

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2017 - 2018

**Division/Agency:** Commonwealth-State Relations Division

**Question No:** 186

**Topic:** Roads to Recovery Program Funding

**Reference:** Hansard page 30-31 (29 May 2017)

**Senator:** Macdonald, Ian

**Question:**

Senator IAN MACDONALD: Adani can apply, like anyone, to the North Australian Infrastructure Facility. If they go through their rigorous criteria then they, or anyone else, including the Queensland government, could get the money. That was a red herring. I should have ignored it.

Mr J Fraser: Mr Brennan will be well placed, I trust.

Mr M Brennan: For the purposes of the accounting treatment, so whether it results in a hit to the underlying cash balance or indeed the net operating balance, the issue is really who owns the asset at the end of the day. For anything that is a piece of physical infrastructure, in the vast majority of cases the state will be the owner of the asset. Because of that, the asset will sit on the state's balance sheet. Any contribution the Commonwealth is making to that will necessarily be a grant, and that will be the appropriate accounting treatment. The departure from that will be instances where the Commonwealth is doing something directly, which it will own—and often it can own assets via a financial asset if it is a commercial proposition, like the Western Sydney Airport or the NBN.

Senator IAN MACDONALD: The Roads to Recovery funding goes straight to local authorities, but the Commonwealth and the local authority do not own the road, as such.

Mr M Brennan: No, that is correct, but it will be treated as a grant in terms of the Commonwealth's budget. Roads to Recovery is a program—

Senator IAN MACDONALD: My time is finished, but I am really not talking about how you calculate it. I am saying that, as an economic driver of Australia, infrastructure spending is very important. But the importance and the benefit given from the Commonwealth investment in infrastructure is being lessened by, very often, state inefficiencies in dealing with it. Is there any way you can more readily ensure that the money is used and spent for what it is given, which is to stimulate the economy and provide infrastructure?

Mr M Brennan: I think there are instances. There are instances of money that flows through the state books, but there is no state discretion or control or autonomy over those moneys. Roads to Recovery is an example of that. The local government financial assistance grants and the identified road grants fall into that category as well.

Senator IAN MACDONALD: They still go through the states.

Mr M Brennan: That is right.

Senator IAN MACDONALD: They are creamed off on the way through.

Mr M Brennan: They distribute them—the financial assistance grants according to an equalisation formula. There is always the possibility of looking at more direct contribution. It is just that in the vast majority of infrastructure projects the ultimate asset is owned by the state, and that will always be a challenge.

Senator IAN MACDONALD: Can you think about it?

Mr M Brennan: Yes.

**Answer:**

Under the Roads to Recovery Programme each local government council is guaranteed a share of the total Australian Government funding. The council makes the decision on which projects to fund and reports to the Australian Government and the Government then pays the funding directly to each council. Most of the administration is managed via the internet.

There are large parts of Australia, mainly in remote areas, where there are no local councils and therefore State Governments provide council services to small communities. Special programme provisions apply to these areas and to the Indian Ocean Territories.