australia has an area of 7 682 000 square kilometres with a population of 14 million largely settled in clusters within coastal cities and towns but with vast areas sparsely inhabited. The road networks that link these people pass over mountains, hilly country, deserts, waterways and more generally, through a variety of geographical regions that contribute to the high costs of road works throughout the country.

For many years crossing major waterways had relied upon vehicular ferries which were often out of action for the duration of floods resulting in immobilised road transport. Flood free bridges have replaced ferries on most major arterial roads (e.g., 5596 bridges on the main roads system in New South Wales alone). A great number of bridges throughout Australia were constructed before 1940 and the increasing traffic volumes together with heavier loads (articulated vehicles) means that these bridges are structurally deficient or functionally obsolete. New bridge construction is limited by scarce resources because maintenance of these older bridges is consuming vehicle resources.

The demand on bridges is expected to continue as it has over the past fifteen years as Australia's roads become even more important in the carriage of people and goods.

An assessment of road needs must of necessity include an assessment of the work needed to upgrade or maintain the present road system to standards required for today plus future transport needs.

Budget and physical constraints combine to produce a differential between the assessment of needs and the achievement of objectives.

## Economic Significance

Bad roads cost resources, lives and time; while good roads contribute to greater production and community welfare.

It is difficult to quantify the economic advantages derived from the road network.

The national accounts do not record measures for roads as a contributor to Gross Domestic Product. However, the road transport industry was assessed in 1968-69 (Australian Bureau of Statistics 1976) as the largest contributor (67 per cent) to G.D.P.,<sup>(1)</sup> in the transport, storage and communications element of G.D.P., for that year.

An appropriate measure of the economic significance of the road transport industry's contribution is the gross national expenditure.

All road transport as a percentage of G.N.E. in 1976 was calculated at 8.6 per cent compared with 0.5 per cent for rail and, for example, 4 per cent for the whole mining industry. Another measure of the road network's economic significance can be judged by an assessment of its worth as a capital asset. In 1976, transport represented 29 per cent of all public gross fixed capital. A comparison can be drawn with education 10 per cent, health 6 per cent, social security and housing 6 per cent, and communications 12 per cent. The transport sector contribution (29 per cent) in 1975-76 was apportioned as air 8 per cent, rail 15 per cent, sea 8 per cent, pipeline and other 5 per cent and road systems and regulation 67 per cent<sup>(2)</sup>.

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(1) Gross Domestic Product at Factor Cost G.D.P. (F.C.) is a measure of aggregate production (with taxation exclusions). While G.N.E. is measure of aggregate expenditures on goods and services.

(2) Both, B.J., and Bush, K., 'Some Aspect of Recent Trends in Australian Transport Investment'. I.R.F. Australasian Road Conference 1978 - Melbourne.

It was estimated that 960 million tonnes were consigned to road transport in 1975-76. However, road transport contributes significantly to the supply of raw materials for all Australian industries and the distribution of all consumption and investment goods<sup>(1)</sup>.

#### Social Significance

Contemporary life styles have fostered the development of roads and road transportation to a stage where road travel is a basic feature of every day living, e.g. transportation of children to school, access to shops and other community services and amenities. Householders rely on the roads to enable home deliveries and collections that have become an extension of the modern houses facilities.

Roads are utilised in communications, for leisure and in recreational pursuits. The road network is an important part of the social infra-structure of the modern Australian society. Also, rural roads of good standard are essential for effective and efficient provision of welfare services to rural communities as well as being essential for social cohesion and interaction in rural areas.

#### Defence Significance

The strategic significance of the road network in time of threat or war is an important consideration to any assessment of national road needs. Natural disasters in Australia occur all too frequently and the roads are needed to facilitate the movement of goods and people into and/or out of stricken regions.

#### Transportation Modes of the Future

The subject of possible or feasible technological changes for

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(1) BTE Outlook Series, 'Workshop on the Future of Domestic Freight in Australia - 1977'.

transport has drawn a good deal of comment in recent years, especially with the growing social concern for environmental pollution and the so-called "energy crisis".

Favoured concepts are the electric car for short haul and passenger transport and the personal rapid transport systems. Although examples of these alternatives are available as prototypes, there is little prospect that either is a viable solution for future transportation needs.

In the Australian context, the costs of installing rapid transit systems seem too high. Rather than a substantial conversion to new transport systems it appears reasonable to expect that the future will provide a new version of current vehicles still dependent upon a road network.

Although there is an apparent fall-off in the rate of growth of passenger vehicle ownership, projections of the current growth in road transport demand generally indicate that the road network will become an even more important component of the transport industry<sup>(1)</sup>.

Alternative land-based mass transportation systems should always be evaluated and their planning requirements included in assessments of future road needs. Land utilisation factors are a key variable in planning future road networks and any new technological advances should be considered at the land utilisation stage of road network planning.

## CHAPTER 7 - THE REAL CONCERNS OF ANY FUTURE NATIONAL ROADS POLICY

First and foremost is the need for transport coordination to optimise the use of road, sea and air transport resources to achieve predetermined policy objectives.

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(1) Domestic Freight Transport, 'Workshop on the Future of Urban Passenger Transport in Australia', BTE Outlook Series, 1978.

For example, port development should be considered alongside the availability of road and rail transport facilities to overcome problems such as the Botany Bay coal loader type issue or coal trucks on local roads in the Balmain area of Sydney.

Second, is the related issues of land utilisation and of regional and/or urban planning. For example, the former Commonwealth Department of Environment, Housing and Community Development raised the pertinent issue of institutional expansion or development accompanying urban renewal. The Melbourne City Council Planning Department named five institutions that have recently expanded or have attempted to expand their sites - The Royal Melbourne Institute of Technology, Melbourne University, The Royal Melbourne Hospital, Women's Hospital and the Children's Hospital. The Melbourne Council notes with concern the effects of institutional development and re-development on the surrounding neighbourhoods, with increased traffic and increased demand for housing/accommodation. In Sydney an actual loss of houses/accommodation resulted from the expansion of the Sydney University Campus. Local councils are often caught in a squeeze in such situations because the cost of road maintenance rises sharply due to increased traffic while the property tax falls due to less rateable land and the lowering of private property values because of institutional expansion.

Third, there is a real need for classification of the total road system applicable to all three spheres of government to assist with the identification of the type and level of road services and to facilitate coordination of policy, planning, research and expenditure. Such a classification system also seems essential for establishing road design criteria and standard and to enable effective coordination of the levels of investment necessary to accommodate future road users' demands.

Fourth, there is an urgent need for an inquiry to be established to examine a national scheme for funding the backlog of road maintenance at all levels. Finance requirements should be analysed

together with an investigation of current road maintenance techniques, road plant utilisation maintenance costs and the scope for preventative maintenance procedures<sup>(1)</sup>.

#### Policy Planning and Research

The Commonwealth has a substantial task in co-ordinating the efforts of all three levels of government on road funding issues.

Commonwealth policy changes have directed more money to "local roads" and have added general revenue assistance for local government to councils' general revenue fund. Both these Commonwealth initiatives have been welcomed by local government because they are a first response to genuine needs. The Commonwealth's roads policy has identified and responded to the local roads issue but it is still a delayed reaction to an issue that developed from previous Commonwealth priorities and initiatives.

Roads policy, even more than other policies, requires constant assessment and evaluation because of the long delays between policy decisions and changes to road standards, or the development of new roads. An effective road policy should not simply be a political statement but a thoroughly researched plan that can be implemented to correct current deficiencies while also catering for future needs.

Such policy development depends upon expert co-ordination of on-going roads research in conjunction with political assessment of community needs and expectations. The Commonwealth Department of Transport and the BTE, have the expertise to co-ordinate the policy formulation processes, however, the requisite baseline data is not available. Until an efficient uniform data collection process is institutionalised, then timely assessment and evaluation of road needs is impossible. Current data sources are inadequate for the task of formulating a realistic and appropriate long-term national roads policy.

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(1) Hine, K.A., 'An Approach to National, State and Regional Transport Planning', I.R.F. Australasian Road Conference - 1978 Melbourne.

Roads research efforts are carried on at all three levels of government and these efforts do result in the exchange of information and knowledge through symposia etc. Information dissemination is a major function of the Australian Road Research Board (ARRB) and that body directs most of its effort towards decision-making professionals. Much of the ARRB's research work is done by research contractors, however, in its 1976-77 Annual Report the Board suggested that there is a general lack of research professionalism in road fields in the Australian academic community. A more professional approach to road research within the bureaucracy, academic and private institutions is required to plan for Australia's future road needs.

## CHAPTER 8 - FEDERALISM POLICY

### Philosophy

The underlying philosophy of the federalism policy was outlined in September 1975:

"If effective government geared to the needs of the 1980's and beyond, is to be achieved ... if the great issues of national and local concern such as education, health, social welfare, housing and urban development are to receive maximum intelligent attention ... if all our resources including human talents and local knowledge are to be effectively harnessed ... if innovation, diversity and imaginative reforms are to be encouraged ... then we must restructure our forms and institutions of government and our attitudes of mind to achieve co-operation not conflict, partnerships and not domination." (1)

If these aims are to be achieved then the political process must be supported by real devolution of power, new fiscal arrangements

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(1) Liberal and National Country Parties 'Federalism Policy', September 1975.

to meet shared responsibility and new approaches to broaden the revenue capacities at State and local government levels.

#### Evolving Responsibility - Power Devolution

The devolution of power has begun. The new consultative mechanisms which support the Premiers' Conference facilitate greater participation in government decision-making by State and local Government.

The Advisory Council for Inter-government Relations (ACIR) was established to recommend new arrangements that will ensure that Federal, State and local Government powers and functions are distributed efficiently and effectively. However, progress will not be achieved until the issue of fiscal equity is resolved.

#### Fiscal Responsibilities

The Commonwealth has acquired a sophisticated array of fiscal and monetary powers that ensure its ability to pursue its own objectives in national economic management.

It has however, passed on a degree of fiscal responsibility to the States and local Government through the issue of personal income tax sharing arrangements. Current Commonwealth policy is to raise the local government share of Personal Income Tax (PIT) from 1.52 per cent, granted in 1976-77, to 2 per cent by 1980.

The concept of revenue sharing is vital to the creation of an equitable federal fiscal system.

#### CHAPTER 9 - ROAD REVENUE SOURCES

Road funds in Australia are derived from three major sources, i.e., federal grants, state vehicle taxes and grants, and local government rate revenue and loan funds.



Contributions to roads funding by each level of government, broadly speaking, amount to roughly one third of the total available for any financial period. Table 3 shows the patterns of road funding established over the past 25 years. It should be noted here that these are not actual proportions as they understate the State contributions which are boosted by expenditures from other than the road user sources shown.

Also, over the period covered by the schedules some important changes to the basis for recording local authority expenditure statistics have occurred and these changes are responsible for some fluctuations in columns 6 and 7 of Table 3.

Although the three levels of government contribute roughly equal proportions to the road funds, each level has a very different capacity to raise revenues. Local governments' funds are raised from general revenue rates or loans. In addition local government has an indirect source of funds in the expenditures by property developers on roads for new urban sub-divisions.

The State Governments' road funds are primarily derived from road user taxes such as annual registration, licence fees and road maintenance taxes. Of prime importance to the road construction authorities however, is the Commonwealth's use of road grants under Section 96 of the Constitution. Until 1959-60 the Commonwealth linked its road grants to fuel taxes; now it funds all road grants from the consolidated revenue fund.

The Commonwealth has two specific sources of revenue from road users, i.e., customs duties/sales taxes on vehicles and fuel taxes. These revenues flow directly into the consolidated revenue fund for appropriation in accordance with the Commonwealth's own priorities and fiscal strategy. The level of these taxes is varied to match the current revenue-raising requirements of the Commonwealth or as a measure to strengthen its economic strategy, e.g., 1978-79 Commonwealth budget increased fuel taxes and reduced sales taxes on new vehicles. These changes have been explained as

TABLE 3<sup>(a)</sup>

Year	Federal Grants to States under Commonwealth Roads Acts		State Road Funds from Motor Vehicle Taxes and other Road User Charges		Local Authority Road Expenditure from own Resources		Total Road Funds for All States	
	(\$'000)	%	(\$'000)	%	(\$'000)	%	(\$'000)	%
1	2	3	4	5	6	7	8	9
1951-52	29 600	(30.7)	28 574	(29.6)	38 339	(39.7)	96 513	(100)
1954-55	45 010	(32.3)	42 006	(30.1)	52 316	(37.6)	139 332	(100)
1959-60	87 847	(33.5)	72 397	(27.6)	101 905	(38.9)	262 149	(100)
1964-65	130 000	(32.6)	108 658	(27.3)	159 872	(40.1)	398 530	(100)
1969-70	193 000	(34.3)	156 582	(27.8)	213 158	(37.9)	562 740	(100)
1970-71	218 000	(35.8)	175 455	(28.8)	215 914	(35.4)	609 369	(100)
1971-72	245 250	(37.1)	196 738	(29.8)	218 776	(33.1)	660 764	(100)
1972-73	279 000	(37.9)	216 330	(29.4)	240 785	(32.7)	736 115	(100)
1973-74	316 800	(38.3)	254 082	(30.7)	257 166	(31.0)	828 048	(100)
1974-75	372 400	(37.5)	294 997	(29.7)	326 577	(32.8)	993 974	(100)
1975-76	423 900	(35.8)	351 943	(29.7)	408 496	(34.5)	1184 339	(100)

(a) Vance, J., 'Sources of Road Funds in Australia - Past Present and Future', I.R.F. Australasian Road Conference - 1978 Melbourne.

Source: Commonwealth Budget Papers, Commonwealth Road Grant Acts and statistics compiled by National Association of Australian State Road Authorities.

a movement away from taxes on vehicle ownership (sales taxes) towards taxes and charge aligned more with road utilisation (fuel taxes). It seems more likely that increased fuel taxes (see Table 4) were part of the Commonwealth's revenue-raising strategy aimed at financing the national Government's budget given the inadequacy of personal income taxes and since indexation the size of the budget deficit.

The States have less flexibility in the use and collection of revenue from road users (see Table 4). Vehicle user taxes and road maintenance contributions are totally allocated to road expenditure and vehicle ownership/associated charges (see Table 4) are predominantly used for road expenditures.

The National Association of Australian State Road Authorities (NAASRA) reports that of the \$280.3m spent by the NSW State Government on classified roads in 1975-76, 30.7 per cent came from motor vehicle taxation, 7.3 per cent from charges on heavy vehicles, 7.6 per cent from loan funds, 48 per cent from Commonwealth grants and 6.4 per cent from other sources.

At the local government level, the source of funds utilised for road construction and maintenance is not related to vehicle ownership or vehicle use. The funds are derived from rates on property and the charge struck normally includes a component for intended road works (see Table 4).

Rate revenues need to flow to councils' consolidated revenue fund because they provide the foundations of each council's financial autonomy. Because local government contributes one third of the total amount spent on roads from its own sources, the limitations on the revenue-raising mechanisms available to it is constantly raised as a road funding issue.

Councils agree that ratepayers should contribute towards road costs in the local area. Most acknowledge that improved roads are a direct benefit to ratepayers and these improvements add to the

TABLE 4 - MAJOR CHARGES ON BENEFICIARIES OF ROAD EXPENDITURE

Level of Government	Nature of Change <sup>(a)</sup>	Source of Funds			Use of Funds
		Vehicle Ownership	Vehicle Use	Other	
Australian	Variable		Fuel Taxes		Consolidated Revenue
	Fixed	Customs Duties Sales Taxes			Consolidated Revenue
State	Variable		Road Maintenance Contributions		Road Expenditure
	Fixed	Road Transport Taxes Vehicle Registration Fees Drivers Licence Fees Registration Stamp Duty Third Party Insurance Surcharge			Predominantly Road Expenditure
Local	Fixed			Rates on Property Valuations	Consolidated Revenue (rate struck includes allowance for intended road works)

(a) Incidence of charge relative to use.

unimproved value of ratepayers' land. However, most roads are open to the general public without a toll and a substantial portion of the benefits from roads accrue to transient as well as local road users. This gives rise to the claims that local government is restrained to a very indirect and limited tax on road users, i.e., rates, while a road user based tax is better related to actual road usage.

## CHAPTER 10 - ROAD FUNDING

The benefits from Australia's road system including rural or urban local roads, accrue to the whole of the community.

The beneficiaries are not only road users, e.g., private motorists, road hauliers, passenger carriers, etc., because the road network provides the links by which economic and social services are supplied to all citizens. In our contemporary life style, the movement of goods, people and services, e.g., fire fighting, ambulance, etc., has become more specialised and the road system has become the backbone<sup>(1)</sup> of many social and economic activities. Because all Australians benefit from the road system, the Commonwealth has spread its cost of road construction and maintenance to all taxpayers. It bears repeating that Commonwealth funding is allocated from the consolidated revenue fund not from specific road-user charges such as fuel taxes. Road funding has become a very sensitive issue because the Commonwealth has restricted its allocations to general revenue funds while concurrently raising more and more revenue from road-user taxes. The Commonwealth had formerly allocated road users' funds primarily to roads.

Two underlying principles seem central to the development of the current road funding debate.

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(1) A social and economic infrastructure linking dispersed institutionalised services, e.g., schools, hospitals, banks, etc., while also carrying the commodities of farmers, exporters, and the tourist industry's passengers, etc.

First, the "user pays principle" of charging the direct beneficiaries for the service derived from a government funded facility. In that case, the road users are charged for road use through a number of indirect taxes, associated with vehicle ownerships and vehicle operation.

Second, is the universal taxation principle of "ability to pay" which applies differential rates of tax to low or high income earners in raising revenue for the general revenue fund. Commonwealth general revenue funds are allocated to roads, schools, health, defence, etc., in line with fiscal priorities because all Australians are beneficiaries from those goods. These two principles are not overlapping but rather black or white simplistic approaches which are so often applied to complex issues involved in national road funding. Recently a simple solution to road funding has emerged and it suggests that the user pays principle, or all fuel taxes, be used to fund our roads, as is the case in the United States and West Germany.

That solution is usually matched by an opposite, though equally simplistic view, that roads are best funded from general revenue in the context of changing circumstances and changing annual fiscal requirements. Most commentators seem eager to suggest simplistic short-term solutions for road issues which need much more long-term approaches because there are complex problems involving the essential elements of a financial problem stretched over three levels of government.

In brief, the issue of current and future road funding comes down to consideration of three processes - an assessment of the real road needs; an evaluation of current and proposed expenditures on roads; and effective political management of a system that can deliver optimal results from the resources committed to roads over three to five year periods. These are the issues addressed in the following segments of this paper.

## Revenue Realities, Capacities and Sources

### (a) The Commonwealth

Only a very simplistic assessment of public finance in Australia today would suggest that the Commonwealth could simply ignore established patterns of national public expenditure to transfer the requisite road funds to State and/or local government levels. However, the priorities of the Commonwealth's resource allocations needs close scrutiny if Australia's road network is not to merely waste away from a genuine deprivation of resources. Furthermore, local government must continuously monitor the Commonwealth's contribution to roads to ensure that optimal results are gained from the resources committed to all road categories.

For the current triennium, from 1 July 1977 to 30 June 1980, Commonwealth legislation has set aside \$1425m from the consolidated revenue fund to be allocated among the States and local authorities for road purposes. In the first year, 1977-78, the Commonwealth allocated \$477m to the States and local authorities through the States Grants (Roads) Act 1977. That allocation was \$33.8m or 8.8 per cent more than the total grants in 1976-77 and the 1978-79 appropriation for grants rose by \$33m or 7 per cent to a total of \$508m.

With the economy experiencing much slower rates of growth now than in the 1960's, the Commonwealth has simply maintained its level of spending on roads (in real terms) year upon year. However, approximately 40 per cent of current Commonwealth road grants to the States are directed to the national highway program which is only about 10 per cent of total road lengths in Australia.

The Fuel Tax Squabble - It is understandable that Commonwealth fuel taxes are seen by some sections of the community as a potential source for increased road grants.

Between 1959-60 and 1976-77, Commonwealth road grants as a proportion of tax collections dropped dramatically from 75.1 per cent to 47.7 per cent (see Table 5).

As pointed out earlier, a more controversial relationship seems to be the ratio of Commonwealth road grants to Commonwealth revenue raised from fuel taxes<sup>(1)</sup>. Critics of the Commonwealth's road grants program often point to the continually growing discrepancies that appear between the fuel taxes and the total Commonwealth road grants (see Table 6).

For example, in Table 6, Commonwealth road grants for 1976-77 are \$433.8m which was only 46.1 per cent of the \$941.8m raised on fuels. Some critics point out that the most populous States, NSW and Victoria, received only 35.8 per cent and 35.2 per cent respectively of fuel taxes raised in those States as grants. In those States the tax on road users provided the most substantial revenue return for the Commonwealth, and yet their returns through road grants were proportionally the lowest.

The Commonwealth's road grants in 1976-77 returned only one dollar in every three dollars collected from NSW road users, and over the previous ten years, Commonwealth road grants to NSW increased by only 250 per cent while NSW road users paid increased fuel taxes at the rate of 440 per cent<sup>(2)</sup>.

It seems natural that the discrepancy between the revenue raised by the Commonwealth's fuel taxes policy and its allocation of funds for roads should be raised at any discussions of road funding. However, the issues once raised are often misunderstood or purposefully distorted.

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(1) "Fuel Tax" means the customs and excise collected on imports and home production of petroleum and diesel fuels.

(2) Huxtable, E.A., 'Finance Australia's Road - A Dismal Failure', I.R.F. Australasian Road Conference - 1978.



The Commonwealth's role is to maintain the standards of roads within the constraints imposed by responsible national economic and fiscal requirements.

(b) The State Governments

The State Governments are the intermediaries in the Federal road funding system because they are both the recipients of Commonwealth road grants and the distributors of their own road grants and the Commonwealth's, to local authorities,

Six State governments contributed about 30 per cent or \$352m for roads in 1975-76 from their own sources. User charges accounted for approximately 80 per cent of any individual State's road finance and as such these funds are outside the normal fiscal strategies because the source is an "ear-marked" tax. Vehicle and registration fees and drivers licences fees contribute about 75 per cent, while road maintenance charges, in all but one State, account for about 15 per cent and the remainder, i.e., about 10 per cent, is derived from loan funds<sup>(1)</sup>.

Since 1976-77, the Commonwealth has switched its road funding priorities away from primary assistance for national highways and arterial to a strategy promoting national highways and local roads. This means that most of the burden of financing the arterial road system falls on the States. This produces a disincentive for the State Governments to dedicate arterial roads thereby shunting the responsibility for many arterial roads to local government.

The Western Australian Minister for Transport points to "the considerable imbalance contained in Commonwealth road grants within road categories. In recent years, there has been a tendency for Commonwealth road grants to be directed towards national

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(1) Hogg, T., 'Resource Allocation and Road Funding in Australia', Australasian Road Conference, 1978 Melbourne.

highways with only a small increase for rural arterial roads and a sharp cutback in the grants for urban arterial roads. As these important regional arterial roads carry the bulk of the State's traffic, it has been necessary for the State Government to sharply increase vehicle licence fees to meet the urgent needs for improvements to these roads and for much needed upgrading of the road system in the outback areas, such as the Pilbara region"<sup>(1)</sup>.

The Western Australian Minister makes the point very clearly that State Treasury, unlike the Commonwealth, has little option but to increase revenue raisings if the State is to be beyond the central government's funding guidelines. The guidelines on funding are dictated by the anti-inflation economic management strategy which aims to hold down all public sector expenditures.

However, the realities of those guidelines for the State road programs meant a decision either to reduce State road funding allocations in line with Canberra's policies or increase the tax burden on road users throughout the State in order to maintain local priorities for road programs. Increased charges were decided upon and so an extra inflationary stimulus fed into the Consumer Price Index (CPI).

Ironically these increases in the CPI marginally guarantee increased Commonwealth road grants because these grants are now indexed to the CPI.

This example is used to illustrate the complexity of the road funding issue and the difficulties arising from the fact that the Commonwealth and State levels of government are not synchronised in terms of the revenue realities, capacities and sources each one faces in executing its priorities and responsibilities for road funding.

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(1) Rushton, Hon. E.C., MLA, Minister for Transport, 'WA's Share of Road Funds Eroded', The Local Government Journal of WA - December Quarter 1978.

(c) Local Government

The data used for this segment of the paper are based on the processed results of an ACLGA financial survey of five States conducted late in 1978. The computer analysis of data collected from 319 councils was restricted by a number of factors which should be mentioned here:

- . a significant number of local authorities identified funds received from the Commonwealth, as "general revenue assistance", under the category "State untied grants",
- . also, it appears that in a few cases Commonwealth road funds have been attributed to State Governments;
- . although our data request was for the period 1971-72 to 1977-78, a number of our completed questionnaires did not contain data for the earlier years (that meant we had missing values in our cross-tabulations);
- . we used a local authority classification system to delineate urban type councils from rural type councils and that system has not been thoroughly evaluated as a means for grouping councils;
- . during the period covered by the survey (1971 to 1978) a small number of councils were involved in amalgamations or boundary changes.

To differentiate between rural council road funding efforts and those in the urban mould the Advisory Council on Inter-government Relations (ACIR) council classification system was used to group survey respondents. The ACIR classifications delineate rural local authorities from urban local authorities' area and population characteristics are used to differentiate the rural shire with no major urban cluster from the inner metropolitan councils (see Table 7).

Rates as a proportion of total receipts rose from 24.5 per cent in 1972-73, to 35.8 per cent in 1974-75 and to 39.9 per cent in 1977-78. Loans fell from 40.7 per cent in 1972-73, to 21.7 per cent in 1977-78.

The trend is again that loan funds reduced while rate revenues increased as a proportion of total receipts.

(i) Roads: Local government continues as an active and willing partner in the field of road funding and the provision of roads throughout Australia. The road effort is spread over approximately three quarters of the total road length. That includes metropolitan local roads, rural local roads, the unsealed, unimproved roads of rural shires, and ordinary suburban streets in cities and towns.

The costs of maintaining the local road network is rising and so each year the same local government commitment requires more actual dollars. Each \$1.10 spent on local roads in 1971-72 yielded the equivalent road construction, maintenance or bridge-work effort as \$2.24 spent in 1977-78. The road price index<sup>(1)</sup> has risen from 109.6 in 1971 (base year 1969) to 223.8 in 1978. Despite those sharp increases in roadwork costs local government has maintained a basic commitment level of 40 per cent in its own resources to local roads.

The effects of this significant level of commitment to road funding affects local government differently from State to State and between rural and urban type situations. An objective here is to illustrate the different circumstances facing councils on road funding by using three examples from the survey data: a rural type situation is characterised by a sample of sixteen councils in Queensland classified as class 6 by the ACIR system; - an inner metropolitan type situation is illustrated by data for sixteen councils in South Australia (class 1); - a provincial city type council situation is examined through the survey data for six

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(1) Burke, R.H., 'A Road Construction Price Index', Australian Government Publishing Service, Canberra, 1978.

councils in Queensland (class 3).

(ii) Rural Councils: In Table 8 the road expenditures for sixteen councils in Queensland are shown as proportions of the total road expenditure from "council resources", "loans", "Commonwealth road grants" and "State road grants".

Road expenditures direct from council revenues (see Table 8) accounted for an average about 33 per cent of the total in each financial year from 1972 to 1978. The State Government contribution, by direct grants and through contracted roadworks, declined from 51.8 per cent of total to 43.2 per cent over the same period. Commonwealth road grants also declined from 9.3 per cent of the total down to 7.1 per cent. The rise in percentage contribution to the total of 16.8 per cent for loans, which are up from 6.3 per cent during this period, is the factor that offsets the drop recorded in State and Commonwealth contributions.

The proportion of maintenance compared with construction is a particularly interesting ratio for the rural council situation because the maintenance of roads has been a major concern to them. In 1971-72 the construction percentage was 59.3 per cent of total roadworks, it was 55 per cent in 1974-75 and 60.7 per cent in 1977-78. The maintenance component reflected in these road expenditure patterns is consistent with the concern expressed by rural councils that a high maintenance effort has been required from them in recent years.

Road funding in this rural sample is also classified by Commonwealth functional road categories (see Table 11) which enables further assessment of the road expenditure patterns. Rural arterials (categories 1, 2, 3 - see Table 11) received 55 per cent of total funds in 1971-72 and that rose to 74 per cent in 1974-75 before receding to 62 per cent in 1977-78. Rural local roads (categories 4, 5 - see Table 11) began at 35 per cent in 1971-72, fell to 23 per cent in 1974-75 and rose again to 34 per cent by 1977-78. In 1971-72 the rural arterial roads together with rural local accounted for 80 per cent of all expenditures for these councils

and that same combination received 78.7 per cent of the total in 1977-78. Loan funds were distributed in similar proportions.

Commonwealth road grants were largely directed to rural local roads with 69.8 per cent in 1971-72, then 80.2 per cent in 1973-74 and down to 61.2 per cent in 1977-78. However, State road grants and State contractor works were split between rural arterial and rural local roads in 1971-72, i.e. 42.2 per cent and 45.1 per cent respectively. Since 1975-76 State funds have begun to flow more into rural arterial. Rural arterials received 33.7 per cent of the total from State grants in 1975-76, that proportion increased to 37.7 per cent by 1977-78, meanwhile State grants to rural local roads dropped from a 43.6 per cent share to 26.3 per cent over that period.

The expenditure trends appear to be characterised by a high maintenance component in road works over the past seven years. Council resources and loan funds have been mainly concentrated in rural local roads and that effort has been geared to maintenance. However, Commonwealth grants may reflect increased construction of rural arterial and rural local roads with the emphasis returning to rural local roads. State grants and State contractor work has moved from an even split between rural arterials and rural local roads to a concentration more on rural arterials than local roads.

The revenue data is less reliable, however, some trends are clear. The rating effort as a percentage of total revenues has fallen from 32.2 per cent in 1971-72 to 26.1 per cent in 1977-78. That fall has been covered in recent years by the introduction of Commonwealth general revenue assistance and other grant increases. Overall rating effort in real terms has been increasing.

The Commonwealth general revenue assistance, identified by only thirteen of the sixteen councils in the survey, was 6.8 per cent of total revenue for the sample in 1977-78. Receipts from business undertakings rose from 3.6 per cent of total revenue in 1971-72 to 4.0 per cent in 1977-78. Other self-raised revenue was steady at

20.5 per cent of total in 1971-72 and 19.7 per cent in 1977-78. Loan funds were 11.0 per cent of total in 1971-72 and that declined to 8.9 per cent in 1977-78. Debt redemption (loan repayments from expenditures) also dropped, as a percentage of total expenditure, down from 13.4 per cent in 1971-72 to 9.7 per cent in 1977-78.

The trends on revenue raising are not easily assessed from the data because some respondents seem to have incorrectly assigned the sources of funds that flow from Commonwealth/States especially the Commonwealth general revenue assistance. It seems apparent in these statistics that the rating base has been adversely affected by the rural economic recession in the sample. However, other self-raised revenue has held up quite well.

Also councils have apparently reduced their indebtedness which seemingly could add weight to rural councils concerns that they cannot depend on the traditional healthy rating effort to meet future loan repayment requirements. The importance of general revenue assistance to the rural councils in this sample is not clear because some councils are seemingly unaware of the origins of those payments.

#### (iii) Inner Metropolitan Councils

The urban type council situation is illustrated here by an inner metropolitan (ACIR class 1) group of sixteen councils in South Australia, and a provincial city (ACIR class 3) group of six councils in Queensland.

Table 9 is a cross-tabulation of the percentage contribution to total roads expenditure by sources of funds. It indicates a high level of contributions from these councils' own revenue sources with 62.7 per cent in 1972-73, then 66.9 per cent in 1974-75 and rising to 68.6 per cent by 1977-78. The ratio of loans to total is very steady around 22 per cent for the entire period. Commonwealth road grants have fluctuated from 4.7 per cent in 1971-72, to 1.9 per cent in 1974-75 and up again to 3.4 per cent

in 1977-78. State road grants and State contract works have similarly moved during this period (see table 9). The immediate difference between these trends and those depicted in the rural council sample is the higher contribution made from "council resources" and "loans". It should be noted here that all councils face a very tight loan market in the current economic circumstances.

Road funding from council resources has primarily been directed into urban local roads (category 8, 9 - see Table 11) with 84.1 per cent in 1972-73 rising to 89.3 per cent in 1974-75 and fairly steady at 88.8 per cent in 1977-78. The remainder went into urban arterials. Loans were almost solely put into local roads with 96.0 per cent in 1977-78. The Commonwealth funds have also gone into local roads. The State grants have followed the pattern set by the others in recent years with 90.8 per cent in urban local roads compared to 71.7 per cent in 1973-74. In 1973-74 the total expenditures mix between urban arterials and urban local roads was 47.4 per cent to 52.6 per cent respectively, but those proportions had changed to 4.5 per cent and 95.5 per cent by 1976-77 and were 17.7 per cent and 82.4 per cent in 1977-78. The switch towards funding local roads has been quite dramatic for these councils since 1975.

The trends are obviously towards almost total road expenditures on urban local roads in these council areas. Rate revenues for these councils appear to be in a much healthier state than for the rural group. Rates as a percentage of total revenue was 43.6 per cent in 1971-72, then 49.5 per cent in 1974-75 and up further to 50.3 per cent in 1977-78. Receipts from business undertakings was 0.7 per cent in 1971-72, down to 0.55 per cent in 1974-75, and then up to 1.1 per cent in 1977-78. Other self-raised revenue rose from 16.3 per cent of total revenue in 1971-72 to 21.4 per cent by 1974-75 and slightly down at 20.1 per cent in 1977-78. Loan raisings have dropped throughout the whole period from 23.4 per cent of total revenue in 1971-72, down to 16.0 per cent in 1974-75 and then down to 14.9 per cent in 1977-78. Debt redemption as a percentage of total expenditures has also been reducing. It has



receded from 13.8 per cent in 1971-72, to 11.9 per cent in 1974-75, and down further to 10.2 per cent by 1977-78.

On revenue trends these inner metropolitan councils have consolidated their rate base with strong growth over the past seven years. The indebtedness has been reduced substantially. However, once again the records on the effects of Commonwealth general revenue assistance is very difficult to assess because only thirteen of the sixteen clearly identified any assistance from that source.

The construction and maintenance proportions to total road expenditures were 70.7 per cent and 29.3 per cent respectively in 1971-72 and 62.0 per cent and 38.0 per cent in 1977-78. The construction bias has fallen off, however, it is still the major factor for 1977-78 road expenditures for this sample.

#### (iv) Provincial City Councils

In Table 10 the road expenditures, for six councils in Queensland indicate urban situations in which the contribution from council resources has risen steadily from 31.2 per cent in 1971-72, to 38.8 per cent in 1974-75, and up to 40.5 per cent by 1977-78. Loans had tended to fall in their contribution to total road expenditures down from 44.4 per cent in 1971-72, then 43.1 per cent in 1974-75, and 35.2 per cent in 1977-78. The combined contribution of council resources and loans in 1971-72 was 75.6 per cent while the same combination in 1977-78 contributed 75.7 per cent. The Commonwealth grants rose over the period from 9.5 per cent to 13.0 per cent, but last financial year the contribution was even much higher than the trend. State grants and contractor work moved up and down with an aggregate of around 15 per cent to 21 per cent for the period.

The proportion of maintenance to construction was 34.1 per cent and 65.9 per cent respectively in 1971-72 and 35.5 per cent and

64.5 per cent in 1977-78. Road funding is directed to local rural and local urban with urban arterial also sharing in the allocation.

Debt redemption was 15.6 per cent of total expenditures in 1971-72 and that has fallen to 13.9 per cent in 1977-78. There is a detectable movement away from debt servicing even though a high level of loan raisings has been the trend for this sample.

Rates as a proportion of total receipts rose from 24.5 per cent in 1972-73, to 35.8 per cent in 1974-75 and to 39.9 per cent in 1977-78. Loans fell from 40.7 per cent in 1972-73, to 21.7 per cent in 1977-78. The trend is again that loan funds reduced while rate revenues increases as a proportion of total receipts.

#### Assessment

Because local government authorities are not homogeneous, it is not statistically valid to aggregate data unless financial information is available for all councils for all categories. It is intended that the ACLGA will further process the data which has been collected when anomalies have been eliminated and additional survey returns have been included.

Despite the obvious difficulties of interpreting data produced from a self-selecting sample, the ACLGA is confident that from the vast amount of information provided to date the following broad assessments can be substantiated:

- . In real terms, authorities have been maintaining their rating effort since 1971-72, although, when measured against total funds available, rates as a proportion fluctuate wildly for individual councils because of the manner in which the mix has been affected from time-to-time by special purpose payments, general revenue sharing increases, and internal factors;

- . Over this same period, there appears to have been a drift away from loan funding to a greater dependence on current expenditure. The fact that the survey results show (in most cases) a reduction in debt redemption changes as a proportion of total expenditure would appear to confirm the apparent shift in emphasis. The ACLGA believes this has occurred because of four inter-related factors:
  - recent high interest rates,
  - the tight loan market,
  - economic uncertainty, and
  - the fact that some local authorities are not well placed to compete for funds under these circumstances.
- . Although it is difficult to confidently and authoritatively speak about trends in local government's road expenditure because of the lack of homogeneity, it is apparent that local government has been maintaining its road funding effort and expenditures in real terms in relation to the other two levels of governments' contribution.
- . Whilst the provision of general revenue assistance amounts to less than 9 per cent of total funds for most councils and does not now appear to be significant in overall terms, the introduction of untied grants in 1974 and the subsequent increases was timely and proved important in cushioning the effects of inflation between 1975 and 1977 and provided councils with additional flexibility to make judgements about priorities which they would not have been able to make if untied grants were not available.
- . It is not possible to judge the future road funding intentions of local government because this very much depends upon fiscal decisions yet to be taken by the Commonwealth and State governments. However, based on past performance, local government will continue to place a high priority on roads. It is expected that the effort may be more directed through necessity towards

TABLE 5 - FEDERAL ROAD GRANTS AS A PROPORTION OF FEDERAL EXCISE  
AND CUSTOMS COLLECTIONS FROM MOTOR SPIRIT AND AUTOMOTIVE  
DISTILLATE

Year	Federal Road Grants	Customs and Excise Duties on Petrol & Automotive Diesel Fuel	Grants as a Proportion of Tax Collections
	\$	\$	
1951/52	29 600 000	52 993 000	55.9%
1954/55	45 010 000	65 655 000	68.6%
1959/60	87 847 000	117 018 000	75.1%
1961/62	100 000 000	132 141 000	75.7%
1964/65	130 000 000	172 184 000	75.5%
1969/70	193 000 000	291 365 000	66.2%
1970/71	218 000 000	359 715 000	60.6%
1971/72	245 250 000	452 180 000	54.2%
1972/73	279 000 000	477 924 000	58.4%
1973/74	316 800 000	635 483 000	49.4%
1974/75	372 400 000	679 348 000	54.8%
1975/76	423 900 000	894 256 000*	47.4%
1976/77	436 700 000	915 603 000*	47.7%

\* Introduction of \$2 per barrel production levy on locally produced oil. The proportion paid by motorists has been included in the tax collections.

Sources: Commonwealth Budget Papers, Commonwealth Road Grant Acts and Australian Bureau of Statistics.  
Vance, J., 'Sources of Road Funds in Australia - Past Present and Future', I.R.F. Australasian Road Conference - 1978 Melbourne.

TABLE 6 - FUEL TAX COLLECTIONS &amp; FEDERAL GRANTS 1976/77 BY STATES

State	Total Fuel Tax Paid by Motorists in State	Federal Road Grants	Percentage Equivalent
New South Wales	\$378.9m	\$135.5m	35.8
Victoria	258.7	91.1	35.2
Queensland	123.6	90.7	73.4
South Australia	67.6	38.8	57.4
Western Australia	86.3	57.2	66.3
Tasmania	26.7	20.5	76.8
TOTAL ALL STATES	\$941.8m	\$433.8m	46.1

Source: Huxtable, E.A., 'Financing Australia's Road - A Dismal Failure', I.R.F. Australasian Road Conference - 1978, Melbourne.

NOTE: Fuel tax figures are for gross excise duty (Australian Bureau of Statistics) expanded to include the 5.7 cents/gallon resulting from the \$2 per barrel crude oil levy (increased to \$3 in August 1977 Budget).

TABLE 7 - ACIR CLASSIFICATIONS

Class	Definition
1. Inner Metropolitan Local Authorities	An authority whose largest urban population component is resident in an urban centre with a population of 500 000 or more.
2. Fringe Metropolitan Local Authorities	An authority whose largest urban population component is resident in an urban centre with a population in the range 100 000-499 000.
3. Provincial City Local Authorities	An authority whose largest urban population component is resident in a non-metropolitan city with a population in the range 25 000-499 000.
4. Non-metropolitan Small City Local Authorities	An authority whose largest urban population component is resident in a non-metropolitan centre with a population in the range 10 000-24 999.
5. Rural Town Local Authorities	An authority whose largest urban population is in a centre with a population in the range 1 000-9 999.
6. Rural Local Authorities	An authority whose largest urban population component is less than 1 000.

TABLE 8 - EXPENDITURES ON ROADS: RURAL PERCENTAGE CONTRIBUTIONS TO TOTAL BY  
SOURCE OF FUNDS

	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78
Council Resources	32.5	30.9	30.7	34.6	33.1	36.2	32.9
Loans	6.3	20.2	19.6	11.5	7.9	8.8	16.8
Commonwealth Road Grants	9.3	9.1	7.3	7.2	19.7	14.1	7.1
. Road Grants	6.9	6.9	7.7	13.2	9.4	8.2	8.5
. Contractor	45.0	32.9	34.7	33.4	29.9	32.8	34.7

Source: ACLGA Financial Survey. (sample of sixteen rural councils, ACIR class 6, from Queensland).

NOTE: All percentages have been rounded.

TABLE 9 - EXPENDITURES ON ROADS: INNER METROPOLITAN PERCENTAGE CONTRIBUTIONS  
TO TOTAL BY SOURCE OF FUNDS

	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78
Council Resources	62.7	65.2	66.9	63.8	67.8	68.6
Loans	22.5	22.1	23.5	22.4	21.8	21.8
Commonwealth Road Grants	4.7	3.1	1.9	3.3	2.0	3.4
. Road Grants	8.3	7.0	6.4	9.9	7.9	5.7
. Contractor	1.8	2.6	1.3	0.6	0.5	0.6

Source: ACLGA Financial Survey. (sample of sixteen inner metropolitan councils, ACIR class 1, from South Australia).

NOTE: All percentages have been rounded.

TABLE 10 - EXPENDITURES ON ROADS: PROVINCIAL PERCENTAGE CONTRIBUTIONS TO TOTAL BY  
SOURCE OF FUNDS

	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78
Council Resources	31.2	33.5	38.9	38.8	39.5	38.0	40.5
Loans	44.4	43.7	33.5	43.1	32.0	30.8	35.2
Commonwealth Road Grants	9.5	10.3	8.5	9.3	9.9	9.7	13.0
. Road Grants	4.7	5.0	5.2	3.4	6.7	7.4	4.7
. Contractor	10.3	7.5	13.9	5.3	11.9	14.2	6.6

Source: ACLGA Financial Survey. (sample of six provincial city councils, ACIR class 3, from Queensland).

NOTE: All percentages have been rounded.



TABLE 11 - FUNCTIONAL CLASSIFICATION OF ROADS AND CORRESPONDING CATEGORY OF ROADS IN  
AUSTRALIAN GOVERNMENT LEGISLATION

Functional Class	Definition	Corresponding Category of Road in Australian Government Legislation
RURAL AREAS		
1	Those roads which form the principal avenue for communications between major regions of Australia including direct connexion between capital cities.	) ) )
2	Those roads, not being class 1, whose main function is to form the principal avenue of communications for movements;	) )
	(i) between a capital city and adjoining States and their capital cities;	) ) "RURAL ARTERIAL
	(ii) between a capital city and key towns;	) ROADS" except those
	(iii) between key towns.	) declared as National ) Roads or (in Qld.) Beef ) Roads.
3	Those roads, not being Class 1, or 2, whose main function is to form an avenue of communication for movements:	) ) )
	(i) between important centres and the Class 1 and Class 2 roads and/or key towns;	) )
	(ii) between important centres;	)
	(iii) of an arterial nature with a town in a rural area.	) )
4	Those roads, not being Class 1, 2 or 3, whose main function is to provide access to abutting property (including property within a town in a rural area).	) ) ) "RURAL LOCAL ROADS" ) except (in Qld.) those ) declared as Beef Roads. )

TABLE 11 (continued)

5	Those roads which provide almost exclusively for one activity or function and which cannot be assigned to Classes 1, 2 3 or 4.	) ) )
	URBAN AREAS (as defined)	
6	Those roads whose main function is to perform the principal avenue of communication for massive traffic movements. (Arterial Roads)	) ) ) "URBAN ARTERIAL ROADS" except those declared as National Roads.
7	Those roads, not being Class 6, whose main function is to supplement the Class 6 roads in providing for traffic movements or which distribute traffic to local street systems. (Sub-arterial Roads).	) ) ) )
8	Those roads not being Class 6 or 7, whose main function is to provide access to abutting property.	) ) ) "URBAN LOCAL ROADS"
9	Those roads which provide almost exclusively for one activity or function and which cannot be assigned to Classes 6, 7 or 8.	) ) )

Source: Commonwealth Bureau of Roads, Report on Roads in Australia - 1975.

maintenance than new construction and authorities will need to look towards increasing loan raisings in the face of other pressures on current revenue.

Local government appreciates the challenges which all levels of government face under the current economic circumstances and is prepared to play its part in meeting the needs of the community, but believes that the Commonwealth should be prepared to acknowledge the disabilities under which local government operates and be willing to increase its road funding efforts.

## CHAPTER 11 - OTHER ISSUES

### Employment on Roads

The economic downturn has produced high levels of unemployment. Australians, young and old, are facing the prospect of no job opportunities and that situation is of vital concern to local governments throughout the nation.

In the past public road work programs have been suggested as a useful means of creating employment opportunities and also new public capital formation in the road system. The Commonwealth government economic strategy opposes such "create work schemes" in the public sector and many politicians oppose the idea of using day-labour for road works. At present the alternative to such work schemes is to pay unemployment benefits and/or to retrain those out of work without improving job prospects.

The ACLGA questionnaire included a segment on "employment on roadworks" to ascertain the cost factors involved in road construction and maintenance. It also gathered data on road plant utilisation.

The proportion of day labour to contractor was assessed at very high levels for the majority of construction and maintenance work carried out on roads in each State. A proportion of 81-100 per cent of day labour to contractor was also recorded as a percentage in each State for construction and maintenance.

	<u>Construction</u>	<u>Maintenance</u>
New South Wales	58%	81%
Queensland	81%	76%
South Australia	56%	84%
Western Australia	70%	83%
Tasmania	61%	91%

The very high proportions of day labour to contractor in roadworks undertaken by councils indicates the potential for employment of day labour on the roads if more funds are to flow to roadworks in the future.

The road survey's plan utilisation results indicates an excess capacity on plant at present and that suggests that some councils could expand their roadworks effort should more funds become available.

The proportion of road plant currently utilised in terms of the time available for its use was recorded at the higher percentage levels in two bands, i.e., 61-80 per cent and 81-100 per cent. The responses within those two bands by States were:

	<u>61-80%</u>	<u>81-100% Plant Utilisation</u>
New South Wales	38	54
Queensland	43	41
South Australia	34	22
Western Australia	54	24
Tasmania	58	23

The survey's trends seem to suggest that roadwork programs could be used to usefully employ day labour resources if more road funds were made available to local government.

#### Road Safety

Data on the extent to which road conditions have contributed to accidents and fatalities is not readily available.

However, it cannot be denied that poor alignment, camber, road surfaces, sign posting and the like are a significant contributor to traffic accidents in many instances. It has been suggested, but not substantiated, that in up to 20 per cent of accidents, road conditions may have been a contributing factor.

With the level of carnage on Australia's roads and the tremendous costs involved, no level of government can afford to ignore this aspect of the road funding issue.

### Categories

During the course of the preparation of the ACLGA survey questionnaire, there was a lot of discussion on the use of categories to obtain data.

It is apparent from discussions with Commonwealth officials that to a large extent, the road category system used by the Department of Transport is used predominantly for accounting purposes rather than for a functional classification of the road network.

This means that some States themselves are able to expend funds earmarked for local roads on roads which are clearly the responsibility of the State government, e.g., forestry roads. Similarly, the fact that, in recent years, both categories of local roads have received substantially increased funding from the Commonwealth, has resulted in some State Governments reclassifying State roads as either urban or rural local roads.

These actions tend to undermine the allocation of road funds by category. In addition, it produces a situation where the perceived flow of Commonwealth funds to local government (as stated in the Budget Papers) is believed to be highly inaccurate thus making assessment concerning the positive impact on local government of Commonwealth road funding decisions very difficult.

## Legislation

Some concern has been expressed by local government since 1976 that authorities have insufficient notice of the likely level of Commonwealth funding year by year. This situation makes it very difficult for councils to plan their own priorities or make decisions about revenue requirements.

## 6. INVITED ORGANISATIONS

### 6.1 Originating Letter to Invited Organisations

Dear Mr.

As you may be aware, the Bureau of Transport Economics is currently preparing a report for the Minister for Transport to assist the Commonwealth Government in its consideration of grants of financial assistance to the States in connection with roads and road transport.

To assist it in its investigations the Bureau has invited submissions from State and Territory Departments of Transport and Road Authorities, and from organisations of Local Government Authorities.

It is not planned to actively solicit submissions from the public or interest groups, nor to conduct public hearings on submissions received. Nevertheless, if your organisation should wish to make a written submission on road matters, it would receive careful consideration.

I would appreciate your response by the end of October.

Yours sincerely,

G.K.R. Reid  
Acting Director

## 6.2 Submissions from Invited Organisations

### 6.2.1 Australian Automobile Association (AAA)

"We consider that the two main goals to which road transport policies might be directed should remain:

- (a) a safe, efficient and convenient road transportation system to meet the present and changing needs, requirements and preferences of the nation; and
- (b) A road transportation system which assists as far as feasible, overall development to achieve better systems for living and working and for trade and commerce."

Commonwealth Bureau of Roads,  
Report on Roads in Australia 1975.

## INTRODUCTION

The Australian Automobile Association welcomes the opportunity to make this submission to the Bureau of Transport Economics' review of roads, road transport and road funding in Australia for the Bureau's report to the Commonwealth Government on these matters.

AAA regards this report as being of vital importance, encompassing as it no doubt will, not only a report on the effectiveness and adequacy or otherwise of current roads programs, but also the Bureau's recommendations on future roads and road funding.

The Australian Automobile Association is the national association of the State motoring organisations:



National Roads & Motorists' Association (NRMA),  
Royal Automobile Club of Victoria (RACV) Ltd.,  
Royal Automobile Association of South Australia Inc.,  
Royal Automobile Club of Queensland,  
Royal Automobile Club of W.A. (Incorporated),  
The Royal Automobile Club of Tasmania,  
Royal Automobile Club of Australia.

The Association's total membership of over three million of Australia's motorists has a most direct concern with the Bureau's review and its recommendations.

#### THE IMPORTANCE OF AN ADEQUATE ROADS NETWORK

The cornerstone role of transport and particularly roads in the Australian economy is so clear that the further reiteration of this role would, at first glance, seem unnecessary.

However, the Commonwealth Government - despite the quite massive motoring taxes which it levies from the Australian community - has annually failed to provide adequate finance to the States for road construction and maintenance.

Accordingly, AAA finds it imperative to yet again outline the crucial role played by transport in the economy and in particular the need for an adequate system of roads commensurate with our achieved and future national development.

With our large land mass and relatively small but widely dispersed population, it is not surprising that transport and communications in Australia account for some 8 per cent of gross national product against an average of only 5 per cent in comparable developed countries<sup>(1)</sup>.

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(1) G.R. Webb, Transport Policy Needed, National Bank Monthly Summary, December, 1977.

Furthermore, over 70 per cent of transport expenditure is on roads and road transport<sup>(1)</sup>.

Transport provides mobility and accessibility for people and freight which has added immeasurably to our quality of life. Transport in Australia has played an important historical role in promoting rural settlement and the development of natural resources. Thus it has been a major influence on industrial location, the distribution of population centres and the competitiveness of Australian production in domestic and overseas markets.

Whilst AAA acknowledges that available resources for transport developments will necessarily fall short of the level necessary to quickly achieve all the improvements in capital assets and in operational performance that are seen to be desirable, the following quotation from the Commonwealth Bureau of Roads '1975 Roads Report' is nevertheless appropriate:

"The more comprehensive the transport network, the larger the number of alternative locations which are available for businesses, factories, shops, dwelling places, recreational facilities and schools. For many individuals, improvements to the transport system provide, at an attainable cost, a wider range of work places, supplies of goods and services, and of areas for leisure time activities. As a broad principle, transport should be available for all groups in the community and for their activities, not only for the journey to work."<sup>(2)</sup>.

In Australia's transport system, we rely heavily on a safe and efficient system of roads for our economic and social functioning to maintain our standards of living.

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- (1) T. Thoresen, Trends in Road Transport and Roads in Australia 1959/60-1975/76, Australasian Conference of the International Road Federation, Melbourne, April, 1978.
- (2) Commonwealth Bureau of Roads, Report on Roads in Australia 1975.

Within Australia's transport system, our critical reliance on the motor vehicle cannot be overemphasised. Our demographic and economic conditions dictate our continued and increased use of the automobile to a greater degree than most other nations.

Of our total population of just over 14 million, the six State capital cities account for over 60 per cent of the population and Melbourne and Sydney alone for over 40 per cent<sup>(1)</sup>.

This small but concentrated population means that we have, of course, a low population density and large intercity distances.

When these factors are combined with our relatively high per capita incomes and the not unrelated low population densities within our cities themselves, their effect is to discourage the use and better provision of group transport. In recent years car ownership rates have increased steadily at 4 per cent per annum, whereas rail passenger patronage has decreased at about 4 per cent a year over the last six years<sup>(2)</sup>.

The end result is one the most highly motorised nations in the world, with almost one vehicle for every two people<sup>(3)</sup> whose standards of living and quality of life are totally interwoven with their ownership and extensive use of the automobile which provides over 90 per cent of the ground passenger-kilometres travelled in Australia. This compares with 6 per cent for rail and 2 per cent for public road transport<sup>(4)</sup>.

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(1) P. Scott, (ed.), Australian Cities and Public Policy, 1978.

(2) C.C. Halton, Keynote Address, Second Transport Outlook Conference, Canberra, September, 1978.

(3) Australian Bureau of Statistics, Personal Communication, Canberra, October, 1978.

(4) J.M. Greenwood, President's Annual Address, AAA Annual Conference, Brisbane, November, 1978.

And in our cities, over 99 per cent of all commodity movement is by road<sup>(1)</sup>. Over 80 per cent of all Australian freight tonnages are carried by road<sup>(2)</sup>.

In addition, the important rôle of the private car as an essential element of our national transportation system under conditions of full mobilization or civil defence alert must be borne in mind. AAA, through its constituent members has pledged cooperation with Australia's civil defence authorities in such emergencies.

For the foreseeable future, it is the motor vehicle which will continue to be the best provider of the mobility and accessibility for the individual to the increasing range of facilities he demands.

Thus the completely dominant factor in Australian land transport investment must continue to be in the provision of adequate and safe roads for our cars, trucks, and buses.

#### Economic Costs

The 1975 Report on Roads by the Commonwealth Bureau of Roads demonstrated that a five year recommended program of road construction would return total benefits worth 3.9 times its costs.

But it is no longer appropriate to talk in terms of the benefits to be derived from road investment.

It is now more indicative to emphasise the reality that the nation is incurring tremendous losses as a result of the continuing decline in road funding in real terms.

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- (1) Australian Automobile Association, Submission to Commonwealth Bureau of Roads, Canberra, April, 1975.
  - (2) Australian Road Federation, Resolution by Australian Delegates to 1978 Australasian Conference of International Road Federation, Road News, Melbourne, April/May, 1978.

Since 1967-68, road grants by the Commonwealth to the States have fallen from 2.6 per cent to 1.7 per cent of total Commonwealth outlays<sup>(1)</sup>.

Furthermore, there has been a decline in real terms on road expenditure throughout Australia over that period<sup>(2)</sup>.

The backlog of essential road construction and maintenance which is resulting from this unrealistic level of funding is continuing to increase.

That this is the case is evidenced by the increasing extent to which local government authorities' road maintenance is increasing compared to their capital works expenditure<sup>(3)</sup>.

However, the ultimate cost to Australia of allowing this erosion to continue will be much greater than the lesser amounts which should now be raised to enable State and local governments to proceed with some of their most pressing deferred road programs.

It is generally estimated that transport comprises between 25 and 30 per cent, on average, of the cost of goods in Australia<sup>(4) (5)</sup>. That the figure will be high is a result of our demography.

But that the estimate should be so high is a function of the enormous congestion, delays and road quality-related breakdowns and accidents which occur in and between our cities, with their high consequent wastages of human, money and energy resources.

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(1) Commonwealth Government, Budget Papers, Canberra, 1967-68.

(2) P.J. Nixon, House of Representatives Hansard, February 23, 1977.

(3) Australian Council of Local Government Associations, Personal Communication, Canberra, December, 1978.

(4) M.A.K. Thompson, Call for \$130 million Extra Roads Finance, AAA News Release, 30 September 1976.

(5) Australian Academy of Sciences, Forum, Transport in Australia, Thredbo, February, 1978.

These costs feed into the costs of all Australian production, whether for import-competing domestic consumption or for exports.

Exports are Australia's lifeblood, since it is our export dollars that purchase the imports of goods and investments for the nation's development.

But our exported and import - substituting goods will lose their competitiveness unless they are backed by effective, efficient transport networks. In Australia, that primarily means road transport networks. This is a particularly acute problem for Australia because we are, relative to the size of our economy, such a large trading nation<sup>(1)</sup>.

#### Social Costs

There is ample evidence that road improvements can significantly reduce road accidents<sup>(2)</sup>.

Many road accidents and their costs from death, injury and property damage could be avoided by the provision of better roads and road systems. It is therefore astounding that information and advice which has been available to the Government for years from, for example, the then Commonwealth Bureau of Roads, on the need to upgrade our road systems to acceptable, efficient standards continues to be ignored.

The administration of medical, legal, court, police, welfare and other systems involved in the consequences of road accidents is costing governments and the nation hundreds of millions of dollars annually.

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(1) Organisation for Economic Cooperation and Development, Statistical Comparisons, OECD Observer, Paris, 1978.

(2) Commonwealth Bureau of Roads, op.cit.

Although it is difficult to measure the monetary value of lives<sup>(1)(2)</sup>, it has been estimated that the charge on the community for the death of a man between the age of 20 and 30 is in the vicinity of half a million dollars. This covers loss of earnings and tax revenues, the loss of commensurate return for the cost of the person's education and upbringing, the direct incidental administrative, insurance and medical costs involved plus, at times, the considerable sums awarded by the courts in compensation for the life lost<sup>(3)</sup>.

The cost to a nation for a quadriplegic made so by a road accident is more likely to be in the region of a million dollars. Dependents of traffic crash victims becomes charges on the public purse.

Any measures which will significantly reduce the number of deaths and injuries on the roads will immediately save the Government medical, hospital, pension and administrative costs.

#### Energy and Environmental Costs

The rapid increase in oil prices and the partial embargo imposed by OPEC producers in 1973-74 jolted the world into a realization of our diminishing supplies of petroleum fuel.

It cannot be over-emphasised that in the transport sector, which is of such crucial importance to the Australian economy in particular, there is no alternative fuel currently available to alter significantly our present dependence on crude oil.

Australia's reserves are relatively low compared to our rate of consumption and the probability of finding large new oil deposits

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- (1) J.P. Acton, Measuring the Monetary Value of Lifesaving Programmes, Law and Contemporary Problems, Vol. 40, No.4.pp 46-72, September, 1978.
  - (2) Hirshleiger, The Economic Approach to Risk - Benefit Analysis, Risk Methodology and Applications, (D. Okrent ed.), 1975.
  - (3) I. Moffit, Our Most Vicious Health Hazard - The Car Driver, The Bulletin, pp 52-59, September 5, 1978.

is thought to be low. The prospect is one of rapidly increasing dependence on overseas oil and insecurity of supply.

Fuel conservation is our only short-term palliative.

In respect of motor vehicle exhaust emissions, these are perceived to be a problem in inner-city areas primarily as a result of congestion resulting from inadequate road traffic facilities and management.

AAA believes that the most equitable emission control strategy is one which will also save significant amounts of our scarce liquid fuels.

Half of all the vehicle emissions produced and fuel used occurs in 50 square km in the centres of our cities. Over 30 per cent of the fuel used in the Melbourne city centre is used at idle<sup>(1)</sup>. Yet 57 per cent of the people travelling into Sydney's central business district (CBD), for example, are merely passing through the city<sup>(2)</sup>. The lack of adequate road networks to by-pass the centres of our larger cities is obvious and the need for them is clear.

Vehicle emissions of hydrocarbons and carbon monoxide are dependent primarily on vehicle average speed, whereas emissions of oxides of nitrogen are primarily dependent on acceleration, while fuel consumption is a function of both<sup>(3)</sup>.

Improved traffic flow, elimination of unnecessary holdups and the coordination of traffic lights to reduce acceleration can all make significant contributions to the control of motor vehicle emissions and improved petrol consumption.

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- (1) H.C. Watson, Workshop on Fuel Consumption and Emissions, University of Melbourne, 1978.
  - (2) NSW Dept. of Main Roads, Origin and Destination Survey, February, 1972.
  - (3) H.C. Watson, Op.cit.



The need to make better use of the road networks we already have through better management of them is equally clear and numerous efforts are being made in this direction. An example is Victoria's State-wide intersection control program (STATCON), which was initially introduced into the Melbourne Metropolitan area in 1975<sup>(1)</sup>.

Another example is the coordination of traffic signals in Melbourne, where the Victorian Road Safety and Traffic Authority is linking signals on two sections of suburban roads, and it is hoped that this will constitute only the initial phase of a linking program throughout the Melbourne metropolitan area.

In Sydney, traffic signals have been linked along many lengths of arterial roads in addition to the computer control of the inner-city network. The system developed has been shown to reduce delays significantly and greater use should be made of available technology of this type.

To enable this, the Commonwealth Government must provide more realistic financing of urban roads programs to enable the research and earliest implementation of these physical and managerial improvements to our urban road systems.

#### THE INADEQUACIES OF AUSTRALIA'S ROADS

Despite the high standards of living enjoyed by most Australians and their dependence on an adequate, efficient and safe system of roads for the maintenance of those standards, and despite the dispersal of the nation's major towns and cities over great distances and the low population densities within them, Australia is not, as one might therefore expect, a leader in the provision of road transport facilities.

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(1) A.T. Fry, The Influence of Statcon on Traffic Management in Victoria, Australasian Conference of the International Road Federation, Melbourne, April, 1978.

In fact, quite the reverse is the case. For example, the greater Sydney area has 65 kilometres of freeways, all but 16 km of which can be considered rural. By comparison, the lengths of freeway networks in some American cities of similar size to, or smaller than, Sydney are:

San Francisco	450 km
Boston	275 km
Washington	350 km
Cleveland	330 km
St. Louis	320 km
Pittsburgh	339 km <sup>(1)</sup>

The figures highlight the extent to which the urban road systems in our major cities are inadequate, for Sydney's demography and travel needs are such that a network of high standard roads is more - not less - essential than in overseas cities.

A recent study of European and North American cities by the National Roads & Motorists' Association (NRMA) has found that European cities have less need for a freeway network than Sydney<sup>(2)</sup>.

This arises largely because 90 per cent of daily trips in Sydney are not concentrated on the CBD but are dispersed throughout the suburbs<sup>(3)</sup>, whereas this percentage is small in European cities<sup>(4)</sup>.

Yet despite this and the fact that European cities are not as highly motorised as Australia's, these cities have constructed extensive systems of freeways and similar roads to efficiently move their inter-suburban traffic and to by-pass city centres<sup>(5)</sup>.

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(1) National Roads & Motorists' Association (1), The Open Road, p.5, Sydney, August, 1978.

(2) National Roads & Motorists' Association (2), The Open Road, p.3, Sydney, December, 1978.

(3) Sydney Area Transportation Study, Base Year (1971), Data Report, Vol.1.

(4) National Roads & Motorists' Association (2), Op.cit.

(5) E.A. Huxtable (1), The Role of Private Transport, Transport Symposium, University of NSW, Sydney, November, 1978.

Because of the way residential areas in Australian cities have spread and factories and shops have decentralised away from the centres of our cities, the pattern of movement throughout the metropolitan areas is complex and dispersed. Because of this urban sprawl away from fixed corridors, public transport is no longer appropriate for most urban dwellers.

Public transport is appropriate for many of the concentrated volume of trips converging on the CBD's and for some other purposes. And, in fact, most people still use public transport to get to the CBD.

In Sydney, for example, in the morning peak hour, 83 per cent of CBD workers travel to work by public transport and less than 11 per cent drive a car<sup>(1)</sup>.

Furthermore, surveys by the NRMA have shown that 8 out of 10 people who drive to work in the CBD have compelling reasons for doing so, mostly because the car is a business car used during the day<sup>(2)</sup>.

But CBD trips in Sydney constitute only 10 per cent of the trips made throughout the metropolitan area. Of the other 90 per cent i.e. the trips which both start and finish in the suburbs, rail transport is appropriate for relatively few and the bulk of the trips are made by road transport. In fact, three out of every four of these cross-regional trips are by road<sup>(3)</sup>.

The present slow rates of improvement of our urban arterial road systems are not even keeping pace with the growth in demand.

This threatens even further deterioration of the already serious traffic conditions in most of our metropolitan areas.

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- (1) Sydney Area Transportation Study, op.cit.
  - (2) National Roads & Motorists' Association (3), Use of Cars for CBD Work Trips Survey, Sydney, August, 1976.
  - (3) E.A. Huxtable (2), Financing Australia's Roads - A Dismal Failure, Australasian Road Conference of the International Road Federation, Melbourne, April, 1978.

The benefits of efficient road systems are typified by freeways which, as part of adequate arterial road networks, reduce the rate of fatal and serious accidents by about two-thirds<sup>(1)</sup>.

Whilst there are examples of road construction in Australia where design standards are probably as good as anywhere in the world and are a credit to the organisations responsible, the fact remains that much of the road system is sub-standard and has failed to keep pace with current needs.

Surveys of road conditions by AAA's Constituent members in each State have been conducted regularly for many years. They have highlighted many of the deficiencies of some of our more important urban arterial roads and highways.

The surveys have shown that much of the highway system is characterised by outdated standards which it has not been possible to correct because funds have been inadequate. These features include:

- . narrow pavements
- . very poor horizontal and vertical alignments
- . inadequate shoulder widths, with no shoulders at all in places
- . broken pavement, edges and shoulder surfaces
- . close proximity of trees, poles, ditches etc. which reduce the chance of vehicles leaving the road coming to rest safely
- . narrow bridges and culverts
- . lack of by-passes around urban areas - the highways still pass through almost every town along their routes.

The sub-standard nature of highways costs the country dearly not only in its transport costs but also in the unnecessary death and injury of many of its citizens.

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(1) United States Congress, Federal Role in Highway Safety, 86th Congress, 1st Session, (House Document 93), Washington, 1959.

A recent survey by the Royal Automobile Club of Victoria of the Hume Highway provides a more than adequate example of the costly decay of these roads<sup>(1)</sup>.

Our major national highway - the busiest commercial and public highway in Australia-linking Melbourne and Sydney is sub-standard.

Less than 30 per cent of the length of the highway is divided. Yet the Hume carries between 2 300 and 26 000 vehicles a day between 7 am and 7 pm at various points in Victoria, and in inner urban Sydney the highway carries in excess of 30 000 vehicles a day, yet the road is four lanes undivided.

Standards set down by the National Association of Australian State Roads Authorities (NAASRA) recommends divided roads for highways carrying more than 2 200 vehicles a day. No section of the Hume carries less than 3 000 vehicles in a 24-hour period in Victoria.

NAASRA also recommends that major undivided highways have a minimum width of 7.4 metres. But the Hume Highway does not even meet this minimum requirement in many areas, with more than 40 per cent of the length of the highway in New South Wales and over 25 per cent of its total length being less than this.

The majority of the sub-standard width of highway in New South Wales varies from 6.2 metres to 7.2 metres with a 6.8 metre width the most common of the sub-standard sections. This means that vehicles are frequently forced to use the road shoulders, particularly on corners or when passing large on-coming vehicles.

This is most dangerous from Albury to Goulburn where pavement width and conditions change with, at times, bewildering rapidity. In a number of places it is possible to find four different types of road surface or pavement widths in one kilometre of highway.

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(1) Royal Automobile Club of Victoria (RACV) Ltd., Royal Auto, p.3, Melbourne, November, 1978.

Where funds have been provided to the construction authorities the standard of the Hume Highway leaves little to be desired.

But Australia's major highway reflects our national roads' decay. It is in a poor state and will remain so until adequate funds are provided for its construction and maintenance.

Until this occurs, the country will reap an increasing toll in higher commercial and transport costs and an increasing level of accidents and fatalities.

#### ROAD FUNDING IN AUSTRALIA

Although estimates vary depending on the definitions used and allocations vary from year to year in any case, funds for roads are provided in roughly equal proportions by Federal, State and Local Governments<sup>(1) (2) (3)</sup>.

The Bureau is well familiar with these figures<sup>(4)</sup> and it is not AAA's intention to enumerate the amounts or sources of these funds in detail.

What AAA does wish to draw attention to is its deep concern at some historical trends and likely future sources of funds for road maintenance and construction in Australia.

Local government provides more than a third of total national road finance, with some 70 per cent coming from general revenue rates and 25 per cent from loan borrowings<sup>(5) (6)</sup>.

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(1) T. Thoresen, op.cit.

(2) J. Vance, Sources of Road Funds in Australia - Past, Present and Future, Australasian Conference of the International Road Federation, Melbourne, April, 1978.

(3) Commonwealth Bureau of Roads, op.cit.

(4) T.M. Hogg, Resource Allocation and Road Funding in Australia, Australasian Conference of the International Road Federation, Melbourne, April, 1978.

(5) T.M. Hogg, ibid.

(6) Commonwealth Bureau of Roads, op.cit.

The Commonwealth Bureau of Roads in its 1975 Report predicted that there would be a decrease in the rate of growth of road funds provided by local authorities in the period up to 1981 compared with the last few years<sup>(1)</sup>.

Since that Report was compiled, economic conditions have deteriorated and the Bureau's forecast of a downturn in the growth of road funds provided by local authorities appears to be realistic. In this event, the fund raising efforts of local authorities will barely maintain the present value of their road funds in real terms<sup>(2)</sup>.

On average, about 80 per cent of State-sourced road finance necessarily comes from charges relating to motor vehicle ownership and usage; of this, about 75 per cent comes from vehicle registration fees and driver licences, while road maintenance charges in all mainland States account for about 15 per cent; about half the remainder comes from loan funds. Little, if any, road finance is provided from State consolidated revenues but instead a large part of State Government revenues is hypothecated to roads by State legislation and/or practice - i.e. these sources of road funds are 'outside' the normal State Treasury budgetary processes<sup>(3)</sup>.

Reduced rates of growth of motor vehicle use and ownership are predicted<sup>(4)</sup> and this will constrain the ability of State Governments to increase their road expenditures.

Furthermore, under the Commonwealth's policy of fiscal federalism, the formula of dedicating 33.6 per cent of personal income tax collections to the States does not appear to have provided the States with the increase in funds originally forecast, as income tax collections have not risen at the rate originally expected -

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(1) Commonwealth Bureau of Roads, Op.cit.

(2) J. Vance, Op.cit.

(3) T.M. Hogg, Op.cit.

(4) J.I. Coat, Passenger Transport, 2nd Transport Outlook Conference, Canberra, September, 1978.

partially due to the recession, and partially due to the effect of indexation of income tax rate scales and rebates to allow for the general increase in money incomes<sup>(1)</sup>.

Thus it is unlikely that the States will be able to do more than maintain their existing levels of road funding in real terms.

The balance of road funds is provided by the Commonwealth Government mainly as grants to the States.

As the Commonwealth Government occupies a pre-eminent position under the Constitution for the levying of taxation on the Australian taxpayer, Commonwealth grants to the States for roads, made as special purpose grants under Section 96 of the Constitution, have been an important source of road funds for the past fifty years.

The source of funds for these Commonwealth grants was clearly identified over the long period between 1931 and 1959 and comprised a specified proportion of the Commonwealth tax on fuel used in motor vehicles.

Although this hypothecation of fuel taxes was changed in 1959 to transform the source of these funds from the fuel tax to consolidated revenue, the strong historical link remains that there is a proper, close association between Commonwealth fuel tax and Commonwealth grants for roads.

Whilst the change was said to aim at replacing the direct relationship between fuel tax revenues and the size of road grants by adequate funding from consolidated revenues based on an assessment of overall road needs, this has clearly not occurred.

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(1) T.M. Hogg, Op.cit.



Shortly after the nexus was broken in the 1959-60 financial year, the Commonwealth's road grants as a percentage of fuel tax collections began to and have continued to decline<sup>(1)</sup>.

Following the drastic increases in the crude oil levy in the last Budget, the Commonwealth fuel tax take has now risen to well over \$2 000 million this year<sup>(2) (3)</sup>.

This is in sharp contrast to the Commonwealth investment in the road transport sector of \$508 million this year<sup>(4)</sup> - less than 25 per cent of fuel taxes.

This serious drift in road funding at the Commonwealth level could be justified of course if it could be shown that Australia's road needs were being adequately met.

But, as this submission has shown, this is not the case.

#### THE COMMONWEALTH'S OVERRIDING FUNDING RESPONSIBILITY

The Commonwealth Bureau of Roads (CBR) 1975 Report on Roads in Australia discusses in detail the lower priority given to road funding over recent years<sup>(5)</sup>.

The degree to which the Commonwealth Government has avoided its responsibilities for Australia's roads is highlighted by a comparison of the CBR's recommended expenditures with the Government's actual allocations.

Since 1973, the CBR's recommendations for road programs by all levels of Government have consistently been about 40 per cent lower than the economically warranted programs identified by the

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(1) J. Vance, Op.cit.

(2) Australian Institute of Petroleum, Petroleum Gazette, Vol. 20, No. 3, Melbourne, September, 1978.

(3) Commonwealth Government, Budget Papers, Canberra, 1978.

(4) Commonwealth Government, Ibid.

(5) Commonwealth Bureau of Roads, Op.cit., Chapter 4.

Bureau in its studies and which, in the case of its recommendations for the period 1977/78-1980/81, would have returned benefits to the community 3.9 times greater than the costs of the roads constructed.

These lower levels of recommended expenditure were in recognition by the CBR of the budgetary and resource constraints on implementing the economically warranted road programs.

But the monies actually allocated by the Commonwealth have been even lower than the CBR's recommendations. Thus there is a continually increasing backlog of warranted roadworks.

For 1978-79, the Commonwealth's grants to the States of \$508 million is a long way short of the \$870 million recommended by the CBR and less than half of the approximately \$1100 million which the Bureau said was warranted<sup>(1)</sup>.

This large deficit in the Commonwealth Government's effort towards meeting its share of road needs is mirrored in this year's Budget estimates of increased taxes of \$804 million for a full year from higher crude oil levy charges, compared with an increase of \$33 million in road grants.

Yet the decay of our road system has been allowed to occur in the face of a motor vehicle growth rate of, as mentioned earlier, 4 per cent in recent years and an increase in road travel (from the early 1960's to 1975-76) of 7 per cent per annum.

By contrast, no real growth has occurred in road expenditure during the 1970's. Growth rates in road construction and maintenance costs averaged 14 per cent per annum from 1970 to 1976. Over the same period national road expenditures rose just 13.6 per cent a year<sup>(2)</sup>.

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(1) Commonwealth Bureau of Roads, Op.cit. p.221.

(2) T.M. Hogg, Op.cit.

The Association acknowledges the Commonwealth Government's declared policy of reducing inflation as a necessary condition for getting the national economy back to a healthy state and reducing our record, increasing unemployment.

But it is quite contrary to these aims to curb or excessively restrict public expenditures where it is Governments' responsibility to provide the infrastructure of roads needed for the effective functioning of the economy, and where failure to do so is itself fuelling inflation through increased transport-related costs.

There can be no better way of spending motorist's fuel taxes for the benefit of the whole community than in investments which will provide an assured return by way of fewer deaths and injuries, less noise, air pollution, congestion and a reduced drain on the nation's dwindling oil supplies.

The Commonwealth Government must rechart its course in road expenditure to provide, in real terms, an increasing level of road grants to the States to repair and develop the nation's rapidly decaying road networks which are inefficient and a major drain on the nation's human, environmental, economic and energy resources.

Only by doing so can the Commonwealth Government discharge its responsibilities for the infrastructure provision of roads and associated facilities for the transport of people and goods whose movement is the lifeblood of our economy.

Not to do so would be a contradiction by the Government of its own commitment to minimise the inflationary pressures in our economy which are retarding economic and employment recovery.

### 6.2.2 Australian Road Federation

Thank you for your letter of 12 September 1978 in which you invited us to make a written submission on road matters for consideration during the preparation of a report by the Bureau of Transport Economics for the Minister for Transport to assist the Commonwealth Government in its consideration of grants to the States in connection with roads and road transport.

The Australian Road Federation is aware that, in recent years, the Commonwealth government, in an attempt to control budget deficits and to reduce the rate of inflation, has applied stringent restraints on spending in the public sector. We agree that restraints in carefully selected areas are essential if Australia's economic ills are to be overcome but are alarmed that, although senior Commonwealth Ministers and, in particular, Ministers for Transport, continue to publicly acknowledge the vital and predominant part played by roads in the movement requirements of the country and the impact that this has on the economy, road funds made available to the States fail to reflect this acknowledgement.

As you are aware, the Australian delegates to the IRF Australasian Road Conference, 1978, expressed the utmost concern at the reduced priorities accorded road funding by both Commonwealth and State Governments since 1970. The delegates directed that a resolution expressing their concern should be forwarded to the Prime Minister with copies to the Commonwealth Minister for Transport and the Premiers of all States. The resolution, a copy of which is attached as Annex A, was forwarded on 12th April, 1978. This was acknowledged by all addressees.

The resolution called for the Commonwealth and State Governments, as a matter of urgent national necessity, to immediately implement a joint program of increased road funding of at least \$100 million per year which would be devoted exclusively to urban and rural arterial roads.

We are convinced that there is ample evidence to show that governments have failed to meet the proven requirements for road funding and it is a matter of history that, in recent years, the road user has become an ever increasing source of money for other functions funded from consolidated revenue.

It has been confirmed on a number of occasions by the Commonwealth Minister for Transport that road funds expressed as a percentage of total government outlays have continued to decline. This has been made abundantly clear by a check of Budget Papers which demonstrate quite graphically that the Government and/or its advisers believe that the backlog of road works is not of sufficient importance to warrant a revision of spending priorities. We believe that the consequences of this approach have been set out quite clearly in many expert studies, several of which originated with Commonwealth statutory authorities.

Many examples of the eroding priorities exist. Some of these are shown in succeeding paragraphs.

#### BUDGET OUTLAYS

The following represents the position of road funding as a percentage of total budget outlays.

	<u>Budget Years</u>			
	1975-76	1976-77	1977-78	1978-79
	\$ mill.	\$ mill.	\$ mill.	\$ mill.
Road Grants to the States	433.5	433.8	477.9	508.0
Percent of Total Outlays	1.983	1.798	1.793	1.759

Although we do not accept that the 1.983 per cent of total budget outlays for 1975-76 reflected in any realistic way the importance of roads to the Australian economy or an adequate return for moneys paid into consolidated revenue by road users, we would have felt less frustrated during this period of economic instability

if this percentage has been maintained for the succeeding three years. The continuing erosion over this period had the effect of reducing road funds by a total of \$162.6 million. The following figures show this significant shortfall:

	1976-77 \$ mill.	1977-78 \$ mill.	1978-79 \$ mill.	Totals \$ mill.
Road Grants to States - Budget	433.8	477.9	508.0	1419.7
Road Grants based on 1.983%	478.35	531.49	572.48	1582.3

#### GROSS DOMESTIC PRODUCT

The declining pattern of road funding is demonstrated more dramatically when road funds are shown as a percentage of Gross Domestic Product. The following situation is completely inconsistent in an economy where road transport contributes so much to GDP and where there is no acceptable alternative to the road based vehicle as the prime means of transport for the foreseeable future.

Year ended 30 June	Total Road Funds \$ mill.	Gross Domestic Product \$ mill.	Percentage of Road Funds to GDP	Total Road Funds if Percentage Maintained at 1973 (0.69) \$ mill.
1973	287.44	41 923	0.69	
1974	325.66	50 631	0.64	349.35
1975	370.48	60 575	0.61	419.96
1976	433.95	71 278	0.61	491.82
1977	442.67	82 224	0.54	567.34
Years 1974- 1977	1572.76			1828.47

The road funds figures from House of Representatives weekly Hansard, No. 13, 1978, page 681, vary somewhat from those shown in Budget Papers but are adequate to illustrate the problem facing State Road Authorities and road users. If road funds have been maintained as 0.69 per cent of GDP the States would have received an additional \$255.71 million in the period 1974-77.

## RECOMMENDED ROAD PROGRAM

In its "Report on Roads, 1975" the Commonwealth Bureau of Roads recommended that, for the period 1976-77 to 1980-81, the Commonwealth should provide grants to the States totalling \$4473.3 million, at current prices. This was considered to be considerably less than the "warranted" program. The ratio of total benefits to construction expenditure was shown as 3.9.

Indications are that Commonwealth grants during this period will total some \$2545.7 million (actual 1976-77 to 1978-79 is \$1419.7 million; estimated for 1979-80 to 1980-81 is \$1126 million, if the inflation factor only is added to the basic \$475 million of the 1977-78 grants).

The shortfall in the five years may be, therefore, of the order of \$1927 million.

In his Paper "Resource Allocation and Road Funding in Australia" presented by Mr T.M. Hogg to the IRF Australasian Road Conference, 1978, this statement was considered to be of particular significance:

"Last, but by no means least, are the facts that the Bureau of Roads recommendations since 1973 for road programs by all levels of Governments have been consistently lower by about 40 per cent than the economically warranted road programs identified by the Bureau in its studies over the period 1966 to 1977. This was in recognition by the Bureau of the budgetary and resource constraints of implementing the economically warranted road programs. However the programs actually achieved have been even lower than the Bureau's recommendations so that there is now a substantial, and annually increasing backlog of economically warranted roadworks. This is presently estimated at about 2½ years work at current levels of activity."

We do not believe that Australia's interests are served by the continuing failure to reduce this frightening backlog which can only continue to increase unless significantly larger grants are made available as a matter of national priority. Whether the yard stick be total budget outlays, GDP, or amounts based on warranted expenditure as recommended by expert study groups, it is obvious that the road user is being denied his rightful share of government resources.

#### THE TOTAL TRANSPORT TASK

Governments of all political persuasions have used a variety of arguments to attempt to restrain the use of the motor vehicle and improve the share of the total transport task carried out by public transport. These attempts have failed dismally because people insist on their right to use the transport which most suits their needs. The drift from public transport continues and the subsidies required to prop up these uneconomic services continue to increase at an alarming rate. This situation is well documented. The following are examples, the authenticity of which can not be challenged.

#### IRF AUSTRALASIAN ROAD CONFERENCE, 1978

"Predominant role road based transport plays in the total transport task viz. 90 per cent of all passenger kilometres by all modes, (including 83 per cent in cars and station wagons), 82 per cent of all freight tonnes carried and 20 per cent of all freight tonne kilometres, are transported by road".

Mr T.M. Hogg. "Resource Allocation and Road Funding in Australia".



TRANSPORT OUTLOOK CONFERENCE, 19 SEPTEMBER 1978

"In rail transport a matter of major concern of course is the question of mounting losses of those systems. On the present trend they are likely in the very near future to reach the \$1 billion mark."

"One only has to think of other areas where that \$1 billion could perhaps be better spent to begin to understand the burden it has on our national economy".

The Hon. P.J. Nixon, M.P.

Some 10 per cent of these subsidies transferred to roads would meet the immediate demands of the resolution mentioned earlier.

CONTRIBUTION BY THE ROAD USER

It has become the practice for representatives of the Commonwealth Government to point to the poor record of State Governments when they are themselves requested to provide for more realistic funding for roads. We are equally concerned at the attitude of this second level of Government but this does not reduce the Commonwealth's responsibilities in the area. It is possible for State Governments to increase charges to motorists or to provide additional funds from other revenue to increase road funds to their own State Road Authorities or to local government. We are actively seeking further funds from the States but are convinced that much more should be provided from the ever increasing amounts being paid into consolidated revenue in the form of taxes on automotive fuels. We believe that road grants to the States for 1978-79, expressed as a percentage of automotive fuel taxes, will be something less than 36 per cent. This could only be justified if it could be shown that Australia's road needs are being adequately met. We know that they are not. It is unbelievable that the current return is something less than half the percentage returned in the period 1958-59 to 1964-65 when the percentages averaged 74.6 per cent.

## UNEMPLOYMENT

Notwithstanding the Government's success in reducing inflation, unemployment is considered by many to be a problem of equal or greater significance. In its "Report on Roads in Australia, 1975" the Commonwealth Bureau of Roads said:

"3.39 Employment. The States suggest that apart from strong economic arguments to support investment in road improvements, the Australian Government might be paying insufficient regard to the labour intensiveness of the road construction industry. The States believe that with rising unemployment and increasing costs not anticipated by the Act, the reduction in total real funds for roads would both increase unemployment and cause an increase in the rate of deterioration in roads. This would be reflected in the costs to the community to produce, goods, and services.

3.40 In relation to employment in local government, the States feel that there was, in some quarters, a lack of understanding about the real purposes of the portion of grants which reach local government. This was particularly so for rural local government. The States point out, that local government authorities are in fact the road construction authorities responsible for the greatest length of the total road system in Australia and therefore are employers of a significant work force.

3.41 In these circumstances, the States submit that the combined effects of inflation, recent changes in the priorities between calls on local government funds and reductions in the level of road grants, have caused local government authorities to lay off road construction staff. The States point out that apart from adding to unemployment figures the retrenchment of staff from local government authorities in rural areas results in the movement of people to cities thus creating other economic problems for country areas and local government authorities."

This situation was of major concern to the "Roads Industry" three years ago. The situation is now much more serious.

In the House of Representatives on 21st September, 1977, Mr P.F. Morris, M.P., said:

"Road construction and road maintenance are the best areas in which the Government could be acting to reduce unemployment and stimulate the economy if that is what it wanted to do ..... Forty-four per cent of expenditure of direct costs on roads goes to labour. When direct and indirect costs are taken together the figure rises to 64 per cent ..... Regional pockets of unemployment could be mopped up. Road construction and maintenance are permanent public works, particularly in the light of standards adopted by national government these days. Even though there would be an increase in expenditure the work would be worthwhile. It would rapidly generate employment. The multiplier effect that would flow from that would be a substantial stimulus to the economy."

On the 21st September, 1977, The Age reported that when speaking at a transport seminar in Melbourne, Mr Morris said:

"If an extra \$100 million was spent on roads each year, it would create jobs for more than 4000 people."

The Australian Road Federation believes the above statements to be valid. It has been accepted that once increases in road expenditure in real purchasing terms are initiated, there is an almost immediate response in terms of increased employment of resources. We believe that for every 100 persons directly employed in the road construction industry an additional 45 persons can be employed by the industries supplying the road construction industry.

If a reduction in unemployment is considered of importance, then the percentage of labour content reflected in the total costs in the road industry compare more than favourably with most other depressed areas of the economy. As an example, it is estimated that residential and other building labour costs account for approximately 55 per cent of total costs in these areas. The Government has expressed deep concern for these industries and made moves to stimulate these areas of building. We believe that the problem is more acute within the total area of road construction.

#### Urban and Rural Arterial Roads

The Australian Road Federation has, for many years, advocated considerably increased spending to improve urban and rural arterial roads. The advantages which would accrue have been spelled out in many objective and expert studies but, because of limited but vocal opposition from anti-freeway or resident action groups, some Governments have cancelled or delayed indefinitely the start or completion of some vital road arteries. Recent history has shown that many of the cancelled projects have been or will be reinstated as the demand for mobility increases. The ultimate result is greatly increased cost and more extensive disruption to local communities than would have applied if the responsible Government had recognised the need at an earlier stage. Some Government leaders have suggested that a decision to stop or delay the construction of much needed arterial roads will cause sufficient congestion to force many of the private motorists to switch to public transport. History has proved that this does not happen. As highlighted by the IRF Australasian Road Conference, 1978 resolution, we believe that the predominant part played by the arterial road systems is not supported by the funding which is warranted.

The following, from not extensively quoted sources, indicates an awareness of a problem by persons or organisations not directly concerned with roads:

Mr K.R. Binney of Keith Binney and Associates Pty Ltd (industrial building consultancy) previously Hooker Corp's general manager, Industrial Development Division, was reported in The Australian of 14th June, 1978 as speaking out on Sydney's urgent need for an industrial freeway system. He said inter alia:

"The influence of roads on people and their environment had been emphasised "quite naturally"." But he added: "The effect on people's livelihoods and the fact that freeways are also intended to move goods rapidly and inexpensively seems in danger of being overlooked."

"High transport costs, he said, rivalled high wages as a prime inflationary pressure. He estimated that the transport component in the total cost of goods and services was "at least 30 per cent".

"If the interdependence between cost-competitiveness and employment opportunities is conceded, then public and political awareness of the need to overcome the backlog of public investment in roads (as well as railways and ports) should be stimulated."

"It seems obvious that while the topography of Sydney presents severe physical and economic constraints on freeway construction, one way the NSW and Commonwealth Governments can tackle the unemployment problem positively is to commence construction of an industrial freeway and integrated country road system. Construction work in itself will create jobs. Restoration of cost competitiveness to NSW industry is vital and should receive top priority."

The Australian of July 20, 1977 reported Mr Neville Tucker, the president of the Real Estate Institute of NSW as saying:

"Building expressways is an essential and vital part of the restoration of inner city suburbs. The N.S.W. Government says it cannot afford the expressway program. On the contrary, we cannot afford not to have it proceed. By stifling artery road development we virtually throttle inner city areas. If we can use expressways we don't damage the small residential streets and these are still well able to handle local traffic. But with heavy traffic continually clogging these streets, people move out and property values go down. With expressways, any through traffic bypasses inner city communities leaving them to operate in peace."

Mr Harry Quinn, Sydney sub-branch Secretary of the Transport Workers Union, was reported by The Sun on 17th May, 1978, as saying:

"The present Government policy of providing clearways and fast transit lanes would not end traffic congestion. Even on the issue of road safety alone, the Government should update its freeway construction program and stop selling land earmarked for future freeways."

"It did not hesitate to spend the necessary millions to upgrade the NSW railway system after 83 people were killed in the Granville train disaster. It must not overlook the fact that the safety needs on our roads are just as urgent, with at least 80 people dying every month."

It appeared that some of the above was recognised by the Premier of N.S.W. who was reported by The Sun on 24th May, 1978. He said the Federal Government had agreed to allow the States to obtain overseas loans from next month. Over a number of years the borrowings would run into billions of dollars. He was quoted as saying:

"The most immediate expansion of our relations with other countries will be financial - particularly in borrowing overseas for major developments such as ports, power stations and transport facilities. In transport facilities I mean freeways."

In a joint statement with the Minister for Transport and Highways, Mr Peter Cox, on 29th March, 1978, Mr Neville Wran said:

"We propose to put a special case to the June Premiers' Conference and Loan Council for additional Commonwealth road grants and Loan Council borrowings totalling \$50 million for freeways and roads. The additional funds would be used to speed up completion of current freeway and major road projects and commence new ones. An important by-product of an expanded roads program would be the provision of jobs."

The above statements recognise the prominent part played by urban arterial roads in the movement of goods, people and services and highlight some of the undisputed advantages resulting from improved mobility. It is accepted, also, that limited access urban and rural arterials reduce travel times, improve fuel consumption and reduce pollution. In addition to a reduction in death and injury to people, so much a feature of these improved roads, there is a corresponding reduction in material damage or loss of road vehicles.

There is an urgent requirement to provide roads which will facilitate the movement of goods and people on an inter-urban system, frequently from opposite sides of major cities. Much of this traffic does not need or wish to travel through central business districts to reach their destinations. By pass or ring roads would serve to relieve much of the congestion presently denying essential mobility to the major part of the vehicle owning or operating public.

## National Highways/National Commerce Roads

We have been major advocates for a national roads system funded fully by the Commonwealth Government and were gratified to find the need recognised some few years ago. We do not agree, however, that funds being provided are sufficient to improve the system at a speed compatible with the need. There is an obvious lag in completing major parts of the network and progress is much less than anticipated when the National Roads Act, 1974 was first introduced. We have recently invited the attention of the Minister for Transport to inadequacies in particular parts of the system and have highlighted the requirement to construct the newly aligned Stuart Highway, in South Australia, as a matter of urgency. This is an obvious deficiency but some parts of the system in other States, particularly Queensland and Western Australia, require supplementary funding to provide for acceptable progress in sealing these vital national links. The benefits which would result from the completion of an all-weather system of roads linking capital cities and major regions is self evident but the defence potential, particularly in a continental strategy scenario, is insufficiently emphasised. The vital part that these improved arteries play in the decision on transport costs is mentioned in most cost benefit studies but benefits to the tourist industry receive little consideration.

The "Eyre Highway Traveller Survey, 1978" produced by the Western Australian Department of Tourism, had this to say:

"Completion of Eyre Highway sealing in September of 1976, did two important things for Western Australia. It provided the State with a direct, black top link with the nation's major centres of population. and it gave our tourist industry an appreciable boost.

An immediate and sizeable upsurge in tourist visitor arrivals by road, was recorded, and although there has been a levelling off, the percentage increase in tourist traffic using the



Highway was most impressive at the end of 15 months. Caravan traffic was up by more than 50 per cent, and in the calendar year just ended, 193 000 people moved into Western Australia across the nation's longest highway.

As is detailed later in this report, Western Australia converted a pre-sealing deficit of \$400 000 (difference between visitor and resident expenditures) into a post sealing surplus of almost \$3 million."

The above indicates a desire for Australians and, probably international tourists, to travel more within Australia, when their mobility is guaranteed. This would result in retention of much Australian tourist dollars in Australia and, probably, a large increase in foreign currency brought by international visitors.

As mentioned earlier in the quote from Mr Binney, there is a need to provide access within the urban area for commercial and industrial traffic. Much of this is to and from transport terminals, particularly ports and harbours and railheads. National commerce roads require identification and funding much earlier and their connection to urban arterials requires concurrent planning.

The points of termination of national highways at the outer limits of capital cities require positive connection with other parts of the system. Bypass or major ring roads are needed to speed up the flow of that part of the traffic which does not need to enter city areas.

#### MAINTENANCE

It is a matter of concern that lack of funds provides for constant conflict between the demands for new construction and maintenance of existing assets. Both usually suffer.

New construction must proceed at a faster rate but maintenance must be maintained at an adequate level if we are to prevent the loss of assets. The loss of the surface seal may well mean a very costly reconstruction job. This cannot be afforded and must be avoided. This requires money but is cheap insurance.

#### CONCLUSION

All categories of roads within those listed in Commonwealth legislation require additional funding and we do not agree that any one can be increased in priority at the expense of any other. There has been a tendency to switch the already inadequate funds between categories to meet sectional demands at a Commonwealth level. This has resulted in withholding of grants to the States in some circumstances when State and Commonwealth Government priorities have been in conflict. This can only impede the already inadequate road program and we believe that such action should only be necessary when national roads funding is involved.

We thank you for this opportunity to contribute to the report and request that, as a minimum, the \$100 million requested in the IRF Australasian Road Conference, 1978, resolution be made available as supplementary grants in this financial year. Funding for subsequent years should more accurately reflect the recommendations of studies/reports such as those provided by the Commonwealth Bureau of Roads.

Annex A - Resolution to the Prime Minister of Australia -  
Rt. Hon. J.M. Fraser, C.H., M.P.

We, the Australian delegates attending the 1978 Australasian Conference of the International Road Federation, express the utmost concern at the reduced priorities accorded road funding by both Commonwealth and State Governments since 1970, and note the continued traffic growth on roads, which now carry 90 per cent of all passenger travel and 80 per cent of all freight tonnages.

We condemn the impact the reduced road funding in real purchasing terms has had, in particular, upon the nation's arterial road systems, which carry the bulk of all road traffic.

We deplore these road funding policies which have resulted in:

- . increased transport costs
- . wasted fuel resources
- . increased road accidents, and
- . adverse environmental impacts by traffic forced onto residential streets in urban areas.

Because of these concerns, and in view of the substantial under-employment in the road industry, we call for the Commonwealth and State Governments, as a matter of urgent national necessity,

- (a) To immediately implement a joint program of increased road funding of at least \$100m per year, a sum which would still leave total funds devoted to roads significantly lower than the sum recommended in the 1975 CBR Report on Roads, and
- (b) To jointly develop a national strategic road plan, in which to maximise the returns to the nation of these extra funds which would be devoted exclusively to upgrading urban and rural arterial roads.

We further resolve that copies of this resolution be forwarded to the Hon. P. Nixon, Commonwealth Minister for Transport and to the Premiers of all States.

### 6.2.3 Australian Road Transport Federation

Further to your letter of 12th September, 1978, when considering grants of Commonwealth financial assistance to the States in connection with roads and road transport the part that the privately operated bus services play should not be overlooked.

For some time now, the private sector of the passenger bus industry has been seeking to contain costs whilst retaining a high standard of service and a reasonable return on capital. The bare facts are that every component cost of operating is rising and fare increases to compensate reduce the number of passengers using private bus transport. This forces the operator to seek alternative economies which can lead to inferior services.

One such economy is the replacement of vehicles, which are the biggest single capital expense. An average passenger bus costs approximately \$60 000 (this cost is rising at a rate of about 6 per cent per annum) and should be replaced on average about every ten to twelve years.

Taking as an illustration an operator with a twenty-four bus fleet, replacements evenly spaced would require the purchase of two to three new buses per year, but in the face of rising costs the operator is forced into a position where he puts off replacing certain vehicles. The result is cumulative and inevitable, that he eventually reaches a situation where he owns an old and dilapidated fleet and has very little hope of retrieving the situation.

We recommend that Federal Government assistance be given to the industry by either or all of the following methods:

- (a) A direct grant on the cost of new vehicles. (Similar to that already applying to Government authorities and to private omnibus operators in New Zealand and the United Kingdom on a basis of a 50 per cent direct grant and in

Germany on a basis of a 60 per cent direct grant.) In Australia the Commonwealth Government contributes  $66\frac{2}{3}$  per cent to State Governments for each new vehicle they purchase.

- (b) Special depreciation allowance.
- (c) Long-term low interest loans.
- (d) Remission of fuel tax.
- (e) Relief from sales tax on equipment, parts and materials.
- (f) Reduce tariff on new bus chassis.

These could all be subject to Government conditions on the use of such vehicles thereby ensuring an element of Government control.

It is imperative that the industry receive the maximum financial assistance and be allowed to operate on the same footing as all other mass-media passenger transportation systems to be able to maintain a viable free enterprise passenger transport system. You will be aware, of course, from the Rendell Report on 'Private Bus and Ferry Operations in Australia', that private industry is responsible for 46 per cent of all passenger road transport in Australia.

The cost of such a program could only be calculated in the light of known basic factors, such as availability of finance and the conditions imposed and we would be pleased to make senior industry executives available to discuss such detail as you may deem necessary.

#### 6.2.4 Other Submissions

Submissions were also received from the Brisbane City Council and the National Roads and Motorists' Association (N.R.M.A.). These are reproduced below.

#### 6.2.5 Brisbane City Council

##### GENERAL DIVISION

##### Changes in Grants and Changes in the Level of Rates and Other General Charges

Annexes 1 and 2 refer.

Annex 1 tabulates for the general division the values of total city fund expenditure, and of categories of grants and subsidies. Indices are derived to illustrate a rate of change over years relative to the base year 1974-75 (= 100.00), and are to be compared with the rate of change in indices of implicit price deflators derived from the national accounts. The series for the consumer price index is also tabulated.

Total spending has risen much faster than G.D.P.

Except for the year 1975-76, total grants and subsidies have risen fairly consistently with the series of implicit price deflators: but grants and subsidies have increased much more slowly than total spending, which illustrates an increasing reliance by Council on revenue funds.

Commonwealth grants show a negative rate of change after 1975-76.

Annex 2 compares the revenue collected by way of general rates and cleansing dues with the total expenditure requirement of the general division.

Rates have risen much faster than the G.D.P. series.

Total general division spending, including loan funds, has been subject to some fluctuation, but indices are not inconsistent with the G.D.P. series.



Total general rate receipts have risen faster than total expenditure in the general division, including loan funds, which further illustrates a relative shift to reliance on revenue funds.

#### Change in Loan Raisings and Repayments

Annex 3 refers.

This Annex tabulates for the general division the total loan raisings from 1974-75 to 1977-78, and redemption and sinking fund provisions over the period.

Total loan raisings show a negative rate of change, with the series declining unevenly, and this condition is to be contrasted with the series for all deflators, which show an upward trend.

Redemption and sinking fund allocations have risen faster than the deflators.

#### CHANGE IN GRANTS AND CHANGES IN EXPENDITURE ON ROADWORKS

Annex 4 refers.

This Annex shows expenditure on construction and maintenance, and the value of Commonwealth grants over the period 1975-76 to 1977-78.

Maintenance costs have risen rapidly. But provisions for new construction have decreased. Overall, expenditures on construction and maintenance have remained fairly constant in money terms, with a consequent decrease in real terms.

Australian road grants have decreased in money terms.

Moreover, over the period the allocations to categories of roads have undergone change. In particular, allocations to freeway

construction have declined. An important consequence of this for Council is increased cost for upgrading and maintenance of the surface road system, which must nevertheless cope with traffic volumes.

#### CHANGE IN GRANTS AND CHANGE IN EXPENDITURES ON TRAFFIC OPERATION AND MANAGEMENT

Annex 5 refers.

This Annex shows expenditures from the city fund and the loan fund, net of grants and subsidies, and the values of subsidies received.

Both city fund and loan fund expenditures have risen faster than the indices derived from the national accounts (and the CPI). Fluctuations in revenue expenditures reflect competition for scarce funds. There is an increased emphasis on loan funds to finance works.

#### SUMMARY, GENERAL DIVISION

The sum of revenue and loan fund expenditures shows a rate of increase not inconsistent with change in components of the national accounts.

However, loan raisings show a negative rate of change while the series drawn from the national accounts shows an upward trend.

Revenue expenditure has risen faster than GDP. General rate receipts have risen faster than total expenditure in combined revenue plus loan funds: there is a reliance on revenue funds.

Grants and subsidies have risen at a rate not inconsistent with change in the national accounts: but they have risen more slowly than total spending.

Commonwealth grants show a negative rate of change after 1975-76.

Loan funds show a negative rate of change, and this is to be contrasted with the upward trend in national accounts.

Redemption and sinking fund repayments have risen faster than GDP. Despite decline in debt financing, there is an increasing burden of debt repayment.

Road maintenance costs have risen rapidly, but provisions for new road construction have decreased. Overall, expenditures on road construction and maintenance have remained fairly constant in money terms, and have decreased in real terms. Australian road grants have decreased in money terms.

#### UNDERTAKINGS - URBAN PUBLIC TRANSPORT

Annex 7 refers.

This Annex is titled 'The Case for Financial Support for Brisbane Public Bus Services' - Brisbane City Council, April, 1978.

Brisbane City Council operates a bus fleet of more than five hundred buses. Expenditures exceed income, and the amount of deficit is increasing. Increases in prices to the consumer have resulted in declining patronage, for a result over recent periods that farebox receipts have in money terms remained almost constant or have marginally declined. The increasing deficit has, in the absence of other assistance, been funded within Council by revenue from property rating. Although the transport disability of Council has been recognised by the Grants Commission in its recommendations of the special grant from the Commonwealth to the State, no portion has been on-passed from the State to Council. Beginning 1977-78, the State Treasury allocated to Council a level of financial assistance far less than the disability assessed by the Grants Commission. Relevant values are tabled in the annex.

The short-fall in receipts presents difficulties in replacement of capital items, or new investment to meet increased demand. Loan charges are tabled in Table 1 of the Annex.

#### THE LEVEL OF GENERAL PURPOSE ASSISTANCE

Annex 6 refers.

This Annex tabulates the values of grants in the sharing of receipts from taxation upon personal incomes.

For each of the years beginning 1974-75, values are tabled of payments to the State of Queensland for distribution to local authorities, and of the distribution to Brisbane City Council.

These values are to be compared and contrasted with the amounts of total spending in Council's city fund general division in Annex 1; with the level of receipts in Annex 2; and with the level of debenture borrowings and debt repayments in Annex 3.

Annex 1 - Brisbane City Council

		Total Spending in City Fund General Division	Grants and Subsidies				Index of Price Deflators			
			Total Grants and Subsidies	State	Commonwealth and State	Commonwealth	(a)	(b)	(c)	(d)
1974-75	Actual	\$50.39m	\$8.11m	\$1.19m	\$0.11m	\$6.81m				
% of GD Funds		100.00%	16.10%	2.37%	0.22%	13.51%				
	Index	100.0	100.00	100.00	100.00	100.00	100.0	100.0	100.0	100.0
1975-76	Actual	\$69.00m	\$12.13m	\$1.32m	\$0.38m	\$10.43m				
% of GD Funds		100.00	17.58	1.90	0.56	15.12				
	Index	136.93	149.57	110.92	345.45	153.16	114.5	114.7	115.1	112.97
1976-77	Actual	\$83.09m	\$10.47m	\$1.99m	\$0.05m	\$8.43m				
% of GD Funds		100.00	12.59	2.39	0.66	10.14				
	Index	164.89	129.10	167.23	45.45	123.79	127.3	129.3	127.8	128.58
1977-78	Actual	\$93.99m	\$11.09m	\$2.38m	\$4.97m	\$3.74m				
% of GD Funds		100.00	11.81	2.53	5.29	3.99				
	Index	186.53	136.74	200.00	4518.18	54.92	137.4	138.8	137.7	140.85
1978-79 (est.)		\$109.03m	\$12.32m	\$2.98m	\$5.06m	\$4.28m				
% of GD Funds		100.00	11.31	2.74	4.64	3.93				
	Index	216.37	151.91	250.42	4600.00	62.85	n.a.	n.a.	n.a.	149.30 (est.)

NOTE: In 1975-76, \$3.70m of Commonwealth grants received derived from the regional employment development scheme.  
(a) G.D.P.  
(b) Gross Fixed Capital Expenditure - Public  
(c) Final Consumption Expenditure - Government  
(d) C.P.I. Six Capitals

Annex 2 - Brisbane City Council

		Amount of General Rates Collected	Amount of Cleansing Rates Collected	Total General Division Rates Collected	General Division (i.e. Rates + Grants and Subsidies + Loan Raisings)	Rate Charges on Average Valuations Years 74-75 to 75-76 \$2300 Years 76-77 to 78-79 \$4130			Index of Price Inflatons			
						General Rates	Cleansing Rates	Total General Division Rates	(a)	(b)	(c)	(d)
1974-75	Actual	\$22.85m	\$4.11m	\$26.96m	\$69.01m	\$63.25	\$16.44	\$79.69				
% of Total Revenue				39.06	100.00							
	Index	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.0	100.0	100.0	100.0
1975-76	Actual	\$28.30m	\$5.13m	\$33.43m	\$68.32m	\$78.66	\$20.52	\$99.18				
% of Total Revenue				48.93	100.00							
	Index	123.85	124.82	124.00	99.00	124.36	124.82	124.46	114.5	114.7	115.1	112.97
1976-77	Actual	\$39.98m	\$9.21m	\$49.19m	\$90.87m	\$109.66	\$36.00	\$145.66				
% of Total Revenue				54.13	100.00							
	Index	174.97	224.09	182.46	131.68	173.38	218.98	182.78	127.3	129.3	127.8	128.58
1977-78	Actual	\$47.98m	\$9.76m	\$57.74m	\$91.14m	\$130.51	\$37.08	\$167.59				
% of Total Revenue				63.35	100.00							
	Index	209.98	237.47	214.17	132.07	206.34	225.55	210.30	137.4	138.8	137.7	140.85
1978-79	(est.)	\$52.59m	\$10.64m	\$63.23m		\$141.62	\$40.20	\$181.82				
	Index	230.15	258.88	234.53		223.91	244.53	228.16	n.a.	n.a.	n.a.	149.30 (est.)

(a) G.D.P.

(b) Gross Fixed Capital Expenditure - Public

(c) Final Consumption Expenditure - Government

(d) C.P.I. Six Capitals

Annex 3 - Brisbane City Council

		Loan Money Raised by Conversion	New Deposits	Total Loan Raisings	Redemption and Sinking Fund	Index of Price Deflators			
						(a)	(b)	(c)	(d)
1974-75	Actual	\$6.47m	\$27.47m	\$33.94m	\$2.30m				
% of Total Raisings		19.06	80.94	100.00					
	Index	100.00	100.00	100.00	100.00	100.0	100.0	100.0	100.0
1975-76	Actual	\$6.68m	\$16.08m	\$22.76m	\$2.72m				
% of Total Raisings		29.34	70.66	100					
	Index	103.25	58.54	67.06	118.26	114.5	114.7	115.1	112.97
1976-77	Actual	\$7.95m	\$23.26m	\$31.21m	\$3.79m				
% of Total Raisings		25.47	74.53	100					
	Index	122.87	84.67	91.96	164.78	127.3	129.3	127.8	128.58
1977-78	Actual	\$5.20m	\$17.11m	\$22.31m	\$3.78m				
% of Total Raisings		23.30	76.7	100					
	Index	80.37	62.29	65.73	164.35	137.4	138.8	137.7	140.85

(a) G.D.P.

(b) Gross Fixed Capital Expenditure - Public

(c) Final Consumption Expenditure - Government

(d) C.P.I. Six Capitals

Annex 4 - Brisbane City Council

EXPENDITURE ON ROADWORKS: \$000

(not including works tabled in Annex 5)

	1975-76	1976-77	1977-78
Maintenance Expense	3867	4226	7183
Construction Cost	11775	10788	8582
TOTAL	15642	15014	15765
Australian Road Grants included in Construction Cost	3029	3172	2889
BALANCE	12613	11842	12876
Australian Road Grants are composed by			
Urban Arterial Roads	542	545	432
Urban Local Roads	1342	1415	2200
National Commerce Roads	1145	1212	257
TOTAL	3029	3172	2889



## Annex 5 - Brisbane City Council: Capital Investment - Traffic Management: \$000

(including Roadworks, Signs, Signals, Illumination, Lines and Marking, Ducting and Services)

	City Fund (not including grants nor subsidies)	Loan Fund (not including grants nor subsidies)	Total of Grants and Subsidies	Grants and Subsidies from the State(e)	Grants and Subsidies from the Commonwealth(f)	Index of Price Deflators			
						(a)	(b)	(c)	(d)
1974-75 Actual	162	610	495	245	250				
Index	100.00	100.00	100.00	100.00	100.00	100.0	100.0	100.0	100.0
1975-76 Actual	288	196	649	201	448				
Index	177.78	32.13	131.11	82.04	179.20	114.5	114.7	115.1	112.97
1976-77 Actual	116	284	1004	359	645				
Index	71.60	46.56	202.83	146.53	258.00	127.3	129.3	127.8	128.58
1977-78 Actual	275	954	1076	432	644				
Index	169.75	156.39	217.37	176.33	258.00	137.4	138.8	137.7	140.85
1978-79 (est.)	335	1789	1193	548	645				
Index	206.79	293.28	241.01	223.67	258.00	n.a.	n.a.	n.a.	149.3 (est.)

(a) G.D.P.

(b) Gross Fixed Capital Expenditure - Public

(c) Final Consumption Expenditure - Government

(d) C.P.I. Six Capitals

(e) Includes the traffic engineering trust fund and capital subsidies to revenue expenditure.

(f) The MITERS program.

Annex 6 - Brisbane City Council - Assistance by Way of General  
Purpose Funding from the Commonwealth: Personal Income Tax Sharing:  
The Local Government Assistance Grant \$000

Year	<u>Brisbane City Council</u>			Total
	Qld	Element A	Element B	
1974-75	8954	-	-	2000
1975-76	13808	-	-	2500
1976-77	24222	2199	2017	4216
1977-78	27875	2388	2522	4910
1978-79	30252	2523	2500	5023

## Annex 7

### INTRODUCTION

As we progress towards the 1980's the provision of public transport has become one of the most complex and difficult problems facing Brisbane and for that matter every other major city in Australia. Not only is public transport a heavy cost on the community, it is also an essential service. The questions of who runs the public transport system and who pays for it are therefore crucial.

From the point of view of protection of the public interest it is eminently sensible that Brisbane's metropolitan bus services are provided by the City Council. The twenty-one aldermen of the council are directly responsible to their constituents for the nature and standard of the bus service provided in their area. The public have, at all times, a responsible and interested local representative pursuing their requirements - as used to be the case with electricity before SEQEB was formed by the State Government last year.

Running a large metropolitan bus service like Brisbane's is a complex management exercise which requires careful and informed handling of sensitive local issues and a responsible eye to equity considerations. Clearly the local authority is the proper democratic body to handle such matters.

But, while it can be readily and undeniably demonstrated that Brisbane's bus service is best administered by the City Council, it is most difficult to justify the Council's having to bear the majority of costs associated with providing this fundamental service from the general rate.

It is an indisputable fact that the profit making, entrepreneurial days of metropolitan public transport provision came to an end many years ago, not only in this city but throughout the world. Despite this many people, and politicians, find it difficult to

unquestioningly include metropolitan public transport provision in their broad concept of the public service sector. While their broad appreciation and expectation of the public service readily embraces health and social care, community development, education and social security, people continue to look upon metropolitan public transport largely as a consistently unsuccessful government business undertaking.

While it is not the purpose of this paper to do so, it can readily be demonstrated that a major part of the effort associated with modern metropolitan public transport provision is directly attributable to social goals. Provision of school services, maintenance of an "acceptable" off-peak frequency, provision of late-night and weekend services and provision of pensioner concessions are all attributable largely to community expectations, rather than profit-making motives. Even the provision of peak-hour commuter services is at least partly attributable to the desire to restrain the increases in demand for scarce and congested arterial road-space.

If it is accepted that the provision of unprofitable bus services in Brisbane is a legitimate metropolitan service function, then it is difficult to understand why it should be funded from property taxes. Without exception, similar services which fall under the public, non-profit classification are funded from general taxation and duties. No other capital city in Australia funds its public transport services from property taxes.

Every metropolitan public transport undertaking in the other States, and the suburban passenger division of Queensland Railways, derive their funding support from the consolidated revenue accounts of their respective states.

In his 1977-78 budget, for the first time, the Honourable the Treasurer has made some acknowledgement of the responsibility to support the whole of the Council's transport undertaking from consolidated revenue. He proposed that for 1977-78 the Council

will be provided a sum amounting to 50 per cent of fare collections. The rate will rise to 60 per cent in equal annual steps over a five year period. The State expects to provide the Council with a total of \$5 million for 1977-78 under this scheme.

This State contribution of \$5 million will, unfortunately, amount to only 36 per cent of the anticipated revenue shortfall for 1977-78. Council will have to provide an estimated \$8.7 million from the general rate to offset the remaining shortfall.

The purpose of this paper is to present the case for a very substantial increase in the amount of State financial support for the Brisbane City Council bus services.

#### PLANS FOR THE DEVELOPMENT OF BRISBANE'S BUS SERVICES

There are a range of documents, programs and intentions, relating to the planned development of Brisbane's bus services.

One of the most significant documents relating to public transport planning for Brisbane is the "South-East Queensland-Brisbane Region Public Transport Study" presented to the State Government by Wilbur Smith and Associates in 1970. This report has provided the basis for most recent public transport developments in Brisbane.

The State Government has already accepted and acted upon some of its recommendations. It has decided to electrify the suburban rail system and has taken steps to improve car parking provision at rail stations. In October, 1976, a Metropolitan Transit Authority was established consistent with the study's recommendations.

Unfortunately the State Government's acceptance of the recommendations of the Wilbur Smith plan in relation to bus transport does not appear to have been forthcoming. Of particular concern are the Government's lack of commitment to the recognised need to expand the bus fleet, and its failure to implement the study's

recommendations relating to financing. It should be noted that, in producing their recommendations, Wilbur Smith assumed ... "that a policy midway between requiring full recovery of costs from fares and an open-ended subsidy will be followed." (Para. 6.85)

The increasingly significant and important role which public transport in Brisbane must adopt, both for social and environmental reasons, is obvious. Both the Modified Town Plan Report and the Moreton Region Growth Strategy Study place particular importance on the need to expand and improve the public transport system.

Unfortunately, as both reports acknowledge, the bulk of future residential development in the Brisbane area will take place in corridors not serviced by rail. This dictates that an increasing burden will be placed on the bus system.

It is equally unfortunate that the State Government appears to now be confronting very serious financial obstacles in the implementation of its rail electrification proposals. Already it has been announced that the proposal to electrify the entire suburban network by 1981 has had to be severely curtailed, so that, in all probability, only the section from Ferny Grove to Darra will be under electric operation by that date. This seems to imply that the Wilbur Smith proposals for bus-rail co-ordination must also be curtailed. In all, it can only be expected that at least in the next ten years the bus service will have to bear a much larger responsibility than had previously been envisaged.

The newly-formed Metropolitan Transit Authority is required under its Act to prepare a plan for the development of 'an integrated and efficient system of public passenger transport' by October, 1978. Council has already submitted to the Authority the recommendation that its first priority should be to produce a financial support plan consistent with the recommendations of the Wilbur Smith study. The following paragraph from the summary to the

South East Queensland-Brisbane Region Public Transport Study has been specifically brought to the Authority's attention:

"In financing the system, it must be determined to what extent operating and capital costs can be met from revenues at rates of fare which will not discourage the use of public transport or cause hardship on persons dependent on it. With increasingly fewer exceptions, public transport undertakings around the world are not able to cover the capital and operating costs wholly from fares while continuing to meet their community obligations. In the case of Brisbane, it is anticipated that a policy midway between requiring full recovery costs from fares and an open-ended subsidy will be followed. The Brisbane Regional Transport Authority will have the task of undertaking to reduce the gap between revenue and expense to the fullest extent practicable while still maintaining an effective and useful level of public service. A carefully controlled and documented subsidy will be required to provide adequate public transport services without undue fare rises. This subsidy, however, would be well worth the savings which can be achieved by avoiding the traffic congestion and resulting lack of mobility which would otherwise occur."

The public's dissatisfaction with the present Brisbane bus services was very clearly portrayed in a marketing study carried out for the Metropolitan Transit Project Board. The survey indicated that the people of Brisbane feel there is a very real need for improvement of the suburban bus services.

This and other recent planning studies carried out for the Council's Transport Department and the Metropolitan Transit Authority using funds from the Commonwealth's Transport (Planning and Research) Act, 1974 are revealing that there is quite a widespread range of practical measures available for improvement of Brisbane's bus services. Such measures as bus priority treatments, bus to bus

and car to bus interchanging, route extension and rearrangement and marketing are being recommended for specific sites and services.

One characteristic very evident in almost every measure proposed is their relatively low cost, flexibility and early implementation capability by comparison with the Government's current fixed rail program.

#### RECURRENT EXPENDITURE

The Wilbur Smith Report of 1970 made particular note of the worldwide inability of public transport undertakings to fund their operations from the farebox. The last four years' financial results set out in summary in Table 1 following illustrate that this is a clearly perceivable characteristics of the Council's transport undertaking.

The costs required to be funded from general rate revenue were over \$9 million for 1976-77. This represents nearly 25 per cent of the very limited funds available from that source. As a direct result, a number of very substantial and important projects which should have been carried out with these funds had to be set aside, and the funds diverted to the transport undertaking.

In 1977-78, even taking into account the additional funds available as a result of the new State subsidy scheme, the cost of transport undertaking is expected to approach \$9 million.

It will be appreciated that the major cause of cost escalation in the undertaking is the relentless increase in wage costs. Since over 70 per cent of total expenditure is on wages and salaries, there is very little scope for restraining cost increases short of reducing service standards and frequencies.

As Table 1 shows, traffic receipts have increased only very modestly in recent years. Unfortunately, every recent attempt to increase revenue by raising fares has been met by substantial



TABLE 1 - SUMMARY OF FINANCIAL RESULTS OF TRANSPORT UNDERTAKING 1973-74 TO 1976-77

Income	Income/Expenditure Account			
	1973-74 \$	1974-75 \$	1975-76 \$	1976-77 \$
Traffic Receipts	8 972 791	9 799 392	9 774 937	9 472 606
State Government Support -				
Carriage of Scholars, School Children	750 000	900 000	900 000	1 000 000
Commonwealth/State Grant Flood Relief	125 592	62 686	-	-
Other	198 642	184 908	263 109	300 393
TOTAL	10 047 025	10 946 986	10 938 046	10 772 999
<u>Expenditure</u>				
Transportation Costs	10 717 654	13 095 057	14 287 329	16 145 350
Administration and Supervision	1 106 508	1 395 467	1 624 051	1 784 889
Loan Charges	1 141 127	1 159 558	1 133 396	1 399 608
Depreciation - Bus	822 399	812 922	808 707	883 155
Flood Damage Restoration	126 062	62 217	-	-
Other	81 778	10 595	3 896	16 921
TOTAL	13 995 528	16 535 816	17 857 379	20 229 923
EXCESS OF EXPENDITURE OVER INCOME	3 948 503	5 588 830	6 919 333	9 456 924

patronage losses which tend to work against both the purpose of providing the services, and the purpose of the fare rise. Similar results have been experienced in recent fare rises in the suburban railway system.

Since the Treasurer's support formula is based simply on a predetermined percentage of farebox receipts, it is reasonable to expect that it also will fail to provide adequate protection against the effects of future wage escalation. This is a matter of very great concern to Council.

Based on the above it can be seen that the Treasurer's scheme is inadequate on at least two fundamental counts:

- (a) It fails to provide an adequate level of support, so that the ratepayers are still required to provide nearly two-thirds of the cost of providing Brisbane, at present fare and present wage levels, with its present standard of bus services.
- (b) It does not have any inbuilt mechanism to allow for the unavoidable Council expenditure increases which will inevitably result from wage, and hence cost, escalation at a higher rate than could possibly be absorbed by fare increases.

#### GRANTS COMMISSION

Late in 1975, at the request of the then Treasurer, Sir Gordon Chalk, K.B.E., LL.D.(Hons), the Council make a submission to the Commonwealth Grants Commission requesting that it take into account the adjusted costs of the transport undertaking in its determination of the State's grant allocation.

The Commission agreed with the view that it would be consistent with its principles to take account of the costs incurred by the Brisbane City Council in assessing Queensland's needs, as such an

approach "would more adequately show the financial consequences of a notional application in Queensland of the metropolitan transport policies of the standard States"<sup>(1)</sup>. (New South Wales and Victoria).

As a result, the Grants Commission increased Queensland's grant by \$7.085 million on account of the 1974-75 deficit of the Council's transport undertaking.

At the time when he made his initial request for council assistance in providing a submission to the Grants Commission, Sir Gordon Chalk undertook that "... if the State is successful in extending its claim into this new field, it would be in a much better position to assist the Council with its urban transport losses ..."

Thus, in late 1976, when advice of the Grants Commission's determination was received, Council looked expectantly to the State for the promised assistance.

However, no such assistance has been forthcoming, and the present Treasurer, Mr Knox, refused to acknowledge that these considerations by the Grants Commission had in any way increased Queensland's grant.

In mid-1977, exasperated with the Treasurer's repudiation of its just claims, Council sought to have a series of questions on the Grants Commission funding answered in the Federal Parliament. The answers were supplied by Senator the Honourable R.G. Withers, Minister for Administrative Services, and a copy of them is attached to this paper as Appendix A. These questions and answers establish beyond doubt the validity of the Council's claim and the legitimacy of its expectations with regard to the \$7.085 million.

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(1) Forty-third Report 1976 on Special Assistance for States, Commonwealth Grants Commission, para. 4.133, page 74, AGPS, 1976.

Further to the initial grants commission application in 1975, State Treasury again requested Council submissions in 1976 and 1977. Advice is to hand that an amount of \$6.6 million was included in Queensland's grant for 1975-76 on account of the deficit of the Council's transport undertaking. It is anticipated that a grant of approximately \$9.4 million will be allocated as a result of the 1976-77 submission, although final advice on this is not expected to be available until late 1978. However, Mr Knox continues in his refusal to direct any of these additional funds to our public transport system.

It must be admitted that these grants to the State are "untied", and the Council could not exercise any legal rights to this money. However, Council considers it has a very legitimate claim to these funds, for they are present in the State coffers only because of their earlier expenditure by the Council on account of its transport undertaking costs. The funds would obviously substantially offset the burden on the ratepayers. On the other hand, Queensland would be no worse off if the funds were directed to this logical end. The funds are a special grant over and above Queensland's proper share of Commonwealth taxation receipts.

#### CAPITAL EXPENDITURE

The capital costs associated with maintaining and improving the Council's public transport undertaking are substantial. This is particularly so because of the long period of relative neglect of all metropolitan public transport services which occurred during the last two decades. With the new awareness of the fundamental importance of providing attractive and efficient public transport services to ensure the viability and balanced future development of our city, a burden of substantial capital expenditure requirements for the transport undertaking has been thrust upon the Council.

Specifically, the transport undertaking is confronted by a public that expects to be served by attractive, modern buses at ever-

improving standards of comfort. If the undertaking is to assume its proper role in providing the revitalised and rejuvenated services necessary to attract the public back to public transport, it must expect to renew its buses at an earlier age, and must look to expanding the bus fleet so that improved frequencies and new routes can be provided.

But new, modern buses inevitably incorporate greater sophistication than their older counterparts. Consequently they require modern servicing facilities to keep them operating at optimum efficiency. Thus the undertaking is confronted with the need not only to update and expand its bus fleet, but also to regularly update, and in some cases completely renew, its workshop and depot facilities. Further, an expanding bus fleet and new service areas on the outer fringes of the city dictate the need for additional new depots.

A 5-year forward capital works program drawn up for the Transport Department anticipates requisite capital expenditures in excess of \$40 million in real terms by 1982. Major projects included in the recommended program are:

- Replacement and additional buses
- Installation of two way radio in the bus fleet
- Installation of automatic ticketing and cash handling equipment
- Construction of passenger waiting sheds
- Construction of terminus toilet facilities
- Acquisition of new depot sites
- Construction of a new depot
- Initiation of a new inner city bus distributor service
- Implementation of bus priority treatments
- Construction associated with bus interchanging
- Purchase of bus washing and cleaning equipment
- Purchase of passenger counting equipment
- Installation of improved user information aids.

In 1974 the State Grants (Urban Public Transport) Act was enacted by the Commonwealth Government in an endeavour to provide a means for injecting much-needed capital into Metropolitan Public Transport agencies. The Act provides for the Commonwealth to assist the States on a \$2 to \$1 basis for approved works. In Queensland, the Metropolitan Transit Authority determines the content of the annual assistance programs submitted to the Commonwealth under the Act.

The Council transport undertaking appears to have benefited very little from the monies provided by the Act. The only project approved to date under the terms of the Act was the acquisition of replacement buses.

In Table 2, which is drawn from the 1976-77 annual report of the Metropolitan Transit Authority, it can be seen that less than 6 per cent of the capital improvements funds expended to them had been directed at upgrading Council vehicles and facilities.

It is to be hoped that a more equitable balance of capital improvement expenditure, which recognises that Council is Brisbane's predominant passenger carrier, will emerge in the near future. It seems undesirable that the operating agency which carries over 50 per cent of Brisbane's public transport patrons is consistently getting less than 6 per cent of the investment funds. Patronage figures for 1976-77 were:

Council buses	- 47.9 million passengers
Suburban Rail, including Ipswich	- 29.3 million passengers

#### OTHER DIRECTIONS FOR EFFECTING DIRECT FINANCIAL RELIEF

It should be noted that there are a number of avenues directly available to the State and Commonwealth to relieve the financial burden on the Council's transport undertaking.

TABLE 2 - M.T.A. CAPITAL WORKS PROGRAM: EXPENDITURES TO 30.6.1977

Approved Projects	Approved Cost	Expenditure to 30.6.76	Expenditure 1976-77	Total to Date
1. Cross River Rail Link (Merivale Street)	15 960 000	7 982 187	7 271 578	15 253 765
2. Electrification - Ferny Grove-Darra	7 940 000	2 576 545	4 344 901	6 921 446
3. Additional Trackage Roma Street-Northgate	2 120 000	2 110 863	961 503	3 072 366
4. Fixed System Design (Engineering)	3 258 000	2 493 872	547 984	3 041 856
5. Electrification - Ipswich-Darra	3 370 000	722 029	537 861	1 259 890
6. Electrification - Northgate-Shorncliffe	1 237 000	14 350	Cr 1 757	12 593
7. Minor Interchanges	2 650 000	1 416 069	1 377 958	2 794 027
8. Thirty Buses	1 915 748	1 176 679	741 293	1 917 972
9. Southside Platform	253 000	-	204 842	204 842
TOTAL	\$38 703 748	\$18 492 594	\$15 986 163	\$34 478 757

Source: Annual Report of the Metropolitan Transit Authority 1976-77, Queensland Government Printer.

Currently the activities of the Council's Transport Department are treated in similar manner to any other business undertaking. Particular impositions which apply without any apparent rationale include:

- Registration fees
- Payroll tax
- Stamp duty
- Fuel taxes

It could be anticipated that simply by withdrawing the requirement that these impositions apply to the transport undertaking, financial relief well in excess of \$1 million would accrue to the Department.

Unless this change is made the Department will be required to incur the very substantial increases in registration fees and compulsory third party insurances which have been recently indicated by the Treasurer. It seems anomalous that the cost increases confronted by one level of government should simply be passed on to another lower level of government, particularly in an area such as public transport where a substantial cost burden already exists.

#### SUMMARY

This paper points out the Council's unique situation in being the only municipal operator of a metropolitan public transport system in Australia. It also points out the financial problems Council confronts in endeavouring to provide bus services adequate to the modern community's expectations of a public service utility.

Recent plans and recommendations relating to the operation of Brisbane's public transport are reviewed, and the noticeable lack of government commitment to improving the bus system is noted.



A review of the recent revenue results of the Council's transport undertaking confirms that increasing operating deficits, as anticipated by the 1970 Wilbur Smith Public Transport Study, cannot be avoided.

It is pointed out that, if the State were to acknowledge its obligation to pass on to the council the share of Commonwealth special grants received on Council's behalf, the financial position of the transport undertaking would be substantially improved.

The Council's very real problems in attempting to provide bus facilities of a standard commensurate with the public's expectations is explained. The capital funding problems currently constraining the transport undertaking are clearly set out. It is pointed out that there is an identified need to spend over \$40 million, in real terms, on the bus system in the next five years.

Finally, a number of obvious areas where the State and Commonwealth could reduce the transport undertaking's current financial obligations are briefly set out.

In essence, while the State Government assistance is based on revenue only and takes no account of the true costs of operating the services, there can be no relief for ratepayers both in the short term and particularly the long term.

In fact under the present formula, ratepayers will be worse off within five years than they are now. This situation cannot be allowed to remain.

Appendix A

My dear Lord Mayor,

I refer to a recent telex message that you sent to the Acting Minister for Transport, Mr Macphee, concerning the allocation of funds related to the Brisbane City Council's public transport undertaking. Mr Macphee has asked me to reply to you directly.

I am pleased to provide the information as set out in the attached papers.

I am sending copies of this letter and the attached papers to the Minister for Transport.

Yours sincerely,

(R.G. WITHERS)

Q.1 Did the grants commission take account of the loss incurred by the Brisbane City Council's street public transport undertaking in assessing Queensland's expenditure needs?

A.1 Yes.

Q.2 Was this the first occasion on which the Grants Commission has taken account of the loss incurred by the Brisbane City Council's street public transport undertaking in assessing Queensland's expenditure needs?

A.2 Yes. Queensland first applied for a special grant for the year 1971-72. Prior to 1974-75, however, the Commission did not have access to data which would have allowed it to take losses incurred by the Brisbane City Council's

transport undertaking into account in assessing Queensland's needs for metropolitan transport.

Q.3(A) Was the assessed special grant for Queensland 1974-75 increased over what it would otherwise have been because the Brisbane City Council's street public transport undertaking deficit in that year, modified for the relevant policy differences, was taken into account?

A.3(A) Yes.

Q.3(B) Was the amount of Queensland's assessed needs met from other Commonwealth grants for 1974-75 increased over what it would otherwise have been because the Brisbane City Council's street public transport undertaking deficit in that year, modified for the policy differences, was taken into account?

A.3(B) No. The amount of Queensland's assessed needs met from other Commonwealth grants was \$113.6 million in respect of the year 1974-75. This amount was not affected by the Commission's treatment of the losses incurred by the Brisbane City Council's transport undertaking.

Q.4(A) By what amount was Queensland's assessed special grant for 1974-75 increased on account of the Brisbane City Council's street public transport undertaking modified deficit, being taken into account?

A.4(A) \$7 085 000. The special grant paid to Queensland for the year 1974-75 was \$24 million. The amount of this special grant would have been \$16 915 000 had the losses on the Brisbane City Council's transport undertaking for that year not been taken into account. It should be noted, however, that the Commission still assessed negative needs of \$7 596 000 in respect of Queensland's metropolitan road transport for the year 1974-75.

Q.4(B) By what amount was Queensland's assessed needs met from other Commonwealth Grants for 1974-75, increased on account of the Brisbane City Council's street public transport undertaking modified deficit, being taken into account?

A.4(B) See answer to Question 3(B).

6.2.6 N.R.M.A. Submission to Bureau of Transport Economics -  
February 1979

PART 1 - INTRODUCTION

The NRMA's attention has been drawn to the forthcoming report on roads in Australia and we appreciate the opportunity of placing our views before the Bureau.

In addition to presenting its own views, the NRMA is also co-operating with the Australian Automobile Association in making a combined submission for Australia's motoring organisations at the national level. The present submission is intended to supplement the AAA submission with more detailed information and comment on the position within NSW.

The NRMA is deeply concerned with the condition of the roads in NSW and with the inadequate progress being made in improving them to a reasonable standard on a wide scale.

Conditions experienced by drivers in Australia, and more particularly in NSW, compare most unfavourably with those in other advanced countries of the world despite the fact that Australia is more dependent on road based transport. The Commonwealth Bureau of Roads highlighted in its 1975 report the benefits of road investment in terms of savings to the community by reducing deaths and injuries, noise and air pollution, congestion and demand on energy.

The Bureau's 'Report on Roads in Australia - 1975' recognised the benefits to be gained by devoting a higher level of resources to Australia's roads. However, the Association questions a number of important aspects of the report, and particularly the level of Commonwealth grants recommended which was less than the warranted program.

In the legislation adopted since the publication of the 1975 report, experience has shown that rather than road improvements accelerating, state programs for roads have been curtailed.

The reduction of grants has been carried out despite the many obvious benefits which can be derived from building better roads. These include vital elements such as lower transport costs, the effect on road safety, reduced pollution, adverse effects on residential amenity and the essential role of roads in the defence system and mobility in times of civil emergency.

Another important consideration is the need to improve the nation's roads in the interests of tourism. The House of Representatives Select Committee on Tourism has drawn attention to the economic significance of the tourist industry and the fact that road travel accounts for 90 per cent of leisure travel in Australia. Road expenditure can therefore produce significant monetary benefits to many sectors of the community besides the direct benefits normally included in benefit/cost analyses.

The NRMA believes that immediate steps should be taken to increase the level of funding for all categories of roads.

## PART 2 - REPORT ON ROADS IN AUSTRALIA 1975

The report on 'Roads in Australia 1975' recommended a continuation of the form of roads grants legislation introduced in 1974-75 but opted in effect for a five year program rather than the previous three year program.

The report recommended that the Australian Government increase the grants for 1976-77 above the amounts provided for in the 1974-75 legislation, that it legislate early in 1976 to provide grants for roads to cover the three year period 1977-78 to 1979-80, and that it indicate in advance the level of grants to be provided in the first year of the succeeding legislation (1980-81).

The Bureau in deciding on its recommended grants for each category, used as a starting point the projects found to be warranted on a cost benefit basis from all the projects which satisfied engineering and operational criteria. These warranted expenditures were then reduced by varying amounts following consideration of resource allocation and mobility, financing arrangements and their consequences.

The impact of this process can be seen in the fact that the grants for the five year program of works recommended for NSW were 27 per cent below the amounts found to be economically justified (Table 1 - includes funds from all levels of government).

TABLE 1

	\$ million (1973-74 Prices)	% Reduction
	NSW	NSW
1. Program based on engineering and operational standards	5 134	
2. Warranted program	2 681	48
3. Recommended program	1 953	62 (From 1) 27 (From 2)

In achieving the above reductions the different categories of roads were treated differently. Part of the reason would no doubt be the differing proportions of the total programs financed by Commonwealth, State and local Governments. The heavy cutting of urban arterial and rural arterial roads is apparent (Table 2).

The NRMA believes that the Bureau should not concern itself with resource allocation between different competing demands for government finance, and should not reduce the amounts it recommends on this basis. Resource allocation should remain a function of the government itself - in any event it will always reduce the amounts granted below the amounts asked for.

A realistic impression of the plight of roads funding can be derived from Table 3 which shows the Federal Government grants for the first three years of the period 1976-77 to 1980-81 covered by the Bureau's 1975 report and compares them to the Bureau's recommendations.

So even based on the inadequate recommendations of the Bureau's 1975 report, NSW enters the next road grant triennium with a backlog of \$267 million in roadworks. The actual backlog in long-needed roadworks would obviously be far in excess of this amount.

Furthermore the NSW Department of Main Roads indicated in its annual report 1977-78 that road construction and maintenance costs have increased by 109 per cent over the five year period since 1972-73 whereas the consumer price index has recorded an increase of 82 per cent in the same period. The income available to the Department has failed to meet increasing prices and a reduction in real work output has been experienced. It therefore has not been possible to provide new facilities to cater for the 18.3 per cent increase in the number of registered motor vehicles in this period.

#### National Highways and Commerce Roads in NSW

The increasing level of grants recommended for national highways was to allow faster up-grading of the Hume Highway, Federal and Barton Highways and the New England Highway route to Brisbane.

Of all the national highways in Australia, the Hume was set down for the largest allocation with the object of achieving divided-road standard between Sydney and Canberra as soon as possible. It was intended that duplication as far as Canberra together with major improvements along the remaining section would be achieved by 1980 and the entire route would be completed to four-lane freeway standard by 1986.



TABLE 2

Category of Grants	% Finance from Commonwealth	% Change from Warranted - To - Recommended Program - NSW
National highways commerce roads	100	-18.6
Rural arterial roads - construction	20.2	-53.0
Rural local roads - construction	38.1	-20.0
Urban arterial roads - construction	59.9	-35.5
Urban local roads - construction	12.3	- 7.7
MITERS	66.8	-39.5
Planning and research	81.1	-31.0

TABLE 3 - NSW ROADS GRANTS

	Recommended (\$ million)	Actual Grants (\$ million)	% Difference
1976-77	180.0	135.5	-24.7
1977-78	238.6	153.8	-35.5
1978-79	302.2	164.5	-45.6
TOTAL	720.8	453.8	-37.0

NRMA surveys of these highways have shown that these target dates will probably not be reached because of the low levels of grants provided by the Federal Government together with increases in the road cost index (which provides a measure of average costs of road construction and maintenance).

Table 4 details the various levels of expenditure recommended and granted for national highways in NSW for the three year period 1976-77 to 1978-79.

TABLE 4 - NATIONAL HIGHWAYS IN NSW

	Recommended (\$ million)	Actual Grants (\$ million)	% Difference
1976-77	72.6	57.4	-20.9
1977-78	101.4	70.6	-30.4
1978-79	140.0	75.5	-46.1
TOTAL	314.0	203.5	-35.2

Despite the Government's decision to allocate a higher level of funds for national highways the backlog of works found warranted and feasible in the Bureau's 1975 report will be \$110.5 million at the start of the next grants triennium.

#### Rural Arterial Roads in NSW

The recommended grants for rural arterial roads in NSW represented approximately 20 per cent of the cost of the total program of works envisaged for these roads, the remainder coming from State motoring taxes.

The recommended grants for rural arterial roads appeared totally unrealistic when it is considered that their length is 22 times that of the national highways in NSW and some are equally as important as sections of national highway.

Whilst it is agreed that the standard necessary for rural roads would be generally lower than for national highways, it was felt that much higher grants were warranted than those recommended. NRMA surveys have shown that most of NSW's rural arterial roads are basically 2 lanes wide, narrow and constructed on inadequate horizontal and vertical alignments for the volume and type of traffic using the roads.

Table 5 details the various levels of expenditure recommended and granted for rural arterial roads in NSW for the three year period 1976-77 to 1978-79. The table shows that the Government recognised the need for additional grants for these roads in the initial year but has subsequently reduced the grants below the recommended level.

TABLE 5 - RURAL ARTERIAL ROADS IN NSW

	Recommended (\$ million)	Actual Grants (\$ million)	% Difference
1976-77	13.7	15.4	+12.4
1977-78	19.9	18.0	- 9.5
1978-79	24.0	19.3	-19.6
TOTAL	57.6	52.7	- 8.5

#### Rural Local Roads in NSW

Many shire councils were critical of the reduction made in the Roads Grants Act 1974 in the grants provided for the 135 000 km of rural local roads in NSW. Subsequent funds granted have been considerably less than the grants recommended (Table 6) in the Bureau's 1975 report and have not provided significant relief for councils. Therefore, councils which desired to increase their road construction activity could only do so by increasing rates or borrowings.

TABLE 6 - RURAL LOCAL ROADS IN NSW

	Recommended (\$ million)	Actual Grants (\$ million)	% Difference
1976-77	28.4	18.2	-35.9
1977-78	37.2	25.8	-30.6
1978-79	42.5	27.6	-35.1
TOTAL	108.1	71.6	-33.8

## Urban Arterial Roads in NSW

The roads included in this category in NSW are major roads in Sydney, Newcastle and Wollongong totalling approximately 3 500 km.

The association was critical of the low level of funds provided for such roads in the 1974 legislation and although the grants recommended by the Bureau represented a continuing improvement the actual grants provided in 1976-77 were below the 1973-74 level and were severely reduced in 1977-78 (Table 7).

TABLE 7 - URBAN ARTERIAL ROADS IN NSW

	Recommended (\$ million)	Actual Grants (\$ million)	% Difference
1976-77	54.7	36.6	-33.1
1977-78	66.4	28.7	-56.8
1978-79	79.2	30.7	-61.2
TOTAL	200.3	96.0	-52.1

Even disregarding the inadequacy of the Bureau's 1975 recommendations, there remains a carry-over of warranted and feasible construction work on NSW urban arterial roads amounting to \$104 million. At current grant levels these roads will fall further and further behind minimum needs.

The Bureau of Roads estimated (Table 7.3 - Roads in Australia 1975) that urban arterial roads are about 20 per cent of the total

length of urban roads and carry some 75 per cent of the vehicle travel in the urban area. Furthermore they comprise only 1.6 per cent of all roads and carry some 47 per cent of all vehicle travel in Australia.

The Association's surveys have shown that the excessive travel times experienced by motorists in several areas of Sydney can only be reduced by the construction of shopping centre by-passes, grade separated interchanges, and new and improved roads. These can only be achieved through a higher level of funding.

#### Urban Local Roads in NSW

Financial assistance for urban local roads was first introduced in the 1974 legislation to assist councils in financing road works in special circumstances e.g. in city fringe areas where expenditure on roads often needs to precede growth in the tax base or on local roads of a non-residential nature, that are used to a large extent by commercial vehicles.

In this category the Federal Government recognised the Bureau's recommendations and in the past two years has increased the grant above the recommended levels (Table 8). These grants may have allowed councils to achieve an improvement in work value but the amounts provided are relatively very small.

TABLE 8 - URBAN LOCAL ROADS IN NSW

	Recommended (\$ million)	Actual Grants (\$ million)	% Difference
1976-77	4.6	4.6	-
1977-78	5.7	7.4	+29.8
1978-79	6.9	7.9	+14.4
TOTAL	17.2	19.9	+15.7

## MITERS

The 1975 report saw a change in emphasis in this category of grants from "traffic engineering" to "transport operations". The purpose of the change reflected the recognition of low cost improvements being an essential part of an integrated approach to transport, in particular the movement of transit and goods vehicles.

Whilst this approach is worth while, any system introduced should be fully evaluated to assess its impact and if it does not improve conditions then alternatives should be considered. For example, we believe that the benefits claimed for public transport services from the introduction of transit lanes has been achieved at the expense of increased travel times for other users, increased energy consumption and a deterioration of the surrounding environment.

We support the retention of specific grants for low cost improvement such as the provision of; signs, traffic islands at important intersections and traffic signals and their co-ordination.

Table 9 details the various levels of expenditure, recommended and granted, for MITERS in NSW.

TABLE 9 - MITERS

	Recommended (\$ million)	Actual Grants (\$ million)	% Difference
1976-77	6.0	3.3	-45.0
1977-78	8.0	3.3	-58.8
1978-79	9.6	3.5	-63.5
TOTAL	23.6	10.1	-57.2

It was most important that such an avenue of expenditure with great potential for reducing accidents and congestion was so downgraded in the road grants legislation.

### PART 3 - GRANTS AND MOTORING CHARGES

During 1977 the Federal Government introduced legislation concerning road grants for the triennium 1977-78 to 1979-80. The provision was for \$478 million for Australia (\$154 million for NSW) in 1977-78 and the States were assured that Commonwealth assistance for the remaining two years would be maintained at a real level at least equal to that of 1977-78.

While the NRMA welcomes the initiative taken by the Government in announcing their intentions for future years, we believe there is an overwhelming need to increase the level of funding.

The Minister of Transport subsequently announced that the grants for the subsequent 2 years would be increased in line with movements in the national accounts implicit price deflator for private investment in "other building and construction".

Comparison of the implicit price deflator for private investment in other building and construction with the road price index published by the Commonwealth Bureau of Roads indicates that the implicit price deflator does not accurately reflect the movement in road construction costs.

The experience of the second year of the triennium has shown a difference of opinion on the use of the implicit price deflator where the Government increased the grants for 1978-79 by 6.9 per cent to maintain real value but the Authorities indicated that this in fact should have been 10.1 per cent. Hence, the States received less in real terms than the already totally inadequate grant provided in 1977-78. The shortfall for the period covered by the 1975 report is \$267 million (Table 3).

A comparison of actual grants and the Bureau's recommendation for the ten year period to 1978-79 shows an accumulated shortfall for NSW of almost \$340 million (in 1977-78 prices). The situation

would be far more serious if actual grants could be compared with the warranted program or the program needed to improve roads to the recommended operational and engineering standards.

A comparison can be made for Australia where the backlog in 1977-78 prices for ten years to 1978-79 based on the Bureau's recommended program is \$748 million and on the warranted program is \$3216 million. The program based on engineering and operational standards was included in the 1975 report and has already produced a shortfall of \$2409 million in 3 years to 1978-79.

#### Road-User Contributions

The fuel consumed by road based vehicles provides a reasonable measure of the amount a vehicle uses the country's road network. Fuel usage is somewhat biased towards the heavier vehicles in that their effect on the condition of the road, when compared with a smaller, lighter vehicle, increased at a greater rate than their fuel consumption.

The amount of fuel consumed, and therefore government revenue collected from the sale of fuel, can be realistically considered as a road-user charge and looked upon as a source of revenue for expenditure on roads. Arguments are made against the concept of pre-empting specific taxes or revenues for specific purposes, but the situation in regard to public assets like roads and the revenue raised from the users of roads is quite different to other examples commonly quoted e.g. taxes on liquor, cigarettes and tobacco.

In Table 10 estimates are given of the amounts of taxes collected from NSW motorists in 1978-79 financial year together with the funds which will be used on roads and associated facilities and services.

Additional information on past trends in fuel tax collections and Commonwealth grants is contained in Appendix 1.



TABLE 10 - NSW MOTORING TAXES - 1978-79

Type of Tax	Estimated Collection	To be Returned	
	(\$ million)	\$ million	% of Collection
STATE TAXES:			
Licence & Registration Fees, Taxes etc	260	260	100
Stamp Duty on Registration	50	Nil	Nil
TOTAL STATE	310	260	84
COMMONWEALTH TAXES:			
Customs and Excise Duties and Crude Oil Production Levy on Fuel	640	164	26
Sales Tax and Import Duty on Vehicles and Parts	180	Nil	Nil
TOTAL COMMONWEALTH	820	164	20
TOTAL	1130	424	38

It will be seen that motorists have been consistently paying for more than the entire cost of building and maintaining the roads they use. In fact, in the current financial year they are contributing five times as much to the Federal Government's general revenue funds as the Federal Government contributes to the cost of roads. This trend has been particularly evident since the introduction of the crude oil production levy which has increased the revenue collected from NSW by the Government by an estimated \$200 million for 1978-79 while road grants have increased by only \$10.7 million.

Table 11 shows the value of fuel tax collections and the ability of the federal government to grant sufficient funds to meet the Bureau's recommendations and still have sufficient funds to contribute to general revenue.

TABLE 11 - NSW ROAD GRANTS V. FUEL TAXES

	Bureau's Recommendations (\$ million)	Actual Grants (\$ million)	Fuel Tax Collected (\$ million)
1976-77	180.0	135.5	379
1977-78	238.6	153.8	429
1978-79	302.2	164.5	640*
TOTAL	720.8	453.8	1448

\* Estimated.

#### Effect of Inflation

Inflation has brought about an increase in the cost of construction of roads greater than the consumer price index.

Continuing inflation has had a dramatic effect on the real value of finance available for road works making it imperative to increase the allocation of funds to roads, solely to protect the network of roads that have been constructed in previous years.

The NSW Road Cost Index shows that road construction and maintenance costs have risen 109 per cent over the five year period since 1972-73, whereas the consumer price index has increased 82 per cent over the same period. At the same time motor vehicle registrations have increased more than 18 per cent adding almost another 367 000 vehicles onto the state roads.

Federal grants to NSW when expressed in 1977-78 values have been reduced by almost \$11 million or 6.5 per cent since 1974-75. Grants for urban arterial roads have been eroded even further, by \$37.9 million or 57 per cent.

Figure 1 shows the effect inflation has had on Federal Government grants for the individual categories of NSW roads over the four year period to 1977-78.

#### Benefits of Road Expenditure

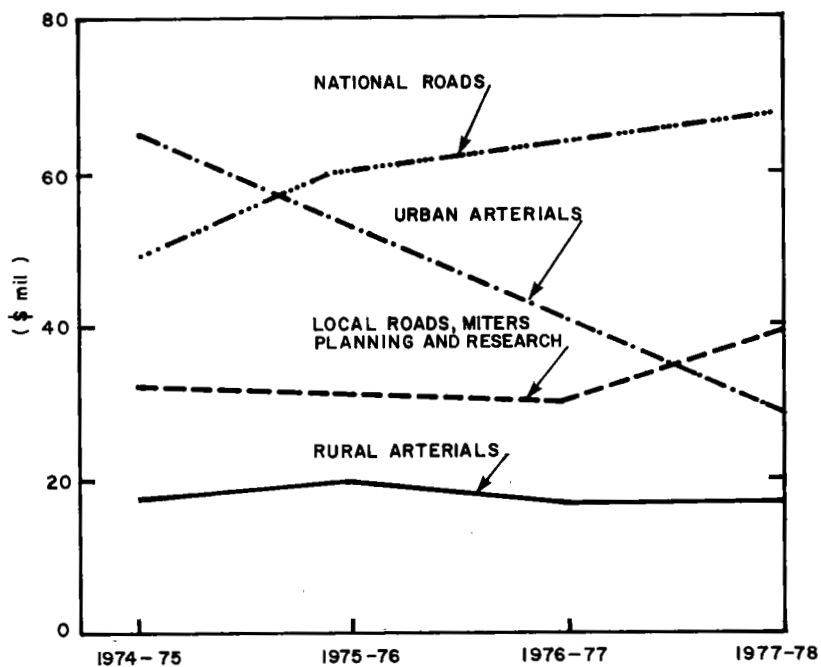
The development of Australian cities mostly took place along with the automobile.

Their populations are relatively dispersed with employment centres and residential areas spread throughout the metropolitan areas.

Travel for work, school, shopping, social and recreational purposes has traditionally been made by automobile while public transport has served the bulk of trips to the city centre (Appendix 2).

Moves to increase public transport patronage in the suburban areas can only increase the deficit (the cost to the community) and increase the consumption of petroleum (Appendix 3). In any case, the only viable form of public transport in these areas are buses, vanpools, carpools or taxis, all of which are road based.

Therefore upgrading our road network benefits road users both public and private which comprise some 94 per cent of the passenger kilometres travelled on Australian roads.



**FIGURE 1.**  
**COMMONWEALTH GRANTS AT 1977-78 VALUES**

Source :- Department of Main Roads Annual Report 1977-78

Benefits derived from better roads can be experienced as much by non-users as users. For example, non-users can benefit from improved roads which reduce the cost of goods and services, reduce the impact of traffic in residential streets and improve accessibility. Users directly benefit from reduced travel time, reduced maintenance and operating costs and a safer travelling environment.

The nation at large would experience the greatest benefit in the reduced road toll, improved fuel consumption, increased mobility and efficiency of the community and improved environment.

Better roads not only relate to traffic and those affected by traffic but are an integral part of all national policies affecting development, mining and other industrial development, tourism and defence.

The Bureau's 1975 report quotes the following returns from the recommended program (Table 13).

Reductions in the level of funding can only reduce the savings detailed in Table 13. The NRMA believes the cost reductions that have been effected in the past years have resulted in an increase in maintenance costs. The authorities have been forced into a situation where they either reduce the length of road constructed or construct a greater length at a reduced standard.

Investment in road construction does not carry the same burden of high maintenance or operating costs as expenditure on schools, hospitals or other such capital projects. Schools, hospitals and other such investments require immediate operating and maintenance costs regardless of the demand placed on their services whereas road maintenance is heavily dependent upon usage. In addition, because of its high labour content, road building could assist the government in reducing the current high level of unemployment.

TABLE 12 - LAND PASSENGER TRANSPORT TASK

(Year ended 30 June, 1974)

	Million Passenger Kilometres	%
Cars and Station Wagons	153 800	92.2
Road Public Transport	3 400	2.0
Rail	9 700	5.8
TOTAL	166 900	100.0

Source: Australian Department of Transport and Bureau of Transport Economics.

TABLE 13 - COST-BENEFIT ANALYSES: RECOMMENDED PROGRAM, AUSTRALIA

(\$ million: 1973-74 Prices)

Item	Recommended Program 1976-77 to 1980-81
<u>Construction Expenditure</u>	
Actual	3644
Discounted	2988
<u>Monetary Benefits</u>	
Savings in:	
Vehicle Operating Costs	4045
Accident Cost	775
Occupant Travel Time	
- Private	1150
- Commercial	3630
Road Maintenance	-215
Total Direct Benefits	9385
Indirect Benefits	2270
Indirect Disbenefits	45
TOTAL NET BENEFITS	11 610
Ratio of Total Benefits to Construction Expenditure over the Five Year Period 1976-77 to 1980-81	3.9

The Bureau's 1975 report indicated in their analysis of the program to upgrade Australia's roads to a recommended engineering and operational standard that a work force of 293 000 persons would be directly or indirectly employed in the year 1978-79. By reducing the program to the warranted level, the number of persons employed would be reduced to 155 000.

#### Roads Share of the Federal Budget

Roads have been given a lower proportion of total budget outlays since 1973-74 while other sections have been increasing, in particular, education, health, social services and welfare.

Figure 2 details the various shares of the total budget outlay for the past ten years.

#### Motorists' Contribution to Federal Government Revenues

Motorists contribute to the Federal Government through the fuel tax, crude oil production levy and sales tax and import duty on new vehicles and parts.

Table 14 shows the Australian receipts for 1977-78, estimates for 1978-79 and compares these with the gross national revenue.

TABLE 14 - COMMONWEALTH REVENUES (\$ MILLION)

	1977-78	1978-79 (Estimated)
Motorists' Contribution:		
Fuel Taxes	1103	1650
Sales Tax	530	394
Import Duty	146	189
TOTAL	1779	2233
Gross National Revenue	23 469	26 057
Motorists' Contribution	7.6%	8.6%
Road Grants Share of Total Budget Outlay	1.78%	1.76%

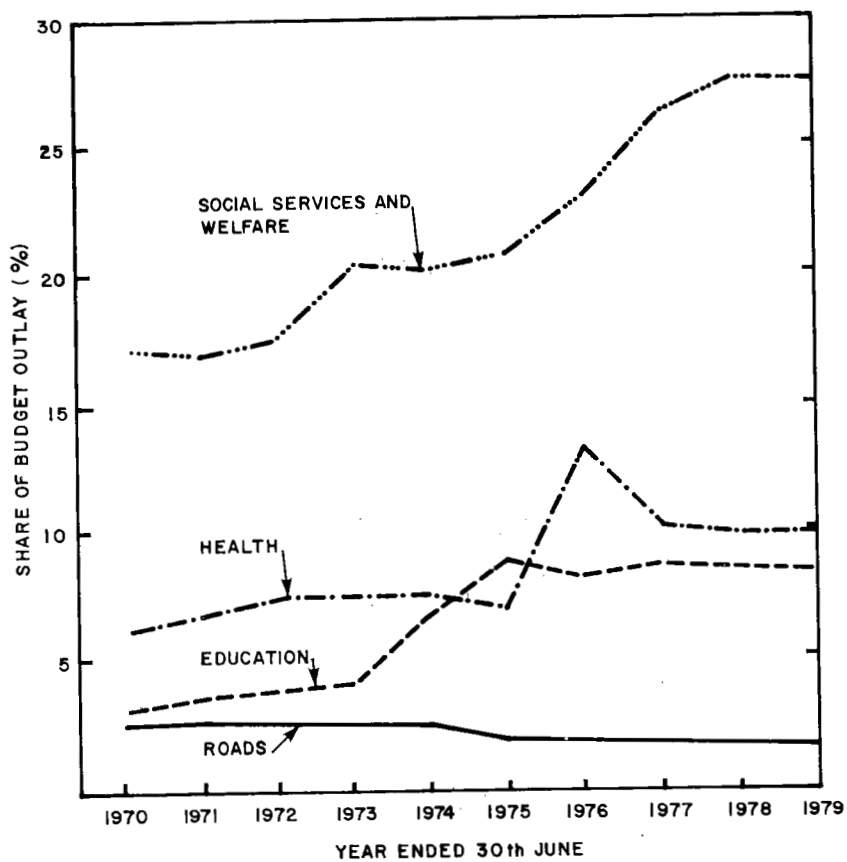


FIGURE 2.  
VARIOUS CATEGORIES' SHARE OF TOTAL BUDGET OUTLAY



When comparing the share of budget outlay that motorists receive with the proportions of total revenue it can be seen that the motorists are contributing increasing proportions and are receiving proportionately less in return.

#### Cost Recovery

To achieve optimal allocation of the country's resources, a method which identifies the users and beneficiaries who, together will make the best use of the resource, is needed. There are many ways to determine optimal allocation, but the most practicable, and an already widely used method, is to charge the user or beneficiary an amount which reflects the cost of providing the resource or facility in a usable form. This embodies the cost-recovery concept.

The aviation industry is now working towards a cost recovery target of 80 per cent. It is being achieved by changing charges for various services provided to the industry by the government. The charges are altered to reflect the cost of providing the service.

According to the Bureau's Report 'Cost Recovery in Australian Transport 1974-75', road transport contributes more to recovering its cost than any other mode. In particular, urban road transport contributes more than its cost. If the cost recovery principle was applied to road transport there may be a welcome increase in road funding.

The 1975 report (Appendixes) discusses cost recovery from road transport. The report found problems in the valuation of an existing asset (provision of physical assets accounts for a very high proportion of road transport costs).

There is no need to re-evaluate the value of an asset each year. Its historical cost, and its lifespan is known, so an annual

depreciation value can be determined. The sum of these for all road transport fixed assets represents the annual costs to be recovered.

The Bureau's report states:

"Appendix 2.20: A cost recovery policy based on past expenditure does not allow for the disregarding of sunk costs where a wrong investment decision was made on which present users had no say or influence".

This criticism of using past expenditure as a basis for determining cost is not substantial enough to discard the cost recovery concept. The frequency of totally wrong decisions in road construction is low and even if they do occur, the generation who decide it is wrong will make their own mistakes (in the succeeding generation's eye). Thus 'wrong' decisions will be a continually on-going responsibility.

#### Continuity of Funds

The Bureau's 1975 report adopted a five year program for 1976-77 to 1980-81. It recommended that the Australian Government provide an amended grant for 1976-77, indicate early in 1976 the grants it would make for roads in the period 1977-78 to 1979-80 and indicate at the same time the probable level of grant for the succeeding year 1980-81.

The NRMA believes that a similar approach should be taken in the forthcoming report. For State authorities to properly plan and control their assets and resources it is imperative that there be continuity in the provision of grants.

#### PART 4 - THE PLIGHT OF NSW ROADS

The recently completed study on the "Economics of Road Vehicle

Limits" by the National Association of Australian State Road Authorities involved an economic evaluation of the consequences of increasing axle loadings and other vehicle limits.

The economic evaluation assessed the additional expenditure required to be spent on upgrading road pavements and bridges for various axle loadings. For an axle loading of 8.5 tonnes, NAASRA found that the level of additional road costs in 1974-75 prices for the 5 year period to 1979-80 would be \$108 million of which NSW's share was \$57 million (53 per cent).

It found that bridge costs were most significant in NSW and that about 80 per cent of the 10 000 bridges on major roads in Australia are in the 3 mainland eastern States. Since 1947, the road building authorities have adopted a minimum design standard for bridges - 57 per cent of NSW bridges are of a lower standard.

The study also considered the operating levels of the various road classifications. The results indicate that 58 per cent of major outer urban arterials and 55 per cent of outer urban sub-arterial collector roads operate at a more congested level than level of service C. If the study had included inner urban roads, we feel that these results would show much higher percentages of roads operating at poor levels of service.

These results are consistent with our views on urban roads. Congestion is being experienced for greater periods of each day, in fact on many arterial roads, congestion is being experienced in off-peak periods and during weekends. Furthermore week-end traffic experiences considerable delays exiting and returning to the city.

NRMA survey of major rural arterial roads shows that high proportions of these roads are basically two lanes wide, are constructed on inadequate horizontal and vertical alignments and provide very limited over-taking opportunities.

Table 15 provides details of the proportions of highway where there was only one lane in the direction of travel and the centre line nearest the driver was unbroken. The results indicate the length of highway where it is illegal to overtake another vehicle. Overtaking would be unsafe on greater lengths depending on the nature of opposing traffic.

TABLE 15 - NO OVERTAKING ZONES

Route	Length of Route within NSW where Overtaking is Illegal (%)
Hume Highway	21.1
National Route-Sydney to Brisbane	26.4
Pacific Highway	29.2
Princes Highway	32.0

The surveys have generally found the older sections of highways and important main roads to have broken edges, inadequate shoulders and narrow pot-holed pavements.

A small number of surveys cross interstate borders, where we found the condition of roads to improve, in particular Victoria and South Australia. However, we are not in a position to comment critically on the condition of roads in other states, other than that in letters received from NRMA members, we are led to believe that NSW's roads are well below the general standard of roads in other States. Further analysis is included in Appendix 4.

Prior to 1969 it was customary to allocate funds to the States on a formula basis such that the larger more sparsely populated States received greater allocations per head of population, per motor vehicle registration etc.

The NRMA believes that because of these past policies NSW roads received a proportionately lower level of funding in relation to actual needs than did other States and that greater emphasis

should now be focussed on the level of grants recommended for NSW roads. In particular the poor level of service on urban roads requires urgent attention.

The plight of NSW roads can be seen in Tables 16, 17 and 18. Table 16 contains an inter-state comparison of death rates based on deaths for 1976, and on motor vehicle usage in 1976 by the Australian Bureau of Statistics. Table 17 shows the amount of revenue generated from fuel usage in each State and the grants allocated to each State. Table 18 shows the effect of the reduction in grants below the Bureau's recommendations for individual States which indicates that NSW received the greatest reduction.

TABLE 16 - ROAD DEATH RATES: STATE COMPARISON

State	Persons Killed per 100 Million Kilometres Travelled by Motor Vehicles
New South Wales	3.9
Victoria	3.5
Queensland	4.0
South Australia	3.4
Western Australia	3.2
Tasmania	3.9
Australian Capital Territory	2.5

TABLE 17 - FUEL TAX COLLECTIONS AND FEDERAL GRANTS FOR 1977-78 BY STATES

State	Fuel Tax Paid by State (\$ million)	% of Fuel Tax (%)	Federal Road Grant (\$ million)	% of Road Grants (%)	Grants/ Fuel Tax (%)
NSW	429	39.5	156	32.6	36.4
Vic	304	28.0	99	20.7	32.6
Qld	139	12.8	100	20.9	71.9
SA	82	7.5	40	8.4	48.8
WA	102	9.4	61	12.8	59.8
Tas	31	2.8	22	4.6	71.0
TOTAL	1087	100.0	478	100.0	44.0

TABLE 18 - COMMONWEALTH GRANTS, ACTUAL V. RECOMMENDED BY STATE  
1976-77 TO 1979-80<sup>(a)</sup>

State	Recommended (\$ million)	Actual (\$ million)	% Reduction
NSW	1116	630	43.5
Vic	630	409	35.1
Qld	688	412	40.1
SA	258	168	34.9
WA	378	250	33.9
Tas	133	91	31.6
TOTAL	3203	1960	38.8

(a) The grants for 1979-80 have been calculated by increasing 1978-79 grants by 7 per cent.

## PART 5 - RECOMMENDATIONS

NRMA believes that urgent action is needed to bring about a significant improvement in the standard of roads in NSW.

This submission has highlighted the poor condition of roads in NSW and the heavily congested conditions experienced by passenger and goods carrying vehicles on urban roads.

The greatest single factor that has brought about the current deplorable situation is the Government's failure to support the Bureau's recommended level of funding. To this end we are critical of the Bureau's repeated reduction of warranted programs and strongly urge that greater emphasis be placed on the benefits of completing the suggested program based on warrants. We feel that it is the role of governments, not the Bureau, to indicate the portion of the warranted program that is feasible.

The following recommendations have been formulated on the basis of this submission:

- (a) Greater emphasis should be placed on the warranted program with a view to increasing the roads' share of budget allocations.
- (b) The report should strongly urge the Government to adopt long term (5 year) legislation to enable road construction authorities to plan ahead with sufficient confidence.
- (c) Greater attention should be paid to the condition of NSW's roads with a view to reducing the road toll, reducing the impact of traffic and improving the efficiency of road based transport, private and public, passenger and freight, urban and rural. Better roads are essential to serve NSW's many major industries, for the growth of tourism and for defence needs.

- (d) Because of the backlog in essential urban road improvement works, massive increases in funds allocated to urban arterial roads are urgently required.
- (e) To finance the warranted projects recommended in the Bureau's report, we suggest that a fixed portion of the fuel tax be levied for the purpose of road construction.

In addition to implementing these recommendations the Association considers that a separate short-term program should be initiated for the alleviation of accidents and congestion.

This program could include:

- (a) A planned program of constructing lengths of additional overtaking lanes at frequent intervals in order to reduce the maximum distance over which traffic can be delayed behind slow-moving vehicles.
- (b) The straightening and widening of other two-lane sections to reduce accident risks and as a further means of facilitating overtaking.
- (c) The selected replacement of narrow bridges and railway underpasses.
- (d) The construction of by-passes around towns and other areas where ribbon development is adversely affecting the safety and efficiency of the main road.
- (e) The clearing of road-side obstacles where warranted, particularly in areas where future road construction work will make their eventual removal necessary.



# Appendix 1

## Federal Road Grants Compared with Fuel Tax Collections

	Gross Fuel Tax Collected	Road Grants	Proportion Road Grants in Fuel Taxes	Fuel Taxes Net of Road Grants
	(\$ million)	(\$ million)	(%)	(\$ million)
<u>NSW</u>				
1964/65	59	36	61	23
1965/66	74	39	53	35
1966/67	81	42	52	39
1967/68	85	44	52	41
1968/69	91	47	52	44
1969/70	98	57	58	41
1970/71	123	65	53	58
1971/72	162	75	46	87
1972/73	170	86	51	84
1973/74	227	98	43	129
1974/75	250	114	46	136
1975/76	337	134	40	203
1976/77	379	135	36	244
1977/78	429	156	34	304
1978/79	640 <sup>(a)</sup>	164	26	465
<u>ALL STATES</u>				
1964/65	172	130	76	42
1965/66	218	140	64	78
1966/67	239	150	63	89
1967/68	252	160	63	92
1968/69	273	170	62	103
1969/70	291	193	66	98
1970/71	360	218	61	142
1971/72	452	245	54	207
1972/73	478	279	58	199
1973/74	635	317	50	318
1974/75	679	363	53	316
1975/76	871	434	50	437
1976/77	952	434	46	508
1977/78	1103	478	43	622
1978/79	1650 <sup>(a)</sup>	508	31	1110

(a) Estimated.

#### Appendix 2

E.A. Huxtable, 'The Role of Private Transport', Paper presented to the University of New South Wales 1978 Symposium, Transporting People. November 1978.

#### Appendix 3

E.A. Huxtable, R.G. Cox, 'Energy and Public Transport - Are Popular Beliefs a Myth?', 5th Australian Transport Research Forum, 18-20 April 1979.

#### Appendix 4

E.A. Huxtable, 'Financing Australia's Roads - A Dismal Failure', International Road Federation - Australasian Road Conference, 1978.