

TRANSFERS OF ROADS FUNDS BETWEEN STATE AND LOCAL GOVERNMENTS

Patrick J. CARTERS
Principal Research Officer
Office of Local Government
Department of National Development and Energy
Canberra

ABSTRACT: *This paper attempts to identify and quantify all the various cross-transfers of roads funds which occur in each State between State and Local Government authorities. Comparable time series data are presented at the individual State and All States aggregate levels for grants, loans, reimbursements and loan repayments. Net transfer payments are then presented at constant roadworks prices. During the period 1974/75 to 1980/81, there was an overall real decline of 13.7 per cent in net transfers of roads funds to Local Government authorities.*

During the three years 1978/79 to 1980/81 there was also a real decline in the sum of road grants, general revenue grants and rates, which forms the major source of funds available to Local Government authorities for the performance of their roadworks responsibilities.

TRANSFERS OF ROADS FUNDS BETWEEN STATE AND LOCAL GOVERNMENTS

INTRODUCTION

In all States of Australia, transfers of funds for roadworks occur in both directions between State and Local Government authorities.

The aim of this paper is to present the results of a statistical research project, carried out by the author whilst on a recent secondment to the Australian Council of Local Government Associations, which attempted to identify and quantify these transfer payments at each State aggregate level. The project covered a time series of financial years from 1974/75, when the Commonwealth introduced new arrangements for roads grants to the States, to 1980/81, the last year for which data is available for all States. Recent trends in the annual net transfer of roadworks funds from State to Local Government, at constant prices, are then examined and discussed.

FINANCIAL RESPONSIBILITY FOR ROADS

The financial responsibility for roads in the States of Australia is complicated by our federal system of government. All three levels of government have both physical and financial responsibilities for roads, yet these two responsibilities may not coincide. Thus one level of government may have the physical responsibility for a certain road whereas the financial responsibility lies totally or partially with another level of government.

Generally, the Commonwealth has the financial responsibility for National Roads and roads on Commonwealth properties; the States have the financial responsibility for the remainder of the State classified road systems; Local Government authorities are financially responsible for all other public roads. However, there are many exceptions to these generalities which are discussed later in this paper.

TRANSFERS OF ROADS FUNDS

Transfers of roads funds between the two levels of government fall into three categories:

Grants

These are payments, variously called grants, subsidies, levies, precepts, contributions, etc. which are paid by the grantor to the grantee primarily to assist in meeting the cost of works on roads for which the latter is financially responsible.

Although other grants received by Local Government from State or Commonwealth sources may have been spent either wholly or partly on roadworks, these funds are not being included as roads grants in this paper, as their purpose is not primarily to finance roadworks. Such funds are those received for purposes such as General Revenue Sharing, Aboriginal Advancement, Growth Centres, Tourism Development, Unemployment Relief, Natural Disaster Relief, etc.

CARTERS

Reimbursements

Reimbursements are payments from one authority to another for works carried out by the latter, acting as agent or contractor to the former, on roads which are the financial responsibility of the former. Unlike grants, reimbursements do not assist the recipient in meeting its own financial responsibilities for roads. However, they do assist in providing employment for the recipient's workforce and road plant.

Loans (advances) from State roads authorities

These have been very few in recent years because of the financial demands of State roads authorities' commitments to their own State roads systems. Local Government authorities are now generally expected to make their own arrangements to obtain their borrowing requirements from the private sector.

Loans are really a credit arrangement, rather than direct financial assistance, which allows Local Government authorities to carry out urgent works sooner. Unlike grants, loans involve a commitment to repayments, and therefore result in further transfers of funds to the State from Local Government.

GRANTS

From Commonwealth Sources to Local Government

The successive Roads Grants Acts have ensured the payment of annual grants to each State from the Commonwealth for roadworks, part of which is passed on by the States to Local Government authorities. However, the total amount of Commonwealth roads grants passed on to Local Government authorities in each State, for all roads under their financial control (Local Government roads), may differ widely from the amount allocated by the Commonwealth to its category of Local Roads, as shown in Table 1.

These differences are due to:-

(1) The State roads authority retaining a proportion of the total amount allocated to Local Roads by the Commonwealth, to cover the administration costs of the distribution to Local Government authorities;

(11) The lack of conformity of State and Commonwealth road classifications;

e.g. Some Arterial Roads in Victoria are unclassified and therefore the responsibility of Local Government.
Some Rural Local Roads in Queensland are included in the classified roads system and are therefore the responsibility of the Main Roads Department.

(111) Local Government's responsibility in some States for part of the classified roads system;

e.g. In Western Australia, Local Government is responsible for Secondary Roads.
In New South Wales, Local Government shares equally with the Department of Main Roads the financial responsibility for Secondary Roads and Tourist Roads.

TRANSFERS OF ROADS FUNDS BETWEEN STATE AND LOCAL GOVERNMENTS

The City of Adelaide is responsible for all roads within its boundaries.

(1V) The roads authority, or some other authority, in some States having responsibility for some Local Roads;

e.g. The Department of Main Roads in New South Wales and the Highways Department in South Australia are responsible for all roads in the unincorporated areas of these States. In some States, the authorities responsible for forests, national parks, water supply, hydro electricity, etc. may be responsible for roads within the areas under their control.

(V) The passing on to Local Government of some of the allocation for Minor Improvements to Traffic Engineering and Road Safety.

Although Local Government in the six States received in aggregate twice as much in Commonwealth Grants in 1980/81 as in 1974/75, there were marked differences between the States. The increase for Western Australia was only 42.7% compared with Queensland (167.6%) and South Australia (137.7%). There are also differences in the timing of the increases. Whereas Western Australia and Tasmania received most of their overall increases in the later triennium of 1978/79 to 1980/81, the other four States received most of their overall increases in the earlier triennium of 1975/76 to 1977/78 and therefore enjoyed a higher level of funding for a longer period. In the case of Victoria, Commonwealth roads grants for Local Government have been fairly static since 1977/78.

Table 1 illustrates the shortcomings of the common practice of adopting grant allocations for Local Roads as future estimates of Commonwealth assistance for roads to Local Government authorities. For 1979/80 and 1980/81, this practice would have overestimated the amounts that Local Government authorities would receive by 15% at the All States aggregate level, with much higher errors for Queensland and South Australia.

From State Sources to Local Government

In all States except New South Wales, Local Government authorities receive State source grants from the State roads authority, in addition to the Commonwealth source grants mentioned above. These grants are very substantial in the case of the Country Roads Board in Victoria where, after fluctuating around a mean of \$11.5 million for the previous five years, they increased to \$13.8 million in 1979/80 and to \$16.9 million in 1980/81.

Queensland Local Government authorities receive substantial grants for roads from the State Treasury. These have increased annually from \$3.1 million in 1974/75 to \$9.7 million in 1980/81.

At the State aggregate level, most other State grants to Local Government for roads and ancillary works are not very significant and some have decreased in actual amount during the period under review, or ceased altogether. Nevertheless, these grants may have considerable impact on individual recipient Local

TABLE i

COMMONWEALTH ROADS GRANTS

ALLOCATIONS TO LOCAL ROADS AND TO LOCAL GOVERNMENT AUTHORITIES (FOR ALL ROADS)

\$'000

	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
<u>New South Wales:</u>							
Amount allocated by Roads Acts for Local Roads (a)	19,050	20,360	22,770	33,200	35,506	38,162	42,417
Actual amount passed on to Local Government (b) (for all roads)	17,814	20,481	20,499	32,724	34,289	34,967	38,819
<u>Victoria:</u>							
Amount allocated by Roads Acts for Local Roads (a)	14,830	14,950	14,300	22,600	24,949	26,041	29,668
Actual amount passed on to Local Government (c) (for all roads)	16,546	16,018	20,668	30,111	30,171	31,443	31,638
<u>Queensland:</u>							
Amount allocated by Roads Acts for Local Roads (a)	15,180	18,287	16,300	22,600	24,170	25,978	28,875
Actual amount passed on to Local Government (d) (for all roads)	7,439	9,932	11,794	14,746	15,204	15,292	19,906
<u>South Australia:</u>							
Amount allocated by Roads Acts for Local Roads (a)	5,024	6,587	6,400	8,900	9,518	10,230	11,371
Actual amount passed on to Local Government (e) (for all roads)	3,075	3,563	4,517	5,728	6,098	6,209	7,309
<u>Western Australia:</u>							
Amount allocated by Roads Acts for Local Roads (a)	10,416	11,949	13,500	16,770	17,935	19,277	21,427
Actual amount passed on to Local Government (f) (for all roads)	12,863	14,024	14,175	14,578	17,129	16,808	18,359
<u>Tasmania:</u>							
Amount allocated by Roads Acts for Local Roads (a)	4,830	4,480	4,400	5,900	6,310	6,782	7,538
Actual amount passed on to Local Government (g) (for all roads)	4,018(est)	3,262(est)	3,546	4,817	5,120	5,774	7,504
<u>All States:</u>							
Amount allocated by Roads Acts for Local Roads	69,330	76,613	77,670	109,970	118,388	126,470	141,296
Actual amount passed on to Local Government (for all roads)	61,755(est)	67,280(est)	75,199	102,704	108,011	110,493	123,535

SOURCES:

- (a) Annual Commonwealth Budget Papers No 7, 1975/76 to 1981/82
- (b) Annual Reports of, and unpublished data from, Department of Local Government, 1975/76 to 1980/81
- (c) Annual Reports of Country Roads Board, 1974/75 to 1980/81
- (d) Annual Reports of Main Roads Department, 1974/75 to 1980/81
- (e) Annual Reports of Highways Department, 1974/75 to 1980/81
- (f) Annual Reports of Main Roads Department, 1974/75 to 1980/81
- (g) Unpublished data from Tasmania Department of Main Roads

TRANSFERS OF ROADS FUNDS BETWEEN STATE AND LOCAL GOVERNMENTS

Government authorities. In Tasmania, South Australia and Western Australia, total State grants to Local Government authorities for roads were less in 1980/81 than in 1974/75.

Table 2 shows the amount paid to Local Government authorities for roads in each State, under the various programs of State grants, during the period 1974/75 to 1980/81. During the six years period, total State grants for roads, at the All States aggregate level, increased by only 47%.

From Local Government Sources to the State

Although some amounts are paid in three of the other States, it is only in Victoria and Queensland where grants from Local Government authorities to the State roads authority are significant. In all cases the grants are in the form of compulsory contributions (precepts) towards the cost of certain works on classified roads as detailed below:

- NSW In the County of Cumberland (Sydney Metropolitan Area) Local Government authorities are required to contribute towards the cost of kerbing and guttering on classified roads.
- VIC Local Government authorities must contribute to the cost of all works on Main Roads within their area. On average, this usually amounts to about 8% of the total cost.
- QLD Local Government authorities must contribute to the costs of some works on some declared roads, as follows:
- Urban Sub-Arterial Roads - 10% of construction costs
Main Roads - 10% of construction costs
Secondary Roads - 15% of construction costs plus 10% of maintenance costs.
- SA Local Government authorities must contribute towards the cost of lighting Main Roads within their area.
- TAS Some Local Government authorities are required to make a small contribution to the costs of the maintenance of classified roads within their area.

Table 3 shows the amounts paid by Local Government authorities in each State to the State roads authority, in the nature of grants, for each year from 1974/75 to 1980/81. It is significant that the two States (Victoria and Queensland) which make substantial grants to Local Government for works on unclassified roads also demand substantial contributions from Local Government towards classified roads. This has the effect of reducing significantly the State's net financial assistance to Local Government for roadworks.

The All States aggregate figures show an increase of 93% over the six years period, which is about twice the percentage increase in grants from the State to Local Government over the same period.

TABLE 2

STATE GRANTS TO LOCAL GOVERNMENT FOR ROADS

<u>Purpose of Grant</u>	<u>Source of Grant</u>	<u>Amount of Grant (\$'000)</u>						
		<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
<u>New South Wales(a)</u>								
Maintenance of Bus Routes	Dept of Transport	1,016	718	754	902	960	969	1,063
Access to State Forests	Forestry Commission		108	80	157	143	88	35
Traffic Control Facilities	Traffic Authority	-	-	-	-	1,382	1,427	1,473
Traffic Route Lighting	Electricity Authority	1,817	1,200	996	1,359	2,070	2,638	2,765
Level Crossings	Dept of Local Govt	295	14	-	-	-	-	-
NSW Total		3,128	2,040	1,830	2,418	4,555	5,122	5,336
<u>Victoria(b)</u>								
Unclassified Roads	Country Roads Board	11,761	9,683	13,248	11,703	10,855	13,754	16,884
Street Construction	Transport Department	291	210	208	381	134	566	97
Bus Shelters	Transport Department	2	54	84	64	132	129	266
Bus and Taxi Stands	Transport Department	-	4	2	3	6	21	7
Traffic Control	Transport Department	-	466	244	416	650	625	1,134
Special Projects	Transport Department	-	-	-	11	-	-	87
VIC Total		12,054	10,417	13,786	12,578	11,777	15,095	18,475
<u>Queensland(c)</u>								
Subsidies for L G Roads	State Treasury	3,084	4,081	4,951	5,810	7,076	9,040	9,669
Roads Maintenance	Main Roads Dept	1,741	1,798	1,980	1,901	1,866	1,311	50
Local Authority Roadworks	Main Roads Dept	1,030	463	-	-	-	-	-
QLD Total		5,855	6,342	6,931	7,711	8,942	10,351	9,719
<u>South Australia(d)</u>								
Const and mtce of Roads	Highways Dept	752	968	1,195	344	279	102	112

CARTERS

Table 2 (cont)

Purpose of Grant	Source of Grant	Amount of Grant (\$'000)						
		1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
<u>Western Australia(e)</u>								
Local and Secondary Roads	Main Roads Dept	2,180	2,180	2,243	1,006	1,205	2,445	2,101
Passenger Shelter Sheds	State Treasury	17	17	19	22	18	28	24
WA Total		2,197	2,197	2,262	1,028	1,223	2,473	2,125
<u>Tasmania(f)</u>								
Council Roads and Bridges	Dept of Main Roads	570(est)	434(est)	1,078	1,263	1,572	1,649	280
Streets in Country Towns	State Treasury	27	23	13	17	31	121	111
Sorell and Glenorchy Streets	State Treasury	9	9	8	10	86	5	4
TAS Total		606(est)	466(est)	1,099	1,290	1,689	1,775	395
<u>All States</u>								
Roads and Ancillary Works		24,592	22,430	27,103	25,369	28,465	34,918	36,162

SOURCES:

- (a) Annual Reports of, and unpublished data from, Department of Local Government, 1975/76 to 1980/81.
 (b) Annual Reports of Country Roads Board, 1974/75 to 1980/81; Annual Reports of Auditor-General, 1974/75 to 1980/81; unpublished data from Department of Local Government
 (c) Annual Reports of Main Roads Department, 1974/75 to 1980/81; Annual Reports of Auditor-General, 1974/75 to 1980/81; unpublished data from Department of Local Government
 (d) Annual Reports of Highways Department, 1974/75 to 1980/81.
 (e) Annual Reports of Main Roads Department, 1974/75 to 1980/81; Annual Reports of Auditor-General, 1974/75 to 1980/81.
 (f) Annual Reports of Auditor-General, 1974/75 to 1980/81; Unpublished data from Tasmania Department of Main Roads.

TABLE 3

GRANTS FROM LOCAL GOVERNMENT TO THE STATE ROADS AUTHORITIES

State	Purpose of Grant	Amount of Grant (\$'000)						
		1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
New South Wales (a)	Contribution for kerbing and guttering on classified roads	136	104	57	59	8	-	-
Victoria (b)	Contribution for all works on Main Roads	2,047	2,233	2,518	2,891	2,956	3,112	3,395
Queensland (c)	Contribution for certain works on Declared Roads	2,654	3,477	4,173	4,207	5,062	5,028	5,702
South Australia (d)	Contribution for lighting of Main Roads	63	195	234	278	303	322	394
Tasmania (e)	Contribution for maintenance of some Classified Roads	17	17	17	17	18	18	18
All States	Contributions for Roadworks and Ancillary Items	4,917	6,026	6,999	7,452	8,347	8,480	9,509

SOURCES:

- (a) Annual Reports of Department of Main Roads, 1975/76 to 1980/81.
 (b) Annual Reports of Country Roads Board, 1974/75 to 1980/81.
 (c) Annual Reports of Main Roads Department, 1975/76 to 1980/81.
 (d) Unpublished data from South Australia Highways Department.
 (e) Unpublished data from Tasmania Department of Main Roads.

TRANSFERS OF ROADS FUNDS BETWEEN STATE AND LOCAL GOVERNMENTS

REIMBURSEMENTS

From the State Roads Authority to Local Government

In all States, but only to a minor degree in Tasmania, Local Government authorities carry out works on the State roads system on behalf of the State roads authority, which reimburses them for the cost of such works. In New South Wales, Local Government authorities carry out virtually all of the roadworks on Main Roads, Trunk Roads, Secondary Roads and Tourist Roads. In Victoria, they carry out virtually all of the roadworks on Main Roads and about half of the roadworks on Forest Roads.

Table 4 shows the amounts paid to Local Government authorities in each State by the State roads authority, in the nature of reimbursements, for each year from 1974/75 to 1980/81. During this period, reimbursements increased by an estimated 71%.

From Local Government to the State Roads Authority

In New South Wales, South Australia, Western Australia and Tasmania the State roads authorities also carry out some works on unclassified roads on behalf of Local Government authorities. In New South Wales, this usually consists of works carried out in conjunction with highway deviations. In Western Australia, these works are usually sited in the northern part of the State where small Local Government authorities, which are responsible for huge areas, do not have the manpower and plant necessary to carry out these works themselves.

The annual amount of works carried out by the Highways Department for South Australia Local Government authorities is fairly insignificant in recent years.

In Tasmania, the Department of Main Roads performs all works on bridges on rural local roads and also prescribed bridges in town areas for Local Government authorities, at its own expense. It also does maintenance work on certain Local Government authority roads, at its own expense. For conceptual and comparability purposes this indirect grant arrangement has been treated in this paper as a grant from the Department to Local Government equal to the value of the works and a corresponding reimbursement from Local Government to the Department for carrying out the works on the farmer's behalf.

Table 5 shows the amounts paid to the State roads authorities in each State by Local Government, in the nature of reimbursements, for each year from 1974/75 to 1980/81. During this period, reimbursements increased by an estimated 63%.

The figures for Tasmania represent the cost of the works carried out by the Department of Main Roads on bridges and subsidised roads, as mentioned above.

TABLE 4

STATE REIMBURSEMENTS AND LOANS TO LOCAL GOVERNMENT AUTHORITIES FOR ROADS

State	Type of Transfer	Amount (\$'000)						
		1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
New South Wales (a)	Reimbursements	40,000(est)	53,365	49,849	55,967	57,049	64,613	69,858
Victoria (b)	Reimbursements	26,499	30,627	36,989	35,785	37,005	42,601	44,844
Queensland (c)	Reimbursements	26,368	28,780	38,292	39,288	41,965	42,540	45,378
	Loans	-	869	-	-	-	-	-
South Australia (d)	Reimbursements	3,001	2,469	2,498	2,270	4,383	2,903	3,642
	Loans	42	31	26	58	51	64	10
Western Australia (e)	Reimbursements	7,239	7,423	8,686	10,863	11,442	12,427	12,939
Tasmania (f)	Reimbursements	100(est)	892	1,022	376	251	290	291
All States	Reimbursements	103,207(est)	123,556	137,336	144,549	152,095	165,374	176,952
	Loans	42	900	26	58	51	64	10

SOURCES:

- (a) Annual Reports of Department of Local Government, 1975/76 to 1980/81
- (b) Annual Reports of Country Roads Board, 1974/75 to 1980/81
- (c) Australian Bureau of Statistics' Brisbane Office, unpublished data
- (d) Annual Reports of Highways' Department, 1974/75 to 1980/81
- (e) Annual Reports of Main Roads Department, 1974/75 to 1980/81
- (f) Unpublished data from Tasmania Department of Main Roads

TABLE 5

REIMBURSEMENTS AND LOAN REPAYMENTS BY LOCAL GOVERNMENT AUTHORITIES TO STATE ROADS AUTHORITIES

State	Type of Transfer	Amount (\$'000)						
		1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
New South Wales (a)	Reimbursements	436	1,131	898	562	671	844	928
South Australia (b)	Reimbursements	115	238	338	593	783	467	260
	Loan Repayments	1,838	321	195	140	163	769	52
Western Australia (c)	Reimbursements	1,062	873	665	1,838	804	1,077	1,234
Tasmania (d)	Reimbursements	1,000(est)	903	1,052	1,260	1,451	1,391	1,841
All States	Reimbursements	2,613(est)	3,145	2,953	4,253	3,709	3,779	4,263
	Loan Repayments	1,838	321	195	140	163	769	52

SOURCES:

- (a) Annual Reports of NSW Department of Main Roads, 1974/75 to 1980/81
 (b) Annual Reports of, and unpublished data from, South Australia Highways Department, 1974/75 to 1980/81
 (c) Unpublished data from Western Australia Main Roads Department
 (d) Unpublished data from, and Annual Reports of, Tasmania Department of Main Roads, 1975/76 to 1979/80

LOANS FROM STATE ROADS AUTHORITIES

In South Australia, considerable loans were made to Local Government authorities by the Highways Department in past years to finance specific roadworks or the purchase of road plant. As this scheme is being phased out, in recent years repayments of old loans have exceeded the payment of new loans, resulting in net transfers of funds to the Highways Department.

In 1975/76, the Queensland Main Roads Department provided a once only loan to the Gold Coast City Council for roadworks in connection with the Advancetown Dam.

Details of loans to Local Government authorities are included in Table 4 and details of loan repayments to State roads authorities are included in Table 5.

NET TRANSFERS OF ROADS FUNDS FROM STATE TO LOCAL GOVERNMENT

Table 6 shows the net result, in real terms, of the various transfers of roads funds between State and Local Governments, which have been itemised in Tables 1 to 5. In this Table, grants from Local Government to State roads authorities have been netted out against grants from various State authorities to Local Government; and reimbursements and loan repayments by Local Government have been netted out against reimbursements and loans from State roads authorities. The resultant net transfers of roads funds have then been converted to 1974/75 prices, using the Bureau of Transport Economics' Road Works Input-Price Indexes as published in "BTE Road Construction Price Indexes, 1969/70 to 1980/81", Report No. 49, 1982.

Net Grants at Constant Prices

During the period under review, grants from Commonwealth sources peaked in 1977/78 and declined each year since then. In 1980/81, the level of these grants was 17% below that of 1977/78.

Grants from State sources have fluctuated over the period 1975/76 to 1980/81 but in all cases were much lower than in 1974/75. The level of these grants in 1980/81 was 3% above that of 1977/78.

Total roads grants have shown a similar trend to that of Commonwealth grants, declining annually from a peak in 1977/78. In 1980/81, they were at a level of 14% below that of 1977/78.

The individual States followed fairly closely the general pattern, with the following main exceptions:

- Commonwealth grants to Western Australia declined generally throughout the period.
- State grants to South Australia peaked in 1976/77 and then fell away very sharply in 1977/78, with further decreases to negative amounts in each of the last three years.

TABLE 6
NET TRANSFERS OF ROADS FUNDS FROM STATE TO LOCAL GOVERNMENT
at 1974/75 Prices(a)

	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
	\$'000						
Grants:	NEW SOUTH WALES						
from Commonwealth sources	17 814	17 717	15 636	22 772	22 079	19 426	18 708
from State sources	2 992	1 675	1 352	1 642	2 928	2 846	2 572
Total	20 806	19 392	16 988	24 414	25 007	22 272	21 280
Reimbursements:	39 564(est)	45 185	37 339	38 556	36 303	35 427	33 219
Loans:	-	-	-	-	-	-	-
Total Net Transfers	60 370(est)	64 577	54 327	62 970	61 310	57 699	54 499
	VICTORIA						
Grants:							
from Commonwealth sources	16 546	13 856	15 765	20 954	19 428	17 468	15 247
from State sources	10 007	7 080	8 595	6 741	5 680	6 657	7 267
Total	26 553	20 936	24 360	27 695	25 108	24 125	22 514
Reimbursements:	26 499	26 494	28 214	24 903	23 828	23 667	21 612
Loans:	-	-	-	-	-	-	-
Total Net Transfers	53 052	47 430	52 574	52 598	48 936	47 792	44 126
	QUEENSLAND						
Grants:							
from Commonwealth sources	7 439	8 592	8 996	10 262	9 790	8 496	9 593
from State sources	3 201	2 478	2 104	2 438	2 498	2 957	1 936
Total	10 640	11 070	11 100	12 700	12 288	11 453	11 529
Reimbursements:	26 368	24 896	29 208	27 341	27 022	23 633	21 869
Loans:	-	752	-	-	-	-	-

at 1974/75 Prices (a)

S'000

	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
Grants:	SOUTH AUSTRALIA						
from Commonwealth sources	3 075	3 082	3 445	3 986	3 926	3 449	3 522
from State sources	689	669	733	46	-15	-122	-136
Total	3 764	3 751	4 178	4 032	3 911	3 327	3 386
Reimbursements:	2 886	1 930	1 648	1 167	2 318	1 353	1 630
Loans:	-1 796	-251	-129	-57	-72	-392	-20
Total Net Transfers	4 854	5 430	5 697	5 142	6 157	4 288	4 996

Grants:	WESTERN AUSTRALIA						
from Commonwealth sources	12 863	12 131	10 812	10 145	11 030	9 338	8 848
from State sources	2 197	1 901	1 725	715	788	1 374	1 024
Total	15 060	14 032	12 537	10 860	11 818	10 712	9 872
Reimbursements:	6 177	5 666	6 118	6 280	6 850	6 306	5 641
Loans:	-	-	-	-	-	-	-
Total Net Transfers	21 237	19 698	18 655	17 140	18 668	17 018	15 513

Grants:	TASMANIA						
from Commonwealth sources	4 018(est)	2 822(est)	2 705	3 352	3 297	3 208	3 616
from State sources	589(est)	388(est)	825	886	1 076	976	182
Total	4 607	3 210	3 530	4 238	4 373	4 184	3 798
Reimbursements:	-900(est)	-10	-23	-615	-773	-612	-747
Loans:	-	-	-	-	-	-	-
Total Net Transfers	3 707(est)	3 200	3 507	3 623	3 600	3 572	3 051

TABLE 6(cont)
 NET TRANSFERS OF ROADS FUNDS FROM STATE TO LOCAL GOVERNMENT
 at 1974/75 Prices(a)

	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
	\$'000						
	ALL STATES						
Grants:							
from Commonwealth sources	61 755(est)	58 201(est)	57 360	71 471	69 550	61 385	59 535
from State sources	19 675(est)	14 190(est)	15 335	12 468	12 954	14 688	12 845
Total	81 430	72 391	72 695	83 939	82 504	76 073	72 380
Reimbursements:	100 594(est)	104 162	102 504	97 631	95 548	89 775	83 224
Loans:	-1 796	501	-129	-57	-72	-392	-20
Total Net Transfers	180 228(est)	177 054	175 070	181 513	177 980	165 456	155 584

(a) Deflator used: Bureau of Transport Economics' Road Works Input-Price Indexes.
 For Data Sources, see footnotes on Tables 1 to 5

CARTERS

- In Tasmania, Commonwealth grants peaked in 1974/75 and have fluctuated at a lower level since then. State grants did not peak until 1978/79 and fell sharply in 1980/81, due to a change to the use of Commonwealth funds in lieu of State funds for Urban Roads in that year.

The following figures show the percentage changes in the real levels of net grant assistance to Local Government for roadworks between 1974/75 and 1980/81:

State	Percentage change 1974/75 to 1980/81		
	Commonwealth Grants	State Grants	Total Grants
NSW	+ 5.0	-14.0	+ 2.3
VIC	- 7.9	-27.4	-15.2
QLD	+29.0	-39.5	+ 8.4
SA	+14.5	-119.7	-10.0
WA	-31.2	-53.4	-34.4
TAS	-10.0	-69.1	-17.6
All States	- 3.6	-34.7	-11.1

Over the six years period there has been a small decrease in Commonwealth roads grants and a large decrease in State roads grants to Local Government. Although the State funds decreased in every State, the three smaller populated States have fared the worse. In South Australia, the decrease in State funds was large enough to more than offset the 14.5% increase in Commonwealth funds.

Although Queensland and New South Wales have shown an increase in total grants over the six years period, the present levels (1980/81) are 9% and 13% respectively below the levels of 1977/78.

During the period 1977/78 to 1980/81, the proportion of the total Commonwealth roads grants to the States which was allocated to Local Roads was 23%, compared with 18% during the previous three years. During the same period, the ratio of total Commonwealth grants passed on to Local Government to the amount allocated to Local Roads fell from 93% to 87%. This would indicate that the States, squeezed for funds by real annual decreases in Commonwealth roads grants, have been withholding a higher proportion of the increased allocation to Local Roads or have decreased the proportion of Arterial Roads funds which they pass on to Local Government. The large decrease in grants from State source funds to Local Government authorities also indicates that the States have been allocating dwindling roads funds to the classified roads system at the expense of unclassified roads.

Data at hand for four of the States indicates that the above trend has been somewhat reversed in 1981/82, as the result of new allocation procedures.

TRANSFERS OF ROAD FUNDS BETWEEN STATE AND LOCAL GOVERNMENTS

Net Reimbursements at Constant Prices

In all States except Western Australia (1978/79), net reimbursements had reached a peak by 1976/77. At the All States aggregate level, net reimbursements have shown an annual decline since 1975/76 to a level in 1980/81 which is 17% below that of 1974/75. In individual States, the level of decrease over the six years period ranges from 9% in Western Australia to 44% in South Australia, except for Tasmania which received a 17% increase due to Local Government involvement in the second Hobart bridge project. The other three States experienced a decrease of 16-18%.

In Tasmania, net reimbursements were negative every year due to the large amount of bridgeworks carried out on Local Government roads by the Department of Main Roads.

Total Net Transfers at Constant Prices

These amounts, representing the net total of roads funds transferred to Local Government from State authorities (including the passing on of Commonwealth grants), during the period under review reached a peak of over \$180 million in both 1974/75 and 1977/78, the first year of each triennium covered by successive Commonwealth Roads Grants Acts. Following each of these peak years has been an annual decline in funding. The new Commonwealth quinquennium roads program not only failed to establish a new peak in Commonwealth grants in 1980/81, the first year of the program, but continued the existing annual decline. A further decline in State source grants and reimbursements in 1980/81 therefore resulted in a continuation of the annual decline in total net transfers to Local Government.

The level of total funding in 1980/81 is 14.3% below that of 1977/78 and 13.7% below that of 1974/75, despite increases in road lengths and vehicle registrations during the ensuing years.

Every State except South Australia (1978/79) had reached a peak in total funding by 1976/77 and has exhibited an annual decline in recent years. South Australia (+3%) is the only State to receive a higher level of funding in 1980/81 than in 1974/75. The other States have all shown a decline over the six years period, particularly Western Australia (27%), Tasmania (18%) and Victoria (17%).

FUTURE TRENDS

Commonwealth grants

The Roads Grants Act 1981 provides for annual increases in grants to the States of about 9%, 7%, 6% and 6% in the four years following 1980/81. At present rates of inflation the annual real decline in these grants will continue until at least the end of 1984/85. From 1982/83 onwards, the A B R D program will provide additional grants to the States which will result in real increases in total Commonwealth grants for Local Roads in 1982/83 and 1983/84. From 1984/85 onwards, the A B R D grants will increase at an annual rate of about 1% only, due to

CARTERS

the levelling off of automotive fuel consumption in Australia. This will result in an actual increase of only 5% in total Commonwealth grants for Local Roads in 1984/85, which will almost surely be a real decline. Should the costs of roadworks continue to escalate at the present annual rate of about 15%, then the real level of Commonwealth grants to Local Government authorities in 1984/85 will be similar to the low level in 1980/81.

Net grants and net loans from the States

Because of the declining real level of grants from the Commonwealth, the States will continue to feel the squeeze on road funds. It is therefore very unlikely that they will increase grants and loans to Local Government authorities and the present real decline should continue.

Net reimbursements from State roads authorities

The real decline in net reimbursements to Local Government authorities should continue and may even accelerate. Commonwealth grants for National Roads under the Roads Grants Act and for National and Arterial Roads under the A B R D program are conditional on tenders being called for the roadworks jobs. Should this result in a higher than usual proportion of contracts being awarded to the private sector, then the State roads authorities will be forced to cut back on the amount of works which they allocate to Local Government authorities, in order to fully employ their own workforce.

IMPACT ON LOCAL GOVERNMENT ROADWORKS

There are no taxes, fees or charges (other than for parking areas) levied by Local Government on the users of roads. Although roadworks may receive funds from the sale of road plant or other specific purpose grants from time to time, the only significant funds available on a continuing basis for Local Government roadworks are those from the following sources:-

- Specific grants for roads from the Commonwealth and States
- General purpose grants from the Commonwealth and some States
- Rates levied on landholders

Roadworks are sometimes initially financed from borrowings, but the loans then incurred, or subsequent conversion loans, must be repaid eventually from the above sources of funds.

Table 7 shows that, relative to the escalating costs of roadworks, roads grants and rates have declined substantially since 1978/79, whilst general revenue grants have increased. The latter increase however, due mainly to the increase in Local Government's share of Personal Income Tax from 1.52% to 2.00%, did not fully offset the decline in roads grants and rates. The result is that funds from which roadworks may be financed declined between 1978/79 & 1980/81. This decline is more pronounced in New South Wales where rate pegging legislation applies.

TABLE 7
 SELECTED ITEMS OF REVENUE OF LOCAL GOVERNMENT - ALL STATES
 at 1974/75 Prices (a)
 \$ million

	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
Net Roads Grants	81.4	72.4	72.7	83.9	82.5	76.1	72.4
General Revenue Grants(b)	68.7	81.4	117.6	125.7	125.7	132.0	152.5
Ordinary Services Rates (b)	705.3	764.2	788.6	780.0	779.3	735.8	713.8(e)
	855.4	918.0	978.9	989.6	987.5	943.9	938.7

(a) Deflated by BTE Road Works Input-Price Indexes.

(b) Source: Commonwealth Office of Local Government's "Digest of Local Government Statistics, 1982".

CARTERS

The proportion of rates and general revenue grants allocated to roadworks in recent years would also have experienced a decline due to the pressure on Local Government finances caused by high interest rates and demands for recreation facilities. The latter is at least partly due to programs such as "Life, Be in It" initiated by other levels of government. During the period 1974/75 to 1979/80, the changes (in percentile points) in the proportions of total Local Government outlay allocated to these functions were:-

Road Systems and Regulation (-6)

Recreation and Culture (+3)

Interest Payments (+2)

Source: Derived from data in A B S Publication: State and Local Government Finance, Australia, 1979-80.

In recent years, Local Government has had a declining proportion of declining real funds with which to maintain and upgrade a network of roads which are carrying ever increasing volumes of traffic.

Many Local Government authorities, particularly small rural Shires whose primary function is roadworks, rely heavily on the State roads authority for extra works in order to fully employ their labour force and roadplant. The steady decline in the level of reimbursements received in respect to these extra works since 1975/76 is making it very difficult for some Local Government authorities to avert having to stand down their employees and plant engaged on roadworks, for part of each year. Where such standdowns occur, they result in inefficient roadworks, because the best members of the labour force will seek more permanent employment elsewhere and the lack of sufficient work to justify the purchase of modern plant will lead to the retention of obsolete plant items.

SUMMARY

During the period 1974/75 to 1980/81, relative to annual increases in the costs of roadworks:-

- Commonwealth roads grants passed on by the States to Local Government reached a peak in 1977/78 and then declined annually to a level of 3.6% below that of 1974/75.
- Net roads grants from State sources declined generally to 1977/78, increased to 1979/80 and then declined again in 1980/81 to a level of 34.7% below that of 1974/75.
- Net reimbursements for works carried out on behalf of State roads authorities declined annually since 1975/76 to a level of 17% below that of 1974/75.
- Total net transfers of roads funds from the States to Local Government have declined annually since 1977/78 to a level of 13.7% below that of 1974/75.

In all years except 1975/76 loan repayments to State roads authorities have exceeded the small amount of new loans provided by them.

TRANSFERS OF ROADS FUNDS BETWEEN STATE AND LOCAL GOVERNMENTS

The decline in recent years of roads grants to Local Government authorities has made it very difficult for them to maintain and upgrade their road systems. Any assistance by way of increases in personal income tax sharing grants has been eroded by the need to use a proportion of these funds to meet the higher costs of recreation facilities and debt servicing and to offset the real decline in rate revenue.

The long term decline in net reimbursements has created difficulties for Local Government authorities who rely on these to provide full employment for their roadworks staff and plant.

Present indications are that the general decline in net transfers of roads funds to Local Government will continue to at least 1984/85, except that the A B R D program may provide some respite in 1983/84. The effects of the present recession, unemployment, drought and wages freeze will prevent any sizable increase in personal income tax and rates collections to offset the decline in roads funds transfers. The loss of the diesel fuel excise tax exemption, together with the payment of the A B R D fuel tax by Local Government should ensure a high rate of inflation in the costs of roadworks to offset any increase in roads funds.