

THE PRICE OF GOVERNMENT PARTICIPATION IN THE AUSTRALIAN TRANSPORT SECTOR

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ABSTRACT:

The current interest of transport policy-makers with the deregulation debate, and the calls by some to privatise or corporatise the public transport operators in Australia, is a reflection of the community's concern with the perceived high level of government participation in the Australian transport sector and with the effectiveness of that participation in meeting their transport needs. This paper seeks to contribute to the discussion by providing some first-order perspectives that might help shape its parameters. Whether or not the current debate will prove relevant to future policy implementation depends upon the assumption that the activities of government are in fact costly to the taxpayer and that the results are neither efficient nor socially effective.

One of the first requirements or prerequisites, for discussion is a broad understanding of just what is spent on transport in the taxpayer's name, and on what sort of services in the taxpayer's interest. However, the unique nature of Australia's governmental structures, coupled with the vast array of interventionist mechanisms they pursue, makes it extraordinarily difficult to quantify the costs of government participation in the transport sector. With full recognition of these problems, nonetheless, this paper sets out to provide such an overview.

The paper provides estimates of the total cost of government participation in the Australian transport sector in 1986/87. It assesses some of the differences in financial performance between the states and between modes, and explores the differences between total government expenditure and, after accounting for identifiable earnings, the net price of services to the taxpayers. As a consequence, the results provide a "snapshot" of government activity in transport: but, in so doing, they produce for the first time a comprehensive background within which to cast the overall policy debate.

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The case for privatization assumes that for a variety of historical and other reasons government has somehow ended up providing a spectrum of services to the community for which it is intrinsically unsuited, and that private sector operation will improve both efficiency and the general level of benefits accruing to the community. But often the evidence put forward to justify the need to redirect policy towards privatization, corporatization and deregulation is scant and inconclusive, and rarely presented as a consistent and logical package. One lesson from history is that where a policy direction has evolved and been implemented over a considerable time-frame despite all kinds of economic and social shocks, it will be because those policies are both economically functional and politically acceptable. If the direction of policy is to change, then a substantive case must be established.

The onus, then, is on the proponents of privatization to demonstrate not just the need for change but the actual advantages of their case. Such an argument, necessarily, must identify who gains, who loses and where the net advantage lies, if it is to be persuasive. But before a case can be set out, it is essential that there exists a common understanding about the nature of current policy and of the political, social and economic realities of its implementation. One fundamental component of this being a reasonable assessment of the current price of government participation to meet the existing policy goals, so that the worth of its benefits (or failings) may then be determined. Nowhere is this more difficult than in the Australian transport sector.

1. OBJECTIVES

As a first-order step in the process this paper provides one interpretation of the extent of government participation through a quantification of the financial cost of all government activities directly associated with the provision of transport services and infrastructure in Australia. There are, however, very significant difficulties associated with the form and nature of the data necessary to quantify these costs. Thus, the concern is to establish a reasonably accurate indicator of government involvement, sufficient for use in policy assessment, but, at all times, with recognition that at the margin there will always be a need for accounting adjustments. In reality, given the nature of the data, this is as much as can be expected within the available resources; but, it should be noted, is as much as is required for the purpose unless very specific applications of policy are being evaluated.

This paper, then, seeks to provide a 'snapshot' of the extent of government participation in the transport sector. It does this by quantifying the financial expenditures of all Commonwealth and State

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government agencies in Australia which have a direct involvement in transport for one year: the 1986/87 financial year. 1986/87 was chosen for its relative currency and the absence of abnormal influences, either within the commercial trading aspects of the sector or within the expenditure patterns of governments. As such, it serves as a useful benchmark. This, of course, does not deny that there are some instances where the expenditures of individual agencies significantly differ from previous years, but rather suggests that the aggregate results demonstrate the overall pattern of government involvement.

Quite obviously, financial information can be processed and presented in many different ways, to serve many different purposes; and, it is for this reason, that the quantification of so many government agencies expenditures is such a complex task. An exercise such as this, which aggregates these results in a consistent manner, might still be subject to the same criticism if the outputs, and the purposes for which they are to be used are not clearly spelt out.

For this exercise, then, the desired information is:

- * the total expenditure by all governments and government agencies involved in the administration or the provision of services or infrastructure to the transport sector;
- * the total of government payments for transport administration, infrastructure and services;
- * the total of direct earnings/receipts by governments or their agencies from the sale of transport services;
- * the total of indirect or unattributed earnings by governments or their agencies from various user charges associated directly with transport;
- * the net cost to government (i.e. the taxpayer) of government participation in the transport sector; and
- * a measure of cost recovery for government activity, based on the net cost to government of these activities

Of course, to be of value in policy analysis, these results must be disaggregated by each level of government and by mode or principal types of service agency.

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2. THE APPROACH TO COSTING

To meet these specified information needs, a consistent approach to the treatment of expenditure data, and to the reformulation of that data for presentation, is essential. This, in itself, creates a great many difficulties because the published results for each government or government agency are presented individually, their objectives and assumptions being based on their unique requirements for the treatment of financial information.

Consequently, any attempt to aggregate or coalesce the individual results of the various government agencies (for 1986/87) is going to transgress a variety of assumptions and conditions on which those results were based. The costing framework, therefore, has had to take particular note of these differences in assumptions, qualifications, definitions etc; but, without any homogeneity among the reporting agencies, there exists no consistent basis for their analysis. In order to produce such an aggregation, therefore, it has been necessary to treat each set of accounts individually, wherever possible by making assumptions about differences in expenditure terminology according to the stated intentions of the reporting agency. Clearly, in a few cases some of these assumptions are quite heroic and some are "guesstimations"; but, it is believed, that on balance a reasonable overall result is achieved.

The methodology for determining the cost of government expenditures is simple enough. It required first a check list of all government departments and agencies with a known role in the transport sector and, subsequently, access to their annual accounts or financial reports. Information for government departments is, in most cases, readily derived from Budget Papers and the more authoritative Auditor-General's reports, but the trading operations of agencies are often separately reported. In some cases, notably with Port authorities, this data is difficult to obtain and reflects the real independence some of these authorities have from normal government processes. Other peculiarities include the problem of treating jointly funded agencies, however, these are relatively small, non-profit agencies whose costs are shared by other government authorities. For convenience, then, there has been no attempt to separately identify them, rather their costs, earnings, etc have been incorporated within the results of their sponsoring agencies.

Given the availability of this data, it was necessary to process each agency independently to ensure a consistency of treatment and to avoid the double counting of government transfer payments. The examination of some of these accounts revealed further transfers from 'non-transport' government agencies, necessitating further rounds of financial investigation. Clearly, this is an iterative process which could be further refined, given greater resources.

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The next step was to convert the individual results into an aggregate format, but to maintain a sufficient semblance of disaggregation to be able to distinguish the costs and performance differences between states (regions) and principal operating agencies (modes). This has been achieved by presenting the results in a consistent format for each of the Commonwealth, State and territorial governments, with separate entries for the various agencies responsible to that level of government. Municipal expenditures have not normally been included, given the constraint of trying to access 900+ sets of accounts, although those funds provided by the Commonwealth and States for local government use have been included through their distributing agencies. There are one or two instances, however, where local government's role in public transport cannot be ignored and these have necessarily been identified within the States' results.

To provide a further check on the integrity of the aggregate results, the outcomes for each state were tabulated and sent to the relevant transport ministry for checking. This is not to suggest that the individual state ministries verified the results but rather that the opportunity was created to explore the differences in the treatment of published data. The feedback from this process generated a number of changes which have been incorporated in the final tabulations of governments' expenditures (see Appendix)

The results of the review of government transport expenditure are described broadly in Section 3. A more detailed description, both of the costing model and the financial results for each government, is contained in the Appendix.

3. FINANCIAL SUMMARY OF GOVERNMENT EXPENDITURES

This section provides a broad summary of government expenditures on transport for 1986/87. It is presented in three parts, the first identifies the Commonwealth's total participation in transport and the extent of transfers to other government levels. The second provides estimates for each state and territorial government. In both cases a minimal commentary is given to draw attention to specific features of the relevant accounts. The final part provides some summary observations about aspects of Australia's public transport expenditure.

3.1 Commonwealth Transport Expenditure (Refer Appendix, Table 1)

The total of direct Commonwealth expenditure on transport in 1986/87 was estimated at \$6.29 billion. This, of course, is a minimum estimate that excludes some forms of transport related expenditures for defence or other government functions, and transport expenditures

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which are incidental to the pursuit of non-transport policies. Given these omissions, it can be said that the Commonwealth's accounts are relatively straight forward in their presentation, with clear identification of expenditures, direct earnings and specific purposes subsidies. However, the Commonwealth collects very substantial revenues that are a consequence of, or which derive from, the transport task : such as fuel levies, sales taxes, import duties etc. The Commonwealth's various forms of petroleum taxes alone exceeded \$6.8 billion in 1986/87 (Australia 1987a). Most of which was generated by one form of transport activity or another. The Commonwealth, however, has adopted a policy stance which treats these revenues as general taxation, paid into consolidated revenue funds rather than as a user charge for specific tasks.

There are, nevertheless, some excises on motor spirits and diesel fuel, which have been levied as user charges, and which are paid into trust funds for expenditures on interstate transport, the Australian Bicentennial Road Development Programme and the Australian Land Transport Programme. As these funds are clearly specified as user charges, they have been identified in the Appendix Table 1, as unattributed income. It might be noted that these funds, which amounted to \$1.29 billion, were not fully expended in 1986/87. In an accounting sense, this tends to distort the cost-recovery performance of the Land Transport Division of the Transport Department.

There are two aspects of the Commonwealth's financial role in transport worthy of special note, viz:

the very high level of cost recovery compared with most state governments, and

the apparent poor performance of the Commonwealth owned business enterprises

Observations can also be made about the overall cost-recovery for each of the Commonwealth's main transport functions : for the whole of the Department of Transport for example, the cost recovery rate was a remarkable 98%, and even if the impact of the Commonwealth's business enterprises are discounted, cost-recovery still remains around 90%. More importantly, it can be observed that the net draw-down on general revenue (i.e. on taxpayers resources), amounts to only \$342 million, which is a remarkably small contribution given the vast array of Commonwealth services and regulatory functions actually provided. While the casual observer might believe that such an outcome suggests a high level of efficiency within the Department (which may or may not be true), it must also be noted that the Commonwealth is uniquely placed to impose and maintain charges for its services free of the petty political and regional constraints that afflict state administrations.

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Some of the expenditures by the Department of Administrative Services relating directly to the provision of transport infrastructure, must also be included in the overall review; however most of this is in the form of long-term investments. Unfortunately in a flow of funds exercise of this kind, the potential for returns on that investment cannot be demonstrated. To the extent that this casts a negative light on the Department's expenditure it should be discounted.

Part of the Commonwealth's financial role in transport is to act as the central administrator of programmes actually implemented by state and local governments. Table 3.1 identifies \$1.26 billion in transfer payments made in 1986/87, most of which is for national road development schemes, although some funds paid under the Australian Land Transport programme find their way into improvements in public transport. (Where these transfer payments are included in the state accounts, Section 3.2, they are also treated as unattributed income where they are derived from user charges. Balances and adjustments to avoid double-counting are noted in Section 3.3)

Some of the unreturned costs incurred by the Commonwealth are in the form of direct subsidies paid to some transport operators for services and to some transport organizations to assist them with overheads or information costs. Direct subsidies paid by the Commonwealth are identified in Table 3.2, amounting to \$116 million. Clearly obvious from these results is the haemorrhage caused by the Australian National Railways inability to recover their own operating expenses.

In fact Australian National was the only Commonwealth transport business enterprise that failed to return a profit in 1986/87. Between them, the four Commonwealth transport businesses earned \$4.41 billion on an expenditure of \$4.35 billion, or an overall cost recovery of 101.2%. ANL, Qantas and Australian Airlines paid dividends amounting to \$38.5 million but the value of this to the taxpayer, of course, was offset by the \$73 million subsidy to Australian National. The contrast between the three contributing agencies and Australian National is even greater than the dividend payments might suggest as ANL whittled some \$40 million off its accumulated losses (ANL 1987), Qantas similarly increased its reserves by \$42 million (Qantas 1987), while Australian Airlines added \$13.8 million to reserves (Australian Airlines 1988).

3.2 States and Territories

This section provides description for each state and territory's financial involvement in the provision of transport services, infrastructure and administration. A short commentary is provided with each state's accounts to emphasise their unique characteristics and the essential qualifications accompanying each assessment.

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**TABLE 3.1 : COMMONWEALTH PAYMENTS TO THE STATES FOR
TRANSPORT EXPENDITURE, 1986-87
(\$ MILLION)**

Appropriation Item	QLD	NSW	VIC	SA	WA	TAS	ACT	NT	TOTALS
Interstate Road Transport Act	0 19	0 57	0 34	0 18	0 08	0 01	0 01	0 05	1 43
Aust. Bicentennial Road Development	94 70	140 00	93 50	30 30	55 10	15 20	n a	10 80	439 60
Aust Land Transport Programme *	162 60	255 05	160 20	66 60	99 20	32 80	n a	29 00	805 45
Other Programmes	-	0 98	-	-	-	0 06	-	-	1 04
Aerodrome Local Ownership Plan	2 46	5 05	0 76	0 31	0 76	0 02	nil	nil	9 36
TOTALS	259 95	401 65	254 80	97 39	155 14	48 09	n a	39 85	1256 88

* Under the Australian Land Transport Programme, \$231 million was nominally allocated to the states for direct expenditure on local government programmes.

n.a. = not available

Source : Australia (1987d): Commonwealth Financial Relations with other levels of Government, 1987-88; Budget Paper No 4, AGPS Canberra.

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**TABLE 3.2 : DIRECT COMMONWEALTH SUBSIDIES FOR TRANSPORT OPERATIONS
AND SERVICES, 1986-87**

(\$ MILLION)

Agency/Programme	Form of Payment	Value of Subsidy
1. Australian National Railways	- Loan	3 00
	- Rebate for concession fares/ rates	3 22
	- Revenue supplement for :	
	freight operations	19.60
	passenger operations	27 10
	Tasmania operations	17 80
	payments of interest	2.20
		<u>72 92</u>
2. Australian Motor Cycle Council - grant		0 01
3. Tasmanian Freight Equalization Scheme - grant		27 50
4. Australian Shippers Council - conditional grant		0 24
5. Aerodrome Local Ownership Plan - grants		11 16
6. Air route subsidies - revenue supplements		0 74
7. Commuter Air Operators Subsidies - revenue supplements		2 05
8. Contributions to Aviation Organizations - grants		<u>1.08</u>
Total (Budget identified subsidies) :		<u>115.70</u>

N.B Errors due to roundings

Source : Australia (1987c) : Portfolio Program Estimates, 1987-88,
Budget Paper No. 3 AGPS, Canberra.

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3.2.1 Queensland (Refer Appendix, Table 2)

Other researchers have often complained of the difficulties in reporting on Queensland's financial accounts, and this exercise has proved to be no exception. At the time of writing, Queensland's Budget Papers (Queensland 1987) provided the only viable source of consolidated financial information for 1986/87 expenditures, as there were no available Auditor-General's report or Departmental reports to verify these outcomes. Fortunately, the Independent authorities do report in a more conventional manner. The consequence is that the results reported in the Appendix, Table 2, lack confidence, and must be assumed to be subject to alteration as more precise information becomes available for public scrutiny.

The available information does not lend itself readily to an analysis of the Queensland government's role in the transport sector. In particular, the Budget Papers do not consistently identify and allocate direct earnings to the originating department.

Furthermore, some Commonwealth payments, which are earmarked for specific purposes, are paid into consolidated revenue, reappearing as state payments to the relevant portfolio. Capital works expenditures are also difficult to identify where they do not appear as a direct part of portfolio expenses, but rather through a maze of treasury items, intra-government loans and semi-government borrowings.

The accounts, themselves, reflect the unique nature of Queensland's administration. The essential transport supply functions of road construction, ports and railways remain as government departments, financed and controlled through the state administration. This makes it difficult to split the functions of individual departments and determine their performance in specific tasks: Queensland Railways, for example, actually returned a surplus on operating expenses but, as is shown in the Appendix, Table 2, incurred a net cost to government of \$393 million to support a major capital works programme. However, most of this was financed through intra-government loans which could be expected to provide a genuine return to the state. Information in this form does not enable the urban rail task, or the extent of cross-subsidization between Queensland Railway's activities, to be identified. The role of local government in transport is more significant in Queensland than in most other States: for example, in the Brisbane urban area, the City Council provides the basic bus network and, in conjunction with the other transport agencies, some of the road infrastructure.

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The State's maritime functions present a more confusing administrative picture. The Department of Harbours and Marine provides the essential administration, regulation and services for maritime activity, while most of the ports scattered along the Queensland coast are operated under local trusts or private control. At the time of writing, no separate estimates were publicly available for most of these ports, with the exception of the Port of Brisbane Authority, and hence, they have not been included. Similarly, the estimates of revenues attributable to Department of Harbours and Marine activities are inadequate as they are buried in consolidated collections of general revenue, but can be assumed to be substantially more than \$3.9 million identified in the Appendix, Table 2. Monies for port development are separately provided through the self-sustaining Harbour Corporation Fund. Overall, the Maritime activities of the Queensland government can probably be assumed to operate at a substantially better cost-recovery rate than the 80% suggested by the results in the Appendix, Table 2.

3.2.2 New South Wales (refer Appendix, Table 3)

Unlike the situation in Queensland, there is an abundance of current public information concerning the role of the New South Wales government in the transport sector. As might be expected, however, not all that information is consistent, especially the financial data where funding allocations and revenues have been identified in different ways by the various agencies for different purposes. To avoid confusion, and maintain as consistent an approach as possible to the presentation of financial results, the figures presented by the Auditor-General (New South Wales 1987) have been used as the endorsed results, although some cross-checking has taken place where discrepancies seemed obvious.

The broad summary of government operations (presented in the Appendix, Table 3) clearly establishes the magnitude of New South Wales' involvement. It identifies a total level of expenditure around \$4.3 billion on transport, with identifiable earnings exceeding \$3.4 billion. After making due allowance for government transfers and reimbursements, the net cost to the New South Wales taxpayers for their state services would appear to be around \$1.1 billion. But, what must be of critical concern to the policy-makers there, is that some 96% of this cost is directly attributable to the losses imposed by the State Rail Authority (SRA) and the Urban Transit Authority (UTA).

In all likelihood, the contribution of SRA's losses to state expenditures is significantly worse than that depicted. Some of the debt and interest payments incurred by the Public Transport

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Commission were taken over by the Treasury when the SRA and UTA were formed, and some lease payments on new rolling stock and locomotives are similarly carried by general state funds. The Auditor-General, therefore, concluded:

"... it would not be unreasonable to assess the overall cost to the State for the (State Rail) Authority's operations for 1986-87 at a figure approximating \$1,000 Million. ' New South Wales (1987): Auditor-General's Report for 1986-87 Vol. II, Govt. Printer, Sydney. p 11

The remaining modes, marine, road and air (to the extent that the state is involved in aviation) more or less break even, with a small deficit of \$60 million almost entirely attributable to the administration and regulation costs of road transport and the costs of maintaining public facilities and safety for harbours and rivers.

While there is nothing startling or new about the results, to a large extent they simply confirm conventional wisdom, they do highlight the enormous differential in cost-recovery rates between the modes. Prima facie, they suggest a serious inequity in the balance of modal competition.

3.2.3 Victoria (refer Appendix, Table 4)

Summarizing the financial results for Victoria proved the most difficult for all governments. The Victorian government moved in 1986-87 from the more normal methods of budgetary data presentation to a system based on program budgeting. However, as might be expected with such a radical reorganization of accounting practices, there are a number of inconsistencies and information gaps apparent in the initial results. Not the least being the failure to identify earnings by government agencies, the failure to identify Commonwealth funds and other government transfers within the total expenditure of agencies, and an incompatibility of performance indicators between the various agencies (see Victoria 1987 and Victoria Transport 1987). To further compound this position, the three Victorian port authorities continued to report separately in 1986-87 on standard accounting bases.

For this exercise, then, there are some problems with the presentation of the Victorian results. The results for 1986-87 are not comparable with those published in earlier years; nor, in fact, do they match with the budget projections presented in 1986 (a situation made worse for data interpretation by the cost-cuts to transport introduced after the 1986 budget). Moreover, the Ministry of Transport is engaged in an active process of reformulating and

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revising its program budgetting; such, that in all likelihood subsequent financial information will again not be compatible with the current data release. Consequently, to summarize Victorian transport expenditures it has been necessary to make some fairly arbitrary judgements about the allocations of fundings. Expenditure results and total earnings have been confirmed from the program budgetting results for 1986-87, but the allocations of Commonwealth funds and the categorization of earnings has had to be reconciled using 1986 forward projections (Victoria Transport 1986). Thus, while the results as presented may be subject to some argument, they at least appear to be reasonable approximations that are comparable with other states: a situation which may not apply in future years as Victoria moves completely to program budgetting.

Overall, the results suggest that the Victorian government and its transport agencies incurred a total expenditure in excess of \$2.2 billion and recovered only 58.7% of costs through identifiable earnings. In crude terms, the provision of state transport services effectively imposed a net cost around \$932 million on Victorian taxpayers - amongst the highest costs per capita in Australia. In part this reflects the high cost of providing urban services in the low-density sprawl of Melbourne and the incapacity of V/Line to tailor its services and costs to market needs; but, it also reflects the government's accounting policy which ensures that the true cost of its transport services are fully identified.

Amongst the other modes, there are some small deficits in the administration of Victoria's Marine activities; however, it should be noted that Victoria's ports are now constituted as independent authorities responsible for their own financial management. The deficiency incurred by the Port of Melbourne can largely be explained by its capital works programme which can reasonably be expected to enhance future revenues. The road construction and regulatory authorities more or less broke even, thus imposing little direct cost on general revenues.

3.2.4 South Australia (Refer Appendix, Table 5)

The South Australian accounts follow conventional lines of Public Service reporting; thus, although there are some difficulties in properly identifying capital works programmes, the results are relatively straight forward. The estimates derive from the Auditor-General's report (South Australia 1987) which are, in most cases, consistent with budget estimates and the statements of individual agencies. There is, however, a puzzling discrepancy of some \$18 million between the amounts claimed to have been transferred by the Commonwealth and the amounts received by South Australia (see Table 3.1): presumably this reflects South Australia's

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treatment of supplementary funding and its application to the transport sector.

Total transport related expenditure by the South Australian government is estimated at around \$560 million with identifiable earnings of approximately \$355 million. For every dollar spent on state transport services in South Australia; roughly 41 cents comes directly from State funds. The relatively low level of total transport expenditure is partly attributable to the fact that the state no longer operates its own rail service, but this serves to highlight the significance of the deficit on urban transport operations which account for 78.5% of the net costs to government of its overall transport activities.

Unlike most other states, South Australia's maritime activities are not financially self-sufficient, which is a reflection of the decentralized port structure and the small trading volumes available. The car-ferry, M.V. Iroubridge, has since been replaced by a new vessel with a more efficient cost structure but, in any event, is regarded by government as an essential community service to maintain communication links with Kangaroo Island. Road mode operations more or less break even.

3.2.5 Western Australia (Refer Appendix, Table 6)

Western Australia's accounts follow conventional lines of Public Service reporting; however, the use of trust funds to hold receipts and allocations for different transport agencies creates some difficulties in interpreting the flow of funds for individual agencies. The estimates, therefore, are a compilation derived from Treasury statements (Western Australia 1987a, and 1987b), the Department of Transport (1987) and various agency reports in the absence of a single summary statement by the Auditor-General.

The most obvious feature of the Western Australian results is the very high level of cost recovery, around 87%, and the consequent low level of net tax payments from general revenues, less than \$200 million, made by the government to provide the state's transport services. In part, this is because the state government acknowledges that all fees and charges set on users of transport be returned for expenditure on the transport sector, rather than as is the case in many other states, being forwarded to consolidated revenue where some proportion of the receipts may or may not be ultimately expended on transport. For example, the whole of the Business Franchise (Petroleum Products) Licence fee, some \$98.2 million in 1986-87, was forwarded to the Transport Trust Fund. Moreover, individual agencies are required to seek full cost-recovery, not just from their market activities but also from their internecine government arrangements.

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The effect of these policies can be illustrated by examining the performance of the Metropolitan Transport Trust (MTT). In 1986/87, it incurred an expenditure of \$143 million and returned only \$35 million through the fare-box. Government provided \$42 million in direct reimbursements for providing specific services, thus raising identifiable earnings to \$77 million. However, the MTT also received over \$40 million from the Transport Trust Fund as the proportionate share of user charges for urban transport activities.

Again, a brief analysis of the composition of agency deficits to state transport costs shows that the railways are the largest single contributor. In Western Australia, however, the deficit is relatively low in absolute terms and makes up only 45% of net government payments. Despite its high cost recovery rates, urban public transport still accounts for 34% of net government payments in the transport sector. The road sector, as in most other states, is self sufficient.

The maritime sector, however, does impose some significant cost, which is not particularly surprising given the nature of Western Australia's geography and settlement. Whilst the main ports are self-funding and are actually required to pay a dividend on past state investments, maritime services and administration impose a net cost around \$22 million, although there are public benefits in the form of safety and recreational facilities that accrue as part of this expenditure. The disturbing component of maritime expenditure is the \$18 million deficit incurred by "StateShips": a deficit which has continued to grow over the past few years. While government policy may recognise the need to service the more isolated communities with a reliable heavy-duty transport system, the current method of providing this benefit through an ostensibly "commercial" shipping operation seems to be open to question.

3.2.6 Tasmania (Refer Appendix, Table 7)

Although Tasmania is Australia's smallest state, with a publicly funded transport role equivalent to 5% of the largest state, New South Wales, the extent of government involvement in transport is just as complex. Despite the smaller amounts involved, Tasmania's financial accounts mirror the complexity of the larger states; and, in particular, it is difficult to identify the flow of funds for capital works projects. Total expenditures by Tasmanian transport agencies were estimated at around \$242 million with an overall cost recovery rate of 82%.

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One particular aspect of the Tasmanian accounts is that most user charges, service fees, licence receipts etc., are not credited to the servicing agency but rather to consolidated revenue, unless the charge is in the form of a fare-box sale. Agencies which operate at a deficit, such as the Dept. of Main Roads, may therefore appear to generate less revenue than they actually do, with the balance being made up by payments from the consolidated revenue or capital works funds. This lack of attribution of incomes tends to distort the cost-recovery rates of the Dept. of Main Roads and the Transport Commission particularly to the detriment of the road sector which might otherwise be judged as over contributing to expenditure. As a by-line, of course, this procedure tends to inflate the state's general revenue base.

Tasmania's accounts benefit from the fact that the state's rail service is now provided by Australian National but, as in South Australia, this serves to highlight the significance of other activities in the composition of state transport expenditures. Most noticeable is the deficit incurred by the Metropolitan Transport Trust, accounting for some 29% of net government payments.

The Tasmanian government's role in marine transport is most significant, as might be expected of an island state. Maritime functions and administration, excluding the fishing and recreational industries, account for one third of total transport expenditure, but effectively operate at full cost recovery. With the exception of the Bruny Island Ferry Service, the Transport Commissions shipping operations actually provide a net contribution to revenues, although this must be balanced against the subsidies provided in past years. The various port authorities and boards are also self-sufficient, despite the small deficit noted in the Appendix, Table 7. (This appears because various capital works programmes were funded by the Ports from their internal reserves). The Devonport and Burnie port authorities also operate the local airports, which in 1986-87 returned a surplus in excess of \$550 000.

3.2.7 Northern Territory (Refer Appendix, Table 8)

The Northern Territory, unlike the states, receives considerable additional funding from the Commonwealth to supplement the development of the territory's infrastructure and its inadequate general revenue base. Thus, most of the amount identified in the Appendix, Table 8, as "state payments", some \$71 million, in fact, derives from Commonwealth general purpose grants (Dept. of Transport and Works, 1987:48). Furthermore, the Territory, like some other states, attribute most user charges, other than fare-box sales to consolidated revenues rather than to the agency that generated the funds. As a consequence, the revenues of some agencies tend to be understated.

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The composition of agency deficits to the Territory's transport costs shows the road sector as the outstanding contributor but to a large extent this can be discounted as the Commonwealth ultimately covers most of the deficit. The balance of the deficit reflects the high costs of administration, the poor returns from the Darwin Bus Service and the need for government funding for capital works at the Port of Darwin

3.2.8 Australian Capital Territory (Refer Appendix, Table 9)

Estimates of the A.C.T. administration's expenditure on transport services are presented in the Appendix, Table 9, to complete the picture of government involvement in the transport sector. It should be remembered, of course, that municipal expenditures are relatively more significant in the A.C.T. because of its small physical size and demographic concentration.

The results demonstrate the high level of government contributions to the territory's transport infrastructure and the low level of cost recovery achieved by the urban public transport system. In fact, the ACTION bus service receives the highest proportion of net government payments of any service in Australia. The irony, here, is that the A.C.T.'s transport costs are effectively underwritten by the Commonwealth through grants for the Territory's administration, yet it is the Commonwealth which is currently trying to find ways to reduce state grants that are used to support state transport deficits.

3.3 Summary Observations

The results described in Sections 3.1 and 3.2 provide a reasonable assessment of the financial performance of the individual Australian governments' transport activities; and, by implication, identifies their roles and the extent of their participation in the sector. However, for the broader purposes of policy evaluation there is some merit in aggregating the essential results from each government to draw a picture of the extent of total government (i.e. public) participation in the national context. This exercise, of course, results in a loss of precision because the unique variables that affect each government's approach to transport policy and accounting practice cannot easily be translated into a consolidated format.

Table 3.3 provides a summary estimate of national transport expenditures and earnings by the Commonwealth, State and Territory governments. To avoid problems associated with double-counting, the transfer payments made by the Commonwealth are excluded from its account but incorporated in the state and territory results with some minor adjustments to recognize actual Commonwealth expenditure and retained surpluses. Moreover, whilst there are a variety of

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difficulties with the state and territory results, noted throughout Section 3.2, the estimates are at least consistent except that the results for New South Wales remain most debateable. To reiterate the problem, as the Auditor-General recognized (New South Wales 1987), state government policy has transferred much of the railway's debt to Treasury, where it has been incorporated into overall state loan and interest costs; consequently, New South Wales transport expenditures, government payments and net payments are understated by at least \$150 million. If these charges were fairly reflected in that state's transport activities, its cost-recovery measure would fall to around 70%.

Overall, the results from Table 3.3 suggest a total expenditure on publicly provided transport services, infrastructure and administration of around \$15.77 billion in 1986/87. The production of these transport services involved budgetary outlays by the Commonwealth, state and territory governments of \$7.10 billion, but more than half of this expenditure, some \$3.63 billion, can be accounted for as direct user charges levied by governments specifically for the purpose of recouping some elements of their transport costs. Thus, given that the services themselves generated incomes totalling \$8.75 billion (and, of course, allowing for withheld surpluses), it would appear that the net draw-down on general revenue, or in other words the price actually paid by taxpayers, amounts to \$3.45 billion. On these results, it can be argued that the entire spectrum of government participation in the transport sector recovers around 78% of total expenditure.

Again, it must be emphasized that these results are a minimum estimate. They are based on the available public data and on the existing policy practices of government. Missing from the tabulations are estimates for some minor ports (although these would hardly effect the overall totals) and the expenditure of local government. The treatment of earnings assumes that the allocation of revenues from government imposed charges on transport activity are both justified and legitimate; when, quite obviously, it can be argued that governments (other than Western Australia) do not return all of the revenues attributable to transport user charges to the transport sector, rather declaring all or some of these funds to be part of general revenues.

To illustrate this point further: consider the effect on transport sector returns if all of the Commonwealth's petroleum taxes worth \$6.83 billion in 1986/87, were attributed as user charges rather than general revenue. An even more convincing case can be made for the proper attribution of the Product Excise components of the Commonwealth petroleum taxes, as these are specific charges levied on the users of specific transport modes: the transport sector's contribution alone, some \$4.0 billion, exceeds the entire deficit.

TABLE 3.3: TOTAL GOVERNMENT TRANSPORT EXPENDITURE, 1986/1987

(\$ MILLION)

GOVERNMENT	(1) TOTAL EXPENDITURE	(2) TOTAL GOVERNMENT PAYMENTS	(3) DIRECT EARNINGS	(4) UNATTRIBUTED EARNINGS	(5) NET GOVERNMENT PAYMENTS*	(6) % COST RECOVERY (1 c.f.5)
0: Commonwealth (excl. govt. transfers)	5,034.00	412.40	4,747.20	34.52	342.00	93.2%
1: Queensland	2,307.59	1,124.06	1,196.59	618.16	500.47	78.3%
2: New South Wales	4,279.82	2,701.99	1,594.94	1,611.64	1,073.24	74.9%
3: Victoria	2,213.17	1,573.22	571.58	685.64	932.11	57.9%
4: South Australia	559.32	452.48	106.84	222.61	229.87	58.9%
5: Western Australia	903.52	512.62	391.22	315.65	195.95	78.3%
6: Tasmania	242.34	148.11	93.44	98.47	46.14	81.0%
7: Northern Territory	134.45	112.09	20.31	43.06	71.08	47.1%
8: Australian Capital Territory	94.48	66.26	28.22	2.95	63.31	33.0%
Australia Total	15,768.69	7,103.23	8,750.34	3,632.70	3,454.17	78.1%

*Net Government Payments will not equal the difference between earnings and expenditure where individual agencies have carried over losses or paid dividends.

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from all governments' transport activities (Australia 1987a). The states, similarly are often remiss in the way they allocate some transport user levies back to the transport sector; in particular, if all State Petroleum Products Franchise Fees were fairly returned then the public sector transport deficit would appear to decline by more than \$100 million. Of course, the largest discrepancies in user charges allocations concern fuel taxes which, if fairly attributed, would then show an over-recovery from the whole transport sector, with massive contributions from both the road and air modes.

The results from Table 3.3 also highlight the substantial differences between the states in their transport participation and performance. These differences can be further emphasized, perhaps, by re-examining the outcomes on a per capita basis. For example, Table 3.4 demonstrates that total expenditure on government provided transport services, administration and infrastructure in Australia amounted to \$970.45 per person, or, viewed from another perspective, every man, woman and child contributed \$212.58 from their general taxation to support the public transport system in 1986/87.

**TABLE 3.4: COMMONWEALTH AND STATE TRANSPORT EXPENDITURES
PER CAPITA, 1986/87**

(Actual Dollars, July 1987)

State	Population (000's)*	Total Expenditure Per Capita \$	Total Government Payments Per Capita \$	Net Government Payments Per Capita \$
0:Commonwealth	16,248.8	309.81	25.38	21.05
1:Queensland	2,675.3	862.55	420.16	187.07
2:New South Wales	5,605.3	763.53	482.04	191.47
3:Victoria	4,207.7	525.98	373.89	221.52
4:South Australia	1,393.8	401.29	324.64	164.93
5:Western Australia	1,496.1	603.92	342.63	130.97
6:Tasmania	449.1	539.61	329.79	102.74
7:Northern Territory	158.4	848.80	707.64	448.73
8:A.C.T.	263.2	358.97	251.75	240.54
Australia (Average)	16,248.8	970.45	437.15	212.58

* ABS (1987) : Australian Demographic Statistics, Cat. No. 3101 0, Canberra. (July 1987 estimates).

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The different expenditure levels between the states are worthy of further comment: given that per capita spending on transport ranges from a total of \$1 172 36 in Queensland to \$668 78 in the A.C.T. Those states with a high level of participation in the provision of services through state-owned enterprises, in particular railways and urban transport systems can be expected to carry high transport expenditure costs per capita; and, thus, the cost-recovery returns on those activities can be seen to have a significant impact on the net government payments per capita. In Tasmania, however, the apparently high level of expenditure is caused by its involvement in shipping which, in 1986/87, actually returned a surplus keeping net government payments to the nation's lowest levels. The Northern Territory's results appear as the exception and can be explained by the current need to develop a transport infrastructure across a vast geographic area, with the costs being nominally carried by a small population. The very high level of net government payments per capita in Victoria and New South Wales (noting that the New South Wales result would increase to \$220 per capita if its results were to account for past railway debts) reflect the high costs of urban transport and the failure of their railways to recover their costs: just to illustrate, V/Line's deficits impose \$79 in government charges on every Victorian. The extraordinary level of government payments in the ACT is attributable largely to its urban bus system, reflecting a level of over-servicing not found elsewhere in Australia.

Overall, then, it would seem that the composition of transport deficits bears closer scrutiny. Table 3.5 revisits the results by examining net government payments by mode and function. Quite obviously, this exercise involves some arbitrary judgements about the split of costs to their appropriate functions and reflects some policy differences between states; for example, those states with highly centralized transport administrations appear to carry excessive administration and regulatory costs but, in fact, most of these functions are performed by all states but are farmed out to the modal operators in the more decentralized systems. Table 3.5 clearly indicates that there are vast discrepancies in the performance between modes, but in a way that is consistent between states. More than 80% of the total cost to general revenue of transport for all Australia in 1986/87 is attributable to urban public transport and rail deficits. Administrative overheads, which covers a level of regulation, planning and, for some governments, pre-development costs, like site acquisition, amount to only 9% of government payments. The other modes between them imposed a draw-down on general revenue of only \$383 million.

Approaching the results of government activity in transport in this way exposes fundamental imbalances between the modes which have far-reaching implications for modal competition and the effectiveness

TABLE 3.5: NET GOVERNMENT PAYMENTS BY MODE AND FUNCTION: 1986/87

(\$ Million)

State	Urban Public Transport	Roads (Infrastructure)	Rail (Services & Infrastructure)	Air (Services & Infrastructure)	Sea (Services & Infrastructure)	Admin. etc.	Total
0:Commonwealth (excl. transfer payments) (2)	n.a. (1)	(37.6) ^{cr}	75.5	125.4	31.5	147.2	342.0
1:Queensland (2)	30.0	(5.4) ^{cr}	392.8	5.0 ^e	40.7	37.4	500.5
2:New South Wales (3)	482.8 ^e	13.5	547.0 ^e	n.a.	19.0	10.9	1,073.2
3:Victoria	522.5	3.1	331.1	n.a.	21.2	54.2	932.1
4:South Australia	180.4	9.5	n.a.	n.a.	21.4	18.6	229.9
5:Western Australia	67.3	nil	88.9	n.a.	38.7	1.1	196.0
6:Tasmania	13.2	22.0	n.a.	(0.5) ^{cr}	(0.9) ^{cr}	12.3	48.1
7:Northern Territory	3.4	54.9	n.a.	n.a.	3.7	9.1	71.1
8:A.C.T.	30.3	18.0	n.a.	n.a.	n.a.	15.0	63.3
Australia Total	1329.9	78.0	1435.3	129.9	175.3	305.8	3454.2
%	38.5%	2.2%	41.6%	3.8%	5.0%	8.9%	100.0%

n.a. = not available/too insignificant to measure

e = estimate

(1) Commonwealth funding, where applicable, is included in state results.

(2) Queensland's policy of internalizing urban rail costs structures within QR's overall costs makes it impossible to separate the urban rail component from the total figure given for rail.

(3) The cost of urban services provided by SRA has been estimated and applied to the urban public transport figure.

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of current government policy. Some of the costs incurred by each mode may be justified of course, by government policy accepting that there are considerable external benefits associated with these expenditures as is most obviously the case with urban transport, or even the necessity to provide for community service obligations, as may be the case for some fraction of rail and sea expenditures. But, even the most liberal view of policy, which fully recognizes the social benefits to be derived from government participation, cannot but fail to point out the need for a rough equality in cost-recovery between the modal activities of government if the benefits of competition and efficiency are to be attained. In this respect, rail appears as the fatal flaw in current policy.

Isolating rail as the scapegoat for policy distortions may be unreasonable, as governments face serious problems with the conversions of their obsolete technologies. Furthermore, such an argument contributes nothing to the questions about efficiency and policy within modes; which, of course, would require detailed modal analyses. A cursory view, however, suggests that the major deficit contributors amongst the other modes, excluding of course urban transport are the costs imposed by general aviation and the capital works projects for airports and shipping terminals. Capital works, however, for both these modes are generally intended to provide the facilities for future revenues. The only significant deficit to be incurred by a state-owned enterprise, other than a railway, is the loss by Western Australia's StateShips: but, again, this does not imply any comment about the efficiency of other enterprises.

4. CONCLUSIONS

This paper set out to determine what is spent on transport in the taxpayer's name and on what sort of services in the taxpayer's interest. As in all such empirical exercises, the need for data to establish the relevant facts tends to produce more than can be usefully applied to a given problem, but never enough for analysis of all related issues. There is some merit, then, in trying to answer the original questions with bald, "bottom-line" statements, of the sort beloved by senior executives, to give a crude appreciation of the problems at hand.

Such a review of 1986/76 public transport expenditure in Australia would show:

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		<u>\$billion</u>
1	the total expenditure on government transport:	15 77
<u>less</u>		
2	the direct earnings of government services	<u>8.75</u>
3	the gross deficiency on government transport activity	7 02
<u>plus</u>		
4	withheld surpluses and other adjustments	<u>0.08</u>
5	the total of government transport outlays	7 10
<u>less</u>		
6	user charges imposed by government	<u>3.63</u>
7	the net government payment	3 45

Note: Errors due to roundings and the treatment of some dividend payments.

In short, the price paid by the Australian taxpayer is \$3.45 billion to supplement the provision of transport services by all Australian governments. Of more interest, perhaps, is where that money went:

		<u>\$billion</u>
1	urban transport	1 33
2	roads	0 08
3	railways	1 44
4	aviation	0 13
5	sea	0 18
6	administration/overheads	<u>0.30</u>
	Total net government payments:	3 45

Note: Errors due to roundings.

It is here, at the bottom-line, that the fundamental weakness of Australia's transport policies are exposed. There is quite clearly a gross distortion in cost-recovery between the modal activities of government. While some level of expenditure may be justified by externalities and community service obligations, the imbalances that remain imply structured uncompetitiveness and inefficiency for the entire transport sector. That government policy does not attribute all relevant user charges to the revenues generated by each mode, and the extent to which inappropriate regulatory controls may be imposing additional costs on private operators, simply serves to emphasize the distortions which are occurring to the cost-structures between modes and within modes.

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Certainly, the data presented here expose only one dimension of Australia's transport policy problems; but, it is a dimension entirely pertinent to the privatization debate. If the proponents of privatization are merely to argue that an exchange of ownership is to apply only to selected government enterprises, notably those which are already profitable, then they are tinkering with the margins of policy and will contribute little to the rationalization of Australia's fundamental transport deficiencies. In fact the sale of one or two assets is hardly likely to effect the structure of inter-modal competition or the composition of Australian transport deficits, or, indeed, the competitiveness of the industries themselves. In short, the sale of some assets cannot by themselves, create a competitive transport environment where the imbalances in government participation and control remain.

Rather, the proponents of privatization and deregulation must demonstrate how privatization, as a policy direction, can repair the structure of Australian transport and create a truly competitive environment capable of delivering substantial efficiency improvements to Australian consumers. Such an argument, however, must not forget the social significance of government's participation in transport. As this paper has shown, governments are involved as operators, regulators and administrators in a vast array of transport services that, at the very least influences every element of the transport market. The price paid by Australian taxpayers for the sum of these benefits is \$3.45 billion.

If government policy is at fault and if the direction of policy is to be changed, then the proponents of privatization must demonstrate how some greater benefit can be attained. This cannot be done, of course, by negative propositions, which illustrate, for example, the costs imposed on consumers by the inefficiencies caused by current government practices, as this simply emphasizes the known problem. Rather, the case must demonstrate what the benefits are, how the social functions currently fulfilled by government can be maintained (if warranted) and what the effect on taxpayers will be. The litmus test, of course, remains how privatization can effect the restructuring of the transport sector and, in particular, what mechanisms and alternatives it can offer to bring railways into such a competitive framework. Given that information, the taxpayer would then be able to see the sum of benefits available to him through privatization and the price he would be asked to pay. At the moment, we can demonstrate the cost of current policy and the benefits it brings, but the same information has yet to be provided for privatization. On such a basis, a genuine policy choice would be possible.

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APPENDIX: THE COSTING FRAMEWORK AND ITS RESULTS

This appendix provides an explanation of the costing model used to identify the financial expenditures of the Australian governments in 1986/87. It provides a description of the presentation of results and sets out nine summary tables: one for each government.

The standard format for presentation of the results displays information in thirteen columns; although, in Table 1 (the Commonwealth's results) columns (2) to (5) have been aggregated to avoid redundancy. The information contained in this format is set out below.

Column (1) : Total Expenditure

This column displays the total sum of all expenditure incurred by the given government agency during 1986-87.

Column (2) : Commonwealth Payments

This column displays the sum of expenditure by a given government agency derived from Commonwealth financial sources, including transfer payments from Commonwealth accounts for use by state governments.

Column (3) : State Payments

This column displays the total sum of expenditures met from strictly state (or territorial) financial resources. The amounts shown include payments by the state (or territorial) government to their agencies as subsidies or reimbursements to meet specific policy goals. Excluded from column (3) are payments made by the Commonwealth identified in the previous column.

Column (4) : Local Government Payments

This column displays the sum of expenditure by a given government agency derived from local government financial sources.

Column (5) : Sub-Total Government Payments

This column provides a sub-total, aggregating columns (2), (3) and (4). The sub-total of government payments, however, does not normally equal total expenditure because most government agencies earn some income in their own right. In many cases, then, the sum of government payments (5) and direct earnings (6) will equal total expenditure (1). There are exceptions, however, which occur when government makes direct payments to an agency for the provision of specific services (for example, a rebate for pensioner concessions) where the intention is to compensate the providing agency for meeting a government directive that impacts on an otherwise

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'commercial' operation. There are also exceptions where an agency actually generates a surplus

Column (6) : Direct Earnings

This column displays the sum of all earnings directly accredited to a given government agency or, in other words, incomes paid into the agencies own accounts. Direct Earnings normally comprise revenues derived from:

- a) fares and charges imposed on users,
- b) other earnings, which include amounts from trading operations and from sales of assets, interest earnings from own accounts and other assorted forms of income; and
- c) commercial borrowings, where the agency has borrowed funds from the commercial market: intra-government loans are not regarded as direct revenue or earnings, but rather as transfers.

Column (7) : Government Reimbursements

This column identifies those reimbursements and rebates paid directly by the state to the agency for the provision of specific services, such as fare concessions, freight rate concessions etc. It is assumed that the intended purpose of these payments is to reimburse the agency for the direct costs associated with meeting these requirements, thus general revenue supplements and like subsidies are excluded

Column (8) : Unattributed Earnings

This column displays the sum of earnings derived as a consequence of the activities of a given agency but accredited to general government revenues, either to special trust funds or consolidated revenues. For some state and territorial agencies, these amounts include transfers from the Commonwealth's Interstate Road Transport Act trust fund, the Australian Bicentennial Road Development trust fund and the Australian Land Transport programme, because these funds are generated by direct levies and charges on road users for the development of land transport infrastructure. Other forms of income, such as interest and asset sales may also be earned by agencies but paid to general revenue accounts

It should be noted that there is little consistency between the states, about the treatment of direct earnings (6) and unattributed earnings (8). The nature of each state's financial administration determines whether or not the various types of income are credited to the agency or to consolidated revenue. Great caution, therefore,

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should be exercised in any attempt to draw comparisons between states concerning direct and unattributed earnings.

Column (9) : Sub-Total Earnings

This column provides a sub-total of earnings, aggregating columns (6) (7) and (8). From the agency's perspective, it identifies the revenue earned in its own right, even though some of these funds might otherwise be regarded as government transfer payments

Column (10) : Surplus/Deficiency

This column is provided for illustrative purposes only. It displays, as either a surplus or a deficiency, the difference between total expenditure (1) and total earnings (9)

Column (11) : Percentage Cost Recovery

Again, this column is provided for illustrative purposes. It shows, in percentage terms, the individual agencies levels of cost recovery by comparing their surplus/deficiency with their total expenditure.

Column (12) : Net Government Payments

This column displays the net cost (or contribution) to government from the operation of a given government agency. In effect it demonstrates the dividend paid, or the draw-down or liability imposed on government funds from government's participation in that transport activity.

For government departments, and those other agencies wholly dependent on government finance, the results in column (12) equate to total expenditure (1) less both direct (6) and unattributed earnings (8). For those agencies which are responsible for their own financial management, the results in column (12) will indicate only that amount paid directly by a government to the agency, or the dividend paid by the agency to government. In such cases, the amount will not necessarily equate to the difference between expenditure and earnings.

Column (13) : Percentage Government Contribution

This column is also provided only for illustrative purposes. It displays, in percentage terms, the proportion of government funds (12) that make up total expenditure for a given agency. In those cases where a dividend or profit is generated a nil entry is given

APPENDIX TABLE 1 : COMMONWEALTH TRANSPORT EXPENDITURE, 1986-87

AGENCY	(1) Total Expenditure	Government Payments	Earnings				Summaries			
		(2/5) Sub-Total Commonwealth Payments	(6) Direct Earnings	(7) Govt. Reim- bursement	(8) Unattributed Earnings (Trust Funds)	(9) Sub-Total Earnings (9=6+7+8)	(10) Surplus/ Deficiency (10=1-9)	(11) % Cost Recovery (10 c.f. 1)	(12) Net Govt Payments (12=1-8+8)	(13) % Govt Contribution (12 c.f. 1)
1. DEPARTMENT OF TRANSPORT										
1.1 Corporate Services	22.0	20.8	1.2	-	-	1.2	20.8	5.5%	20.8	94.5%
1.1 Sub-Total	22.0	20.8	1.2	-	-	1.2	20.8	5.5%	20.8	94.5%
1.2 Land Transport Division										
Administration	7.9	1.3	6.6	-	-	6.6	1.3	83.5%	1.3	16.5%
Transfer Payments:										
a) ABRD Trust Fund	439.6	439.6	-	-	435.7	435.7	3.9	99.1%	3.9	0.9%
b) ALT Trust Fund	810.4	810.4	-	-	854.2	854.2	(43.8)CR	105.4%	(43.8)CR	NIL
c) IRT Act Allocations	1.4	1.4	-	-	1.5	1.5	(0.1)CR	107.1%	(0.1)CR	NIL
d) State Projects	1.1	1.1	-	-	-	-	1.1	NIL	1.1	100.0%
Reporting Authority: Australian National Rly.	352.0	72.9	276.5	3.2	-	279.7	72.3	79.5%	75.5	21.5%
1.2 Sub-Total	1612.4	1326.7	283.1	3.2	1291.4	1577.7	34.7	97.8%	37.9	2.4%
1.3 Maritime Division										
Administration	58.7	9.0	47.7	-	-	47.7	9.0	84.1%	9.0	15.9%
Tasmanian Freight Equalization Scheme	27.5	27.5	-	-	-	-	27.5	NIL	27.5	100.0%
Reporting Authority: ANL	532.6	-	572.1	-	-	572.1	(39.5)CR	107.4%	(5.0)CR	NIL
1.3 Sub-Total	616.8	36.5	619.8	-	-	619.8	(3.0)CR	100.5%	31.5	5.1%

1.4 Aviation Division										
Administration	343.5	144.9	285.0	-	-	285.0	144.9	86.3%	144.9	33.7%
Airport/Airways Services	86.4									
Transfer Payments										
a) Aerodrome Local Ownership Plan	11.2	11.2	-	-	-	-	11.2	NIL	11.2	100.0%
b) Air Route/Commuter Operator Subsidies	2.8	2.8	-	-	-	-	2.8	NIL	2.8	100.0%
Reporting Authorities										
a) Qantas	2509.1	-	2572.9	-	-	2572.9	(83.8)CR	102.5%	(20.2)CR	NIL
b) Australian Airlines	960.3	-	985.2	-	-	985.2	(24.9)CR	102.6%	(13.3)CR	NIL
1.4 Sub-Total	3913.3	158.9	3843.1	-	-	3843.1	70.2	98.2%	125.4	3.2%
1.5 Independent Agencies										
Inter-State Commission	1.1	1.1	-	-	-	-	1.1	NIL	1.1	100.0%
Independent Air Fares Committee	0.7	0.7	-	-	-	-	0.7	NIL	0.7	100.0%
1.5 Sub-Total	1.8	1.8	-	-	-	-	1.8	NIL	1.8	100.0%
2. DEPT. OF ADMIN. SERVICES										
2.1 Airport Development & Site Acquisitions	123.9	123.9	-	-	-	-	123.9	NIL	123.9	100.0%
2.2 Other Transport Development	0.7	0.7	-	-	-	-	0.7	NIL	0.7	100.0%
2 Sub-Total	124.6	124.6	-	-	-	-	124.6	NIL	124.6	100.0%
COMMONWEALTH GRAND TOTAL	6290.9	1669.3	4747.2	3.2	1291.4	6041.8	248.1	96.0%	342.0	5.4%

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1. Australia (1987b) . The Commonwealth Public Account, 1987-88, Budget Paper No. 2, AGPS, Canberra.
2. Australia (1987c): Portfolio Program Estimates 1987-88, Budget Paper No.3, AGPS, Canberra.
3. Australia Airlines (1988) . Annual Report 1986-87, Australian National Airlines Commission, Melbourne.
4. Australia National Line (1987) . Annual Report 1987, Australian Shipping Commission, Melbourne.
5. Australia National Railways Commission (1987) . Annual Report 1986-87, Adelaide.
6. Qantas Airways Ltd. (1987) . Annual Report '86-'87, Sydney.

APPENDIX TABLE 2. : QUEENSLAND TRANSPORT EXPENDITURE, 1986-87

(\$ MILLION)

AGENCY	Government Payments					Earnings				Summaries			
	(1) Total Expenditure	(2) Common- wealth Payments	(3) State Pay- ments	(4) Local Govt. Pay- ments	(5) Sub-Total Govt. Payments (5=2+3+4)	(6) Direct Earnings	(7) Govt. Reim- burse- ment	(8) Unattributed Earnings	(9) Sub-Total Earnings (9=6+7+8)	(10) Surplus/ Deficiency (10=1-9)	(11) % Cost Recovery (10c.f.1)	(12) Net Govt Payments (12=1-6+8)	(13) % Govt Contribution (12 c.f. 1)
1. Dept. of Main Roads	601.21	288.24	293.64	-	581.88	24.78	-	581.88	606.64	(5.43)CR	100.9%	(5.43)CR	NIL
2. Dept. of Transport	76.56	-	76.56	-	76.56	-	-	34.17	34.17	42.39	44.6%	42.39	55.4%
3. Dept. of Railways	1395.78	-	392.78	-	392.78	1003.00	-	-	1003.00	392.78	71.9%	392.78	28.1%
4. Dept. of Harbours & Marine	44.56	-	40.70	-	40.70	3.86	-	-	3.86	40.70	8.7%	40.70	91.3%
5. Harbours Corporation Fund	85.78	-	-	-	-	86.88	-	-	86.88	(1.10)CR	101.3%	NIL	NIL
6. Port of Brisbane Authority	35.30	-	-	-	-	41.83	-	-	41.83	(6.53)CR	118.5%	NIL	NIL
7. Brisbane City Council*	68.40	2.11	14.48	15.55	32.14	36.26	14.48	2.11	52.85	15.55	77.3%	30.03	43.9%
TOTAL	2307.59	290.35	818.16	15.55	1124.06	1196.59	14.48	618.16	1829.23	478.36	79.3%	500.47	21.7%

* Only includes Urban Public Transport Expenditure

SOURCES:

Brisbane City Council (1987) : Annual Report 1986/87, Brisbane
 Port of Brisbane Authority (1987) : Port of Brisbane Authority Annual Report 1986/87, Brisbane.
 Queensland (1987) Budget Papers, 1987/88, Govt. Printer, Brisbane.

APPENDIX TABLE 3 : NEW SOUTH WALES TRANSPORT EXPENDITURE, 1986-87

(\$ MILLION)

AGENCY	Government Payments					Earnings				Summaries			
	(1) Total Expenditure	(2) Common- wealth Payments	(3) State Pay- ments	(4) Local Govt. Pay- ments	(5) Sub-Total Govt. Payments (5=2+3+4)	(6) Direct Earnings	(7) Govt. Reim- burse- ment	(8) Unattributed Earnings	(9) Sub-Total Earnings (9=6+7+8)	(10) Surplus/ Deficiency (10=1-9)	(11) % Cost Recovery (10 c.f 1)	(12) Net Govt Payment (12=1-6+8)	(13) % Govt Contribution (12 c.f 1)
Portfolio: Public Works													
Ports and Roads													
1. Harbours & Rivers	35.80	-	35.80	-	35.80	-	-	-	-	35.80	NIL	35.80	100.0%
2. Govt. Motor Service	4.89	-	0.04	-	0.04	5.23	0.04	-	5.27	(0.38)CR	107.8%	(0.34)CR	NIL
3. Maritime Services Board	380.19	0.51	63.40	-	63.91	333.09	-	63.91	397.00	(16.81)CR	104.4%	(16.81)CR	NIL
4. Dept. of Main Roads	979.37	383.71	524.18	-	907.89	71.48	-	897.39	968.87	10.50	98.9%	10.50	1.1%
Portfolio : Transport													
5. Ministry	3.98	-	3.39	-	3.39	0.59	-	-	0.59	3.39	14.8%	3.39	85.2%
6. State Rail Authority	2287.90	-	1236.02	-	1236.02	1051.88	166.82	389.00	1607.70	680.20	70.3%	847.02	37.0%
7. Urban Transit Authority	311.67	11.60	196.40	-	208.00	103.59	56.93	25.30	185.82	125.85	59.6%	182.78	58.6%
8. Dept. of Motor Transport	210.37	-	185.76	-	185.76	24.61	-	178.29	202.90	7.47	96.4%	7.47	3.6%
9. Traffic Authority	65.65	3.14	55.01	3.03	61.18	4.47	-	57.75	62.22	3.43	94.8%	3.43	5.2%
TOTAL	4279.82	398.96	2300.00	3.03	2701.99	1594.94	223.79	1611.64	3430.37	849.45	80.2%	1073.24	25.1%

SOURCE:

New South Wales (1987) : New South Wales Auditor-General's Report for 1986-87, (Vols I & II), Govt. Printer, Sydney.

THE PRICE OF GOVERNMENT PARTICIPATION IN TRANSPORT

APPENDIX TABLE 4 : VICTORIA TRANSPORT EXPENDITURE, 1986-87

(\$ MILLION)

AGENCY	Government Payments					Earnings				Summaries			
	(1) Total Expenditure	(2) Common- wealth Payments	(3) State Pay- ments	(4) Local Govt. Pay- ments	(5) Sub-Total Govt. Payments (5-2+3+4)	(6) Direct Earnings	(7) Govt. Reim- burse- ment	(8) Unattributed Earnings	(9) Sub-Total Earnings (9-6+7+8)	(10) Surplus/ Deficiency (10-1-9)	(11) % Cost Recovery (10 c.f. 1)	(12) Net Govt. Payments (12-1-6+8)	(13) % Govt. Contribution (12 c.f. 1)
1. Ministry of Transport													
1.1 Corporate Services	54.23	-	54.17	-	54.17	0.06	-	-	0.06	54.17	0.1%	54.17	99.9%
1.2 Marine Board	1.12	-	1.12	-	1.12	-	-	-	-	1.12	NIL	1.12	100.0%
1.3 Ports Management	19.81	-	19.81	-	19.81	-	-	10.89	10.89	8.92	55.0%	8.92	45.0%
2. Metropolitan Transit Authority	731.82	10.50	532.88	-	543.38	188.44	23.20	20.92	232.56	499.26	31.8%	522.46	71.4%
3. State Transport Authority (V/line)	556.87	-	341.28	-	341.28	215.59	8.00	10.20	233.79	323.08	42.0%	331.08	59.5%
4. Road Transport Authority (excl. tax revenues)	143.37	7.14	90.33	1.37	98.84	-	-	157.61	157.61	(14.24)CR	109.9%	(14.24)CR	NIL
5. Road Construction Authority	518.83	236.37	260.59	6.40	503.36	15.27	-	486.02	501.29	17.34	96.7%	17.34	3.3%
6. Port of Melbourne	156.56	-	9.82	-	9.82	115.51	9.82	-	125.33	31.23	80.0%	9.82	6.3%
7. Port of Geelong	22.60	-	1.44	-	1.44	26.84	1.44	-	30.28	(7.66)CR	134.0%	1.44	6.4%
8. Port of Portland	8.16	-	-	-	-	7.87	-	-	7.87	0.29	96.4%	NIL	NIL
TOTAL	2213.17	254.01	1311.44	7.77	1573.22	571.58	42.46	685.64	1299.68	913.49	58.7%	932.11	42.1%

SOURCES:

Victoria (1987) Budget Summary and Program Budget Expenditures 1987-88, Budget Paper No. 5, Govt. Printer, Melbourne.
 Victoria Transport (1987) : Ministry of Transport Annual Report, 1986-87, Govt. Printer, Melbourne.
 Port of Melbourne Authority (1987) : 1986/87 Annual Report, Melbourne.
 Port of Geelong (1987) : Financial Statements, 1986-87, 22 Dec. 1987.
 Port of Portland (1987) : Financial Statements, 1986-87, 23 Dec. 1987.

APPENDIX TABLE 5 : SOUTH AUSTRALIA TRANSPORT EXPENDITURE, 1986-87

(\$ MILLION)

AGENCY	Government Payments				Earnings				Summaries			
	(1) Total Expenditure	(2) Common- wealth Payments	(3) State Pay- ments	(5) Sub-total Govt. Payments (5-2+3)	(6) Direct Earnings	(7) Govt. Reim- burse- ment	(8) Unattributed Earnings	(9) Sub-Total Earnings (9-6+7+8)	(10) Surplus/ Deficiency (10-1-9)	(11) % Cost Recovery (10 c.f 1)	(12) Net Govt Payments (12-1-6+8)	(13) % Govt Contribution (12 c.f 1)
1. Highways Dept:												
1.1 Road Services	211.13	112.62	95.28	207.90	3.23	5.88	202.02	211.13	NIL	100.0%	5.88	2.8%
1.2 M.V. Troubridge	5.62	-	3.72	3.72	1.90	-	-	1.90	3.72	33.8%	3.72	66.2%
2. Dept. of Marine & Harbours	59.35	-	16.16	16.16	43.19	-	-	43.19	16.16	72.8%	16.16	27.2%
3. Wharfage Rebate	1.49	-	1.49	1.49	-	-	-	-	1.49	NIL	1.49	100.0%
4. Dept. of Transport												
4.1 Services & Admin.	12.91	-	10.78	10.78	2.13	-	-	2.13	10.78	16.5%	10.78	83.5%
4.2 Planning & Safety	11.44	-	11.44	11.44	-	-	3.58	3.58	7.86	31.3%	7.86	68.7%
4.3 Motor Reg.	18.18	-	18.17	18.17	0.01	-	14.59	14.59	3.59	80.3%	3.59	19.7%
5. State Transport Authority	239.20	2.43	180.39	182.82	56.38	19.87	2.43	78.68	180.52	32.9%	180.39	75.4%
TOTAL	559.32	115.05	337.43	452.48	106.84	25.75	222.61	355.20	204.12	63.5%	229.87	41.1%

SOURCE:

South Australia (1987) Report of the Auditor-General for the Year ended 30 June 1987, Govt. Printer, South Australia.

THE PRICE OF GOVERNMENT PARTICIPATION IN TRANSPORT

APPENDIX TABLE 6 : WESTERN AUSTRALIA TRANSPORT EXPENDITURE, 1986-87

(\$ MILLION)

AGENCY	Government Payments				Earnings				Summaries			
	(1) Total Expenditure	(2) Common- wealth Payments	(3) State Pay- ments	(5) Sub-Total Govt. Payments (5-2+3)	(6) Direct Earnings	(7) Govt. Reim- burse- ment	(8) Unattributed Earnings	(9) Sub-Total Earnings (9-6+7+8)	(10) Surplus/ Deficiency (10-1-9)	(11) % Cost Recovery (10 c.f 1)	(12) Net Govt Payments (12-1-6+8)	(13) % Govt Contribution (12 c.f 1)
1. Dept. of Main Roads	289.12	156.73	115.99	272.72	19.93	-	272.72	292.65	(3.53)Cr	101.2%	N11	N11
2. Dept. of Transport	9.07	-	3.23	3.23	5.75	-	2.20	7.95	1.12	87.6%	1.12	12.4%
3. Dept of Marine and Harbours	35.04	1.20	20.69	21.89	13.14	2.14	-	15.28	19.76	43.6%	21.90	62.5%
4. Taxi Control Board	0.50	-	-	-	0.48	-	-	0.48	0.02	96.0%	N11	N11
5. Metro. Passenger Transport Trust	142.61	0.34	107.64	107.98	34.63	41.93	40.73	117.29	25.32	82.2%	67.25	47.2%
6. Westrail	314.36	0.44	86.41	86.85	225.51	34.81	-	260.32	54.04	82.8%	86.85	26.3%
7. StateShips	42.98	-	17.95	17.95	25.03	-	-	25.03	17.95	58.2%	17.95	41.8%
8. Fremantle Port Authority	42.99	-	-	-	42.69	-	-	42.69	0.30	99.3%	(1.12)Cr	N11
9. Other Ports (x5)	26.85	-	-	24.06	-	-	-	24.06	2.79	89.6%	N11	N11
TOTAL	903.52	158.71	353.91	512.62	391.22	78.88	315.65	785.75	117.77	87.0%	195.95	21.7%

SOURCE:

Western Australia (1987a): Estimates of Expenditure for the Year ending 30th June, 1988, (2 Vols.), Govt. Printer, Perth.
 Western Australia (1987b): The Treasurer's Annual Statements, 1986-87, Vol. I, Govt. Printer, Perth.
 Fremantle Port Authority (1987): Annual Report 1986/87, Perth.

MICHAEL

APPENDIX TABLE 7 : TASMANIA TRANSPORT EXPENDITURE, 1986-87

(\$ MILLION)

AGENCY	Government Payments				Earnings			Summaries				
	(1) Total Expenditure	(2) Common- wealth Payments	(3) State Pay- ments	(5) Sub-Total Govt. Payments (5=2+3)	(6) Direct Earnings	(7) Govt. Reim- burse- ment	(8) Unattributed Earnings	(9) Sub-Total Earnings (9=6+7+8)	(10) Surplus/ Deficiency (10=i-9)	(11) % Cost Recovery (10 c.f 1)	(12) Net Govt Payments (12=i-6+8)	(13) % Govt Contribution (12 c.f 1)
1. Dept. of Main Roads	116.57	50.39	66.18	116.57	-	-	94.56	94.56	22.01	81.1%	22.01	18.9%
2. Transport Commission:												
2.1 Administration, Planning, Safety, etc.	13.97	-	13.25	13.25	2.25	6.15	0.67	9.07	4.90	64.9%	11.05	79.1%
2.2 Bass Strait Shipping	4.16	-	-	-	4.44	-	-	4.44	(0.28)Cr	106.7%	(0.28)Cr	N11
2.3 Bruny island Ferry Service	1.09	-	0.58	0.58	0.51	-	-	0.51	0.58	46.8%	0.58	53.2%
2.4 P.T.A. Engineering	4.84	-	1.24	1.24	3.60	-	-	3.60	1.24	74.4%	1.24	25.6%
3. Metropolitan Transport Trust	26.36	2.49	13.66	16.17	10.18	-	2.94	13.12	13.24	49.8%	13.24	50.2%
4. TT Line	33.25	-	-	-	34.95	-	-	34.95	(1.70)Cr	105.1%	(1.70)Cr	N11
5. Marine Boards & Port Authorities	42.1	0.30	-	0.30	37.51	-	0.30	37.81	4.29	89.8%	N11	N11
TOTAL	242.34	53.18	94.93	148.11	93.44	6.15	98.47	198.06	44.28	81.7%	46.14	19.0%

SOURCE:

Tasmania (1987a) Report of the Auditor-General and the Statements of the Public Account (for the financial year ended 30th June, 1987), Govt. Printer, Tasmania.

Tasmania (1987b) Supporting Budget Information, 1987-88, Budget Paper No. 1 Govt. Printer, Tasmania.

THE PRICE OF GOVERNMENT PARTICIPATION IN TRANSPORT

APPENDIX TABLE 8 : NORTHERN TERRITORY TRANSPORT EXPENDITURE, 1986-87

(\$ MILLION)

AGENCY	Government Payments				Earnings				Summaries			
	(1) Total Expenditure	(2) Common- wealth Payments	(3) State Pay- ments	(5) Sub-Total Govt. Payments (5=2+3)	(6) Direct Earnings	(7) Govt. Reim- burse- ment	(8) Unattributed Earnings	(9) Sub-Total Earnings (9=6+7+8)	(10) Surplus/ Deficiency (10=1-9)	(11) % Cost Recovery (10 c.f. 1)	(12) Net Govt. Payments (12=1-6+8)	(13) % Govt. Contribution (12 c.f. 1)
Ministry of Transport and Works												
1. Administration* and Transport Division	17.78	-	7.02	7.02	8.66	-	2.10	10.76	7.02	60.5%	7.02	39.5%
2. Roads Division & Road Safety	94.67	40.96	53.71	94.67	-	-	40.96	40.96	53.71	43.3%	53.71	56.7%
3. Darwin Bus Service	4.90	-	3.40	3.40	1.50	-	-	1.50	3.40	30.8%	3.40	69.4%
4. School Bus Service	1.20	-	1.20	1.20	-	-	-	-	1.20	N11	1.20	100.0%
5. Litchfield Shire Council	1.15	-	1.15	1.15	-	-	-	-	1.15	N11	1.15	100.0%
Ministry of Ports and Fisheries												
6. Administration*	0.90	-	0.90	0.90	-	-	-	-	0.90	N11	0.90	100.0%
7. Marine Division	0.55	-	0.55	0.55	0.05	-	-	0.05	0.50	9.1%	0.50	90.9%
8. Darwin Port Authority	13.30	-	3.20	3.20	10.10	-	-	10.10	3.20	75.9%	3.20	24.1%
TOTAL	134.45	40.96	71.13	112.09	20.31	-	43.06	63.37	71.08	47.1%	71.08	52.9%

*Includes expenditures for non-transport tasks.

NB. Marine Division has since been transferred to Ministry of Transport.

SOURCE:

Northern Territory (1986): Budget Papers 1986/87, Nos. 2,3,4 & 5. Govt. Printer, Darwin.
Dept. of Transport & Works (N.T.) (1987): Annual Report 1986/87, Govt. Printer Darwin.

APPENDIX TABLE 9 : AUSTRALIAN CAPITAL TERRITORY TRANSPORT EXPENDITURE, 1986-87

(\$ MILLION)

AGENCY	Government Payments		Earnings				Summaries			
	(1) Total Expenditure	(2/5) Sub-Total Territory Payments	(6) Direct Earnings	(7) Govt. Reim- burse- ment	(8) Unattributed Earnings	(9) Sub-Total Earnings (9=6+7+8)	(10) Surplus/ Deficiency (10=1-9)	(11) % Cost Recovery (10 c.f 1)	(12) Net Govt Payments (12=1-6+8)	(13) % Govt Contribution (12 c.f 1)
1. A.C.T. Administration (Transport and Works)*	38.29	17.96	18.33	-	2.95	21.28	15.01	58.6%	15.01	41.4%
2. ACTION (public transport)	40.10	30.30	9.80	6.17	-	15.97	24.13	39.8%	30.30	75.6%
3. N.C.D.C. (roads and traffic control capital works)	18.09	18.00	0.09	-	-	0.09	18.00	0.5%	18.00	99.5%
TOTAL	96.48	66.26	28.22	6.17	2.95	37.34	57.14	39.5%	63.31	67.0%

*includes only that proportion relevant to transport.

SOURCE:

Australia (1987e): Australian Capital Territory Budget, 1987-88, Budget Related Paper No. 7, AGPS, Canberra.

THE PRICE OF GOVERNMENT PARTICIPATION IN TRANSPORT