Australian Centennial Roads Development Amendment Bill 1990

Date Introduced: 7 November 1990
House: House of Representatives
Portfolio: Transport and Communications

Purpose
To introduce three new funding programs dealing with road and urban transport and to remove the existing funding category dealing with State arterial roads.

Background
The Australian Centennial Roads Development (ACRD) Trust Fund has financed assistance to land transport since the start of 1989. The Fund provides funding for the construction and maintenance of National highways and arterial roads, State arterial and local roads, certain railway projects and research. In practice, virtually all of the funding goes towards road transport. Most funds are spent on national highways, followed by arterial roads and local roads. Under the ACRD scheme legislation, a maximum of 22.6% of funds can be allocated to local roads and 10.4% for State arterial roads. Therefore, a minimum of 66.5% of funds is to be devoted to National roads and highways.

When establishing the ACRD, the government gave a commitment that funding, in real terms, would remain at least at the 1988-89 level until the end of 1990-91. Funding for road transport in 1990-91 is estimated to be $1637.1 million, an increase of 19.8% over the previous year. Total revenue from excise on petroleum products in 1990-91 is estimated to be $7340 million. The ACRD scheme is funded by a charge on the revenue collected from petroleum products, originally 4.95 cents per litre, indexed for cost increases.

There have been recent suggestions regarding the use of the extra revenue gained from the increase in world crude oil prices due to the recent activities regarding Iraq and Kuwait. The increase in revenue arises as the Australian price is based on the world price, which has increased recently. The exact extent of the revenue increase is very difficult to calculate, due to factors such as the variations in the world price, which is quite volatile at the moment, and the different rates of excise on old, intermediate and new oil. The percentage that each comprises of Australian output during this period is also relevant to revenue gains due to the different excise levels that apply. However, there are reports of an additional $80 to $90 million being provided for each $US1 increase in the price of crude oil, although others have suggested the gain at approximately $70 million per $US1 increase. Many commentators, particularly the various motoring organisations, have argued that a greater percentage of revenue from petroleum products should be spent on road infrastructure and, in particular, that the ‘windfall gain’ to revenue resulting from the current Middle East difficulties should be spent on roads. The counter argument is that excise and customs duties, like the various taxation schemes, form part of the general Consolidated Revenue and should be used for the purposes determined by the government, rather than being allocated to the source of that revenue.

A feature of recent government statements on transport assistance has been the desire to concentrate on the increased economic efficiency gains available from the various projects that receive funds. Part of this targeting will be achieved through the proposed Provincial Cities and Rural Highways Program, announced by the Prime Minister on 27 February 1990, which will be introduced by this Bill. The program will apply for roads outside capital cities and the funding will be in addition to that collected under the ACRD scheme. The scheme will concentrate on roads that are not national highways but offer potentially large returns in terms of transport efficiency. The Minister will determine if the proposed project offers sufficient return.
Another scheme to be introduced by this Bill is the additional funding available to the States to address roads with bad safety records (the Black Spot scheme). To be eligible to receive funds under this scheme, States and Territories must agree to introduce a number of reforms proposed by the Minister regarding road safety, such as uniform blood alcohol and speed limits, and speed limiters for heavy vehicles. Funding for this program over the next three years will be $120 million, of which $110 million is to be spent on roads and the remainder for other purposes, such as research.

The third program to be introduced by the Bill concerns capital expenditure for urban public transport. The scheme will allow the Minister to allocate funds to projects, including projects other than road construction, if certain criteria are satisfied (see below, proposed section 7C). The program will receive funds of $55 million in 1990-91 and $200 million in the life of the program (until the end of 1992-93). The program is aimed at improving services to under-served areas such as the outer suburbs in major cities. The acceptance of the funds by the States may depend on the funding position of their urban transport services, and particularly rail services due to the criteria used. While the program will provide capital funds, those responsible for urban transport may fear the increased recurrent costs incurred in running such services on an on-going basis without related assistance. These restrictions may result in funding only being requested for profitable projects, which are rare in the provision of urban transport infrastructure.

Associated with these measures will be the abolition of the allocation of funds to the State arterial roads category. The reason for this, as given in the Second Reading Speech, is that such roads are the States responsibility. Roads previously funded under this category may be funded under the Provincial Cities and Rural Highways Program provided they meet the economic criteria under that scheme.

Main Provisions
Clause 5 will insert a number of new provisions into the Australian Centennial Roads Development Act 1988 (the Principal Act). Proposed section 7A will introduce the Provincial cities and rural highways program. The Minister may declare a road to be covered by the scheme if satisfied that the road is not in a State Capital city and its construction would yield sufficient economic returns to justify the expenditure.

The \textquoteleft Black Spot\textquotefrma program is dealt with in proposed section 7B. The minister will be authorised to allocate funds if satisfied that part of a road that is not a national highway has contributed to serious accidents. Clause 9 will amend section 15 of the principal Act to provide that funds are not payable unless the relevant State has given an undertaking to implement safety measures identified by the Minister. (The range of measures to be implemented will be at the Minister's discretion.)

Proposed section 7C deals with the Urban Public Transport program. Funds may be allocated if the minister is satisfied that a capital project would:
* reduce traffic or wear and tear on a road; or
* provide environmentally or socially innovative measures to facilitate public transport.

Clause 7 will amend section 11 of the Principal Act to change the name of the funding body to the Australian Land Transport Development Authority.

Additional funding for the programs to be introduced by this Bill is dealt with in clause 8. Under the provision the Commonwealth will provide the following additional funding:

\begin{itemize}
\item 1990-91 \$178.3 million
\item 1991-92 \$168.3 million
\item 1992-3 \$158.4 million
\end{itemize}

The termination of the States Arterial Roads program will be achieved by clause 10 which will insert a new Schedule into the Principal Act.

For further information, if required, contact the Economics and Commerce Group on 06 2772460.