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ROADS GRANTS AMENDMENT BILL 1982

Date Introduced: 18 March 1982
House: House of Representatives
Presented by: Hon. R.J. Hunt, M.P.
Minister for Transport

Short Digest of Bill

Purpose

To appropriate a further \$2,337 as payments to the States and the Northern Territory for road works over the period 1982-83 to 1984-85.

Background

The Commonwealth has provided assistance for road works in the States since 1923 under various Acts. The current road funding programme, announced in June 1980, involves the provision of \$3,650m over the five year period 1980-81 to 1984-85. Of the total amount, \$628m was provided in 1980-81 under the Roads Grants Act 1980, while a further \$685m was appropriated in 1981-82 under the Roads Grants Act 1981.

The 1981 Act introduced a number of innovations in the procedures relating to the provision of road funds. That Act, continuing the process begun in the 1980 Act, reduced the number of road funding categories to three - national, arterial and local roads. The existence of fewer categories was designed to allow the States greater flexibility in the allocation of funds over their total road programmes.

The 1981 Act also abolished the requirement, in existence since 1959, for States to provide a certain quota of their own funds before fully qualifying for Commonwealth assistance. Generally, State road fund contributions had exceeded these contributions in any case. Whereas the States previously had to have their arterial road construction programmes approved by the Minister, the 1981 Act provided that the States need only furnish an annual, audited statement indicating that Commonwealth funds for arterial road construction had been properly spent. This provision was not extended to local roads, although the Act continued the practice of allowing any State and the Minister to negotiate the principles on which Commonwealth

funds could be devoted to local road projects rather than requiring specific project approvals.

One provision of the Act which still engenders considerable debate is the requirement that all works relating to national road projects should be let for tender. While it is true that the Commonwealth is solely financially responsible for the construction and maintenance of national roads, the actual execution of such projects is undertaken by the States. The States generally hold the view that any requirement to call tenders should be assessed by the State road authorities.

A further innovation of the 1981 Act related to the appropriation of road funds over a number of years. The States have argued that project budgeting would be facilitated if at least a certain level of funding were assured over a period of several years. The 1981 Act therefore appropriated funds for national roads over the period 1981-82 to 1983-84, although funds for arterial and local roads were only appropriated for the single year 1981-82.

The present Bill maintains the basic provisions of the Principal Act. Its main innovation is that it specifies the total annual appropriations of funds for the States and the Northern Territory for each of the three road categories over the period 1981-82 to 1984-85.

These appropriations adhere to the strategy announced in 1980 whereby Commonwealth roads payments were to be allowed to grow at a decreasing rate in money terms. Between 1979-80 and 1980-81, road funds increased by 11 per cent, while for 1981-82, they increased by 9 per cent. Over the next three years the annual rates of increase will be 7 per cent, 6 per cent and 6 per cent respectively. The recently released Bureau of Transport Economics Report on Road Construction Price Indexes indicates that, during 1979-80, the cost of road construction increased by 15.9 per cent with a further 15.3 per cent rise being recorded during 1980-81. If these rates of cost escalation are maintained, the real value of the Commonwealth's road funding programme will decline significantly over the programme period.

The appropriations contained in the Bill also maintain the same funding relativities between the States and between the road categories as existed in both 1980-81 and 1981-82, despite evidence that some States may have greater funding needs than others. The Minister himself has referred to the funding needs of Queensland and N.S.W. in this respect. A recent joint Federal/State Report on National Highway Deficiencies and Funding Strategies has

further indicated a need for greater funding for national roads if specified highway standards are to be achieved by the year 2000.

In his Second Reading Speech to this Bill, the Minister notes that the relativities currently existing may not be appropriate over the entire programme period. He therefore reiterates the statement he made when introducing the 1981 Roads Grants Bill that the Commonwealth is not necessarily committed to maintaining the present funding relativities in future years.

For further information see the Bills Digest for the Principal Act.

Main Provisions

Clauses 3 to 17 amend the Principal Act such that the provisions of that Act relating to the appropriation of road funds and the conditions on which the funds are provided apply to funding for all three roads categories for each of the years 1981-82 to 1984-85.

Clause 19 repeals Schedules 1, 2 and 3 of the Principal Act, which appropriated funds for national roads for the period 1981-82 to 1983-84 and for arterial and local roads for 1981-82, and substitutes new Schedules 1, 2 and 3 which appropriate funds for all three roads categories for each of the years 1981-82 to 1984-85.

For further information, if required, contact:

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Finance, Industries, Trade &
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