Date Introduced: 8 May 1985
House: House of Representatives
Presented by: Hon. Peter Morris, M.P., Minister for Transport

Short Digest of Bill

Purpose
To establish an Australian Land Transport Trust Fund (ALTTF) to finance road assistance to the States and Northern Territory until 1989/90 following the expiration of the Roads Grants Acts scheme on 30 June 1985. The Bill also provides for funding for research and interstate railways.

Background

The construction, maintenance and repair of roads is principally a State function, the Commonwealth having no specific power relating to roads. Commonwealth assistance to the States commenced in 1922 when a grant to the States for the maintenance of main roads outside city areas was contained in the Loan Act 1922.[1] Specific purpose grants for the construction of main roads were introduced by the Main Roads Development Act 1923. Five per cent of appropriated funds were distributed to Tasmania, the remainder going to the other States on a three-fifths per capita and two-fifths per area basis.

The basis for raising funds for roads was disrupted in 1926 when the High Court ruled that the States could not levy taxes on road users, the power to levy excises being exclusive to the Commonwealth.[2] Also in this year the High Court upheld the Commonwealth's power to make grants to the States under such terms and conditions as it saw fit.[3] The Federal Roads Act 1926 specified that one-quarter of the grant was to go for the construction of new roads and three-quarters to the re-construction and maintenance of existing roads. The distribution of grants remained as in the 1923 Act.

Commonwealth assistance to the States was linked to excise collection in 1931. The States received a proportion of excise, distributed in the same manner as before, though grants grew at a slower rate than fuel tax revenues. This
method of road assistance continued with only minor modification until 1959.

The link between excise collection and grants was removed by the Commonwealth Aid Roads Act 1959, funds being made available from consolidated revenue. This Act also altered the distribution between States, Tasmania's share remained at 5 per cent of total grants, the remainder being distributed to the other States on a one third population, area and registered vehicle basis.

Prior to 1969 approximately 80% of Commonwealth assistance went to rural areas, this was changed by the Commonwealth Aid Roads Act 1969. This Act introduced four categories for road assistance: urban arterial, rural arterial, rural local and planning and research. Nearly fifty per cent of total grants went on urban arterial roads.

Significant changes to the methods of road assistance occurred in the years 1969 to 1977. Successive Commonwealth Bureau of Roads Reports led to assistance being distributed largely on an analysis of economic benefits, the distribution of grants being altered from 1969 to 1977 to favour the more popular States. Distribution of grants has remained relatively fixed since 1977. Following the change in Government in 1972, the Commonwealth adopted responsibility for national highways and major commercial roads through the National Roads Act 1974. The categories of roads eligible for Commonwealth assistance was extended by the Roads Grants Act 1974 to include urban local roads. A further change was implemented by the States Grants (Roads) Act 1977, which combined the 1974 legislation referred to above. This Act essentially retained the provisions of the former Acts, though the distribution to the States was slightly altered as referred to above, and saw grants increased by 7 per cent in 1978/79 and 7.5 per cent in 1979/80.

The next change in roads assistance was affected by the Roads Grants Acts of 1980 and 1981 which established expenditure at $3,650m to be spent between 1980/81 and 1984/85. The 1981 Act expires on 30 June 1985. A further method of assistance was established in 1982, the Australian Bicentennial Road Development Trust Fund (ABRD). The ABRD is to continue until 1989 and provide funds for national, urban and rural arterial and local roads. Funds are made available to the ABRD through a specific excise levy on fuel sales. The following tables show: the grants made available under the Roads Grants Acts and the ABRD and estimated expenditure until 1985/86; and the categories of ABRD expenditure as stipulated in section 9 of the ABRD Trust Fund Act 1982.
### COMMONWEALTH ROAD GRANTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Program ABRD</th>
<th>% change</th>
<th>Road Grants Act/ALTTF</th>
<th>% change</th>
<th>Total</th>
<th>% change</th>
<th>Road Construction Index (d)</th>
<th>% change</th>
<th>1984/85</th>
<th>% change</th>
<th>1985/86</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981/82</td>
<td>117</td>
<td>256.0</td>
<td>417</td>
<td>0</td>
<td>417</td>
<td>5.5</td>
<td>12.8</td>
<td>n.a.</td>
<td>1242</td>
<td>0.24</td>
<td>1245</td>
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<tr>
<td>1982/83</td>
<td>24.2</td>
<td>734</td>
<td>778</td>
<td>6.0</td>
<td>825</td>
<td>-2.4</td>
<td>12.6</td>
<td>6.1</td>
<td>805</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1983/84</td>
<td>685</td>
<td>40.4</td>
<td>1195</td>
<td>3.9</td>
<td>1242</td>
<td>0.24</td>
<td>12.8</td>
<td>n.a.</td>
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<tr>
<td>1984/85</td>
<td>685</td>
<td>7.2</td>
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<tr>
<td>1985/86</td>
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<td>24.2</td>
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<td>n.a.</td>
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</tbody>
</table>

Sources: (a) 1983/84 Budget Paper No.1, p.168.
(b) 1984/85 Budget Paper No.1, p.177
(c) Minister's Second Reading Speech, Hansard, House of Representatives, 8 May 1985, p.1874.
(d) Calculated from the Bureau of Transport Economics Price Index on Road Construction.

### AUSTRALIAN BICENTENNIAL ROAD DEVELOPMENT TRUST FUND EXPENDITURE

<table>
<thead>
<tr>
<th>Category</th>
<th>1982/83</th>
<th>1983/84 to 1988</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>National Roads</td>
<td>40</td>
<td>42</td>
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<tr>
<td>Urban Arterial Roads</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Rural Arterial Roads</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Local Roads</td>
<td>15</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: (a) Australian Bicentennial Road Development Program Annual Report 1982/83.
As part of its roads assistance programs, the Commonwealth has continued to make funds available for road safety and transport research. An estimated $2.5m was to be spent on research in the 1984/85 year.[4] However, there has been no systematic program for Commonwealth assistance to mainline railways since the National Railway Network (Financial Assistance) Act 1979 which provided loans totalling $66m over the period 1978/79 to 1982/83. It should be noted that railways have paid excise, including the ABRO levy, since August 1982.

Outline

The ALTTF is to be financed through a fixed share of customs and excise duties on petroleum and diesel oil. The rate is equivalent to 3.66 per litre and is to be adjusted biannually in line with movements in the Consumer Price Index to maintain its real value. The Commonwealth has guaranteed that the ALTTF will receive $810m in its first year of operation. As well, the Minister will have power to adjust the rate of levy to ensure that $810m is raised in 1984/85.

Monies from the fund will be used on national roads, urban and rural arterial roads, local roads and for research. The proportion of grants to be spent on each category is specified in the Bill, the funding to national and local roads is approximately equal, in real terms, to last year, with funding for arterial roads falling. It should be noted that funds may be transferred between the rural and urban arterial and local roads categories with the Minister's approval.

The distribution of funds between the States for arterial and local roads is to continue, for 1985/86 and 1986/87, at substantially the same ratio as has existed since 1977. In the remaining years of the ALTTF, 90% of funds will be allocated on this basis, the Minister allocating the balance. The distribution of funds for National roads is to be determined by the Minister, which may lead to a change in the various States' shares, which has been fixed since 1977.

Under the Bill, tenders are required for work on national roads though this requirement may be waived in certain circumstances. There is no requirement for tendering for arterial or local roads. This is substantially the same as in the previous Road Grants Acts though tenders are generally required for work on national and arterial roads under the ABRD program.
The ALTTF will continue the Commonwealth's involvement in the funding of road safety and transport research, with $5m being allocated to these purposes in 1985/86.[5] The Bill also makes provision for Commonwealth funding for a modest investment in mainline railways, which represents the first systematic mainline railway funding program since the National Railway Network (Financial Assistance) Act 1979 expired at the end of the 1982/83 financial year. Funding for interstate railways is to be paid from the National roads allocation or, when required by a State, from the rural arterial road allocation. The maximum assistance that may be transferred to the railways is equal to that collected from excise on diesel oil paid by the railways.

Main Provisions

The ALTTF is established by Part II of the Bill, which also details its revenue, the indexation of revenue and the allocation of grants.

Any conditions that a grant may be subjected to, such as the need to call tenders or meet certain standards are contained in Part IV of the Bill. For a detailed explanation of the provisions of the Bill, refer to the Explanatory Memorandum.

For further information, if required, contact:

21 May 1985

Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE

References

1. For a detailed history of Commonwealth involvement in road assistance to the States to 1981 see: Road Grants Legislation in Australia, Occasional Paper No. 48, Bureau of Transport Economics.
2. The Commonwealth v South Australia, [1926] 38 CLR 408.