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Australian Centennial Roads Development Bill 1988

Date Introduced: 29 September 1988
House: House of Representatives
Presented by: Hon. Bob Brown, M.P., Minister for Land Transport and Shipping

Support

Digest of Bill

Purpose

To establish the Australian Centennial Roads Development Trust Fund (the Fund) to finance a program of financial assistance for land transport over the period 1 January 1989 to 31 December 1993. The Fund will be financed through a specified share of customs and excise duty on motor spirit and diesel fuel.

Background

The Commonwealth first provided financial assistance to the States for roads under the Loan Act 1922, although specific road funding legislation commenced with the Main Roads Development Act 1923. Road funding has been provided continuously since the early 1920s under a variety of Acts.

Today, road funding represents the largest single specific purpose capital payment made by the Commonwealth to the States as well as being the largest specific purpose payment from the Commonwealth passed on to local government. Throughout the period of Commonwealth roads assistance there also has been debate as to the desirability of allocating all or part of motorists' taxes (most notably fuel taxes) for roads.

Federal fuel taxes have been in existence since early this century. In 1926, these taxes were increased specifically to enable the Commonwealth to increase its funding for roads, although there was no formal allocation of these additional revenues. Legislation providing for the allocation of a portion of fuel taxes for roads first appeared in the Federal Aid Roads Act 1931. This practice continued under various pieces of legislation, until the nexus between fuel taxation and road funding was broken under the Commonwealth Aid Roads Act 1959. It was not until the introduction of the Australian Bicentennial Development Trust Fund Act 1982 that formal allocation was re-introduced. Under the provisions of that Act, a surcharge on duties of customs and excise on motor spirit and diesel fuel (initially 1 cent, later 2 cents per litre) was allocated for road funding. This practice was also adopted under the Australian Land Transport (Financial Assistance) Act 1985, which allocated an amount of the existing duties of customs and excise on motor spirit.
and diesel fuel. These two pieces of legislation are still in force and, currently, around one quarter of the excise rate on motor spirit and diesel fuel is being earmarked for road funding. Throughout the history of Federal fuel tax allocation there has been no time during which all fuel taxes have been allocated to roads, with the result that there has always been some element of fuel taxation that has been regarded as general taxation.

Trends in real road funding during this decade are shown in Tables 1 and 2. Over this period, road funding has been provided under four main Acts: the Roads Grants Acts 1980 and 1981, the Australian Bicentennial Road Development Trust Fund Act 1982 and the Australian Land Transport (Financial Assistance) Act 1985. The Roads Grants Acts provided funding from 1980 – 81 to 1984 – 85. Although the legislation allowed for increasing annual funding for roads, it became apparent that the real value of the program was being eroded by inflation. In 1982, the Fraser Government introduced the Australian Bicentennial Road Development (ABRD) program to supplement road funding. The introduction of this program gave a considerable boost to road funding, even though its full effects were not felt until the early years of the incoming Government. However, given that the funds flowing into the ABRD trust fund was fixed in money terms, real expenditure under that program fell during its lifetime (from August 1982 until 31 December 1988).

The Australian Land Transport Plan (ALTP) legislation was the first major road funding legislation introduced by the Hawke Government. In the first year of that program (1985 – 86), total road funding (ABRD and ALTP) was maintained at the same nominal level as in 1984 – 85. The Government pledged, however, that over the remaining years of the ALTP (until 30 June 1990), the allocated amount of fuel excise would be indexed to the Consumer Price Index to guarantee the maintenance of real levels of road funding under the Plan. However, on two separate occasions the Principal Act was amended to arbitrarily set the rate so as to maintain the overall level of road funding in nominal terms. As a result, real funding under ALTP declined.

With the ABRD program legislated to end on 31 December 1988, the Government has decided to terminate simultaneously the ALTP scheme and replace both with the Australian Centennial Road Development scheme from 1 January 1989. In 1988 – 89, road funding for the six States and the Northern Territory will be reduced in nominal terms to $1209 million.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>RGA(a)</th>
<th>ALTP(b)</th>
<th>ABRD(c)</th>
<th>ACRD(d)</th>
<th>TOTAL</th>
<th>REAL TOTAL(e)</th>
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</thead>
<tbody>
<tr>
<td>1980–81</td>
<td>628.0</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>628.0</td>
<td>1088.9</td>
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<td>1981–82</td>
<td>685.0</td>
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<td>1065.4</td>
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<td>1982–83</td>
<td>734.0</td>
<td>116.9</td>
<td>..</td>
<td>..</td>
<td>850.9</td>
<td>1193.0</td>
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<td>1983–84</td>
<td>778.0</td>
<td>417.2</td>
<td>..</td>
<td>..</td>
<td>1195.2</td>
<td>1569.1</td>
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<td>1984–85</td>
<td>825.0</td>
<td>417.0</td>
<td>..</td>
<td>..</td>
<td>1242.0</td>
<td>1537.6</td>
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<td>1985–86</td>
<td>..</td>
<td>805.1</td>
<td>440.0</td>
<td>..</td>
<td>1245.1</td>
<td>1440.6</td>
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<tr>
<td>1986–87</td>
<td>..</td>
<td>805.5</td>
<td>439.6</td>
<td>..</td>
<td>1245.1</td>
<td>1340.4</td>
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<tr>
<td>1987–88</td>
<td>..</td>
<td>764.3</td>
<td>480.2</td>
<td>..</td>
<td>1244.5</td>
<td>1244.5</td>
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<tr>
<td>1988–89(Est.)</td>
<td>..</td>
<td>(d)</td>
<td>(d)</td>
<td>1209.0</td>
<td>1209.0</td>
<td>1140.6</td>
</tr>
</tbody>
</table>

Notes: (a) Roads Grants Acts 1980 and 1981. (Fraser Government legislation.)
(b) Australian Land Transport (Financial Assistance) Act 1985. (Hawke Government legislation.)
(c) Australian Bicentennial Road Development Trust Fund Act 1982. (Fraser Government legislation.)
(d) Australian Centennial Roads Development Bill 1988. (Hawke Government legislation.) Note that the figure shown for 1988–89 under ACRD is actually composed of ALTP, ABRD and ACRD funding. For purposes of comparison, road funding for the Australian Capital Territory (included in general roads grants for the first time, under ACRD) has been omitted.
(e) In 1987–88 prices, using the Gross Non–farm Product Price Deflator.
### TABLE 2
REAL ROAD FUNDING BY CATEGORY OF ROAD(a)  
(1980 – 81 TO 1988 – 89 Est.)  
($ million)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NATIONAL ROADS</th>
<th>ARTERIAL ROADS</th>
<th>LOCAL ROADS</th>
<th>TOTAL</th>
</tr>
</thead>
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<tr>
<td>1980 – 81</td>
<td>481.2</td>
<td>350.8</td>
<td>257.0</td>
<td>1088.9</td>
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<td>1981 – 82</td>
<td>470.8</td>
<td>343.3</td>
<td>251.3</td>
<td>1065.4</td>
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<td>1982 – 83</td>
<td>541.1</td>
<td>398.3</td>
<td>253.6</td>
<td>1193.0</td>
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<td>1983 – 84</td>
<td>680.8</td>
<td>569.1</td>
<td>319.2</td>
<td>1569.1</td>
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<td>1984 – 85</td>
<td>671.4</td>
<td>564.9</td>
<td>301.2</td>
<td>1537.6</td>
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<td>1985 – 86</td>
<td>647.1</td>
<td>500.2</td>
<td>293.4</td>
<td>1440.6</td>
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<tr>
<td>1986 – 87</td>
<td>622.1</td>
<td>446.7</td>
<td>271.5</td>
<td>1340.4</td>
</tr>
<tr>
<td>1987 – 88</td>
<td>549.2</td>
<td>442.1</td>
<td>253.2</td>
<td>1244.5</td>
</tr>
<tr>
<td>1988 – 89 (Est.)</td>
<td>457.5</td>
<td>429.8</td>
<td>253.3</td>
<td>1140.6</td>
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</tbody>
</table>

Note: (a) In 1987 – 88 prices, using the Gross Non-farm Product Price Deflator.

In 1988 – 89, $1221.5 million will be provided under general roads grants, comprising ABRD, ALTP and ACRD funds. This comprises $1209 million for roads grants to the six States and the Northern Territory, $6 million for road safety and research and $6.5 million for the Australian Capital Territory, which is being included in general roads grants for the first time under the ACRD scheme. Since the ACRD scheme is operating for only the last six months of the 1988 – 89 financial year, the amount allocated to the ACT represents only part of the full-year effect of its inclusion.

In both 1989 – 90 and 1990 – 91, the Government has pledged that the level of road funding will be at least equal in real terms to the level of funding in 1988 – 89 (using the Gross Non-farm Product Price Deflator as the measure of inflation). However, since the ACT will be included for a full year, the guarantee will relate to a base level of funding of $1226 million (i.e. $1209 million for the six States and the Northern Territory, $6 million for road safety and research and $11 million representing the full-year effect of including the ACT in the roads grants program).
Outline

The ACRD scheme is to be funded by an allocated amount of diesel and petrol excise and customs duty. This amount, referred to in the legislation as the 'charge rate', is to be indexed to changes in the Gross Non-farm Product Price Deflator. The charge rate will generally be indexed at six-monthly intervals, in April and October.

In some respects, the year 1988–89 may be regarded as a transition year, since road funding in that year is a combination of three separate programs. For the purposes of implementing the ACRD scheme from January 1989, the charge rate will be set arbitrarily at 4.95 cents per litre. At the end of 1988–89, regardless of the amount of excise that has been paid into each of the three trust funds (ABRD, ALTP and ACRD), an adjustment will be made (an injection of funds from Consolidated Revenue into the Fund or vice versa), to ensure that the total level of funding available for the year will be $1221.5 million. There will be no indexation factor applied to the charge rate in April 1989, as this would serve no real purpose.

The legislation is not specific as to the level of funding that will be provided in the years 1991–92 until the end of 1993–94. Even though the charge rate set in 1990–91 may continue to be indexed by virtue of clause 14, clause 10 will allow the Minister to impose a rate determined by himself after consultation with the Treasurer. The Minister is required to Gazette his determination, but no amending legislation will be required to give effect to this decision. The level of funding in the remaining years of the program is thus at the discretion of the Minister.

The Bill also varies the existing roads categories. Roads which, under ALTP and ABRD legislation are classified as either urban or rural arterial roads, will be combined under the ACRD legislation to form State Arterial roads. A new roads category, National Arterial roads, will be established. Funds for National Highways, State Arterials and Local Roads may be used for construction or maintenance, while those for National Arterials may only be used for construction.

From 1990–91 until the end of the ACRD program, road safety and research will receive a maximum of 0.489 per cent of the proceeds of the ACRD Trust Fund, State Arterials will receive a maximum of 10.432 per cent and Local Roads a maximum of 22.602 per cent. The remaining 66.477 per cent of the Fund will be allocated to National Highways and National Arterials.

The ACRD program allows the Minister to direct or invite States, authorities or organisations to submit for approval projects involving construction of National Highways and National Arterial roads, maintenance works on National Highways, railway capital and urban public transport projects and programs of road safety and research.
Main Provisions

The Bill will commence on 1 January 1989 (clause 2).

The Minister may declare a road to be a national highway if of the opinion that the road links, or will link, two State capital cities, Brisbane and Cairns or Hobart and Burnie (clause 4).

Similarly, a road may be declared a national arterial road if the Minister is satisfied that the proposed road would increase the competitiveness of export or import-competing industries, or facilitate tourist travel, and that the gains would justify the cost of construction (clause 5).

Roads that carry traffic between urban areas, or between closely settled areas, may be declared to be State arterial roads (clause 6).

Clauses 7 and 8 will allow the Minister to declare railway lines that are of national significance to be interstate mainline railways and to approve research and safety bodies.

Clause 9 defines the indexation factor, which is based on the Gross Non-Farm Product Price Deflator.

Clause 10 contains the Minister’s power to determine the charge rate. For 1989–90 and 1990–91, a minimum of $1226 million, multiplied by the relevant indexation factor if that is greater than one, is to be made available. The charge rate, which is initially fixed at 4.95 cents per litre, will be adjusted to ensure that this amount is made available. Sub-clause 10(2) also gives the Minister power to determine the charge rate in later years after consultation with the Treasurer.

The Fund will be established by clause 11. Clause 13 contains transitional provisions for 1988–89 that will ensure that the combined funds available under the Fund, ABRD and ALTP are adjusted by payments to or from Consolidated Revenue to make $1221.5 million available in that year.

Clause 14 provides for the indexation of the charge rate. From 1 October 1989 to, and including, 1 April 1991, the charge rate is to be adjusted for movements in the indexation factor each six months (i.e. on 1 April and 1 October). From 1 October 1991, the rate will be adjusted for each period that the Minister declares to be a relevant period.

Clauses 15 to 18 provide for the allocation of the Fund and place limits on the expenditure on the various categories of roads. The maximum amounts that may be spent on the various categories are detailed in the Schedules to the Bill. However, clauses 19 to 21 provide for the reallocation of funds between various programs (e.g. between State arterial roads and railway capital projects). Such reallocations are not to take place without a request from the relevant State and Ministerial approval.
Part III of the Bill (clauses 26 to 28) deals with the approval of projects and programs. Clause 28 requires that funds for local roads are to be allocated among local authorities on the basis of approved principles.

Part IV (clauses 29 to 32) deals with conditions of payments. The most important provision is clause 32 which requires the States to invite tenders for certain projects. For example, tenders must be called where the work involves the construction of a national highway, or when the maintenance program on a national highway exceeds $2 million and the Minister has declared that tenders are to be called.

Clause 40 provides for the closure of existing road funding programs by 30 April 1989.

For further information, if required, contact the Economics and Commerce Group.

5 December 1988

Bills Digest Service
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This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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