



DAVID MORRIS MP

**Member for Mornington
Shadow Parliamentary Secretary for Environment
Shadow Parliamentary Secretary for Local Government**

Road Funding Dilemma Typifies the Challenge for our Federation

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Mr MORRIS (Mornington) — I rise to make some comments on the Road Safety Committee report into federal-state road funding arrangements tabled earlier today. I acknowledge the work of the whole committee, but I acknowledge particularly the work of the members for Benambra and Rodney from this house and Mr Koch from the other place.

The reference went to the committee in March 2007. The request was that the committee review the current funding arrangements for road funding, assess the effect of the arrangements, particularly in terms of economic efficiency and equity, and make recommendations to attempt to improve those arrangements.

As is noted in the report, federal-state funding has a long and convoluted history, particularly road funding. In reading the committee's recommendation 5 on the hypothecation of 50 per cent of fuel tax revenue to road expenditure, I was reminded that 20 years ago I was in Canberra meeting with the then federal Minister for Land Transport, Bob Brown, trying to achieve hypothecation, which is still yet to be achieved.

More than three years have lapsed since the referral, which is perhaps not surprising given the complexity of the arrangements required to get the report through.

I think it is appropriate that the report is by the Road Safety Committee. Too often roads are considered in the sense of logistics, economic efficiency, congestion and so on, all of which are very important matters. However, the safety of individuals and road safety in general are equally important.

The report also pays substantial attention to the issue of local roads. Again the context is often about logistics and big projects, such as ring-roads, freeways and so on, which are necessary and which in terms of projects currently afoot are certainly welcome. It is equally necessary that we have the ability to maintain and upgrade our local roads as the demands on them increase. I was pleased to see that emphasis in the report.

The key issue in the report is the role of the commonwealth, and that is reflected in the fact that of the 16 recommendations, 15 refer to including

issues for consideration in the processes of the Council of Australian Governments (COAG). The only exception is recommendation 9, which deals with wire rope safety barriers on the South Gippsland Highway and the potential to expand that program across the state.

COAG is not only a necessary method but also a desirable way of ensuring consistency between the states to the maximum extent desirable; but it is a balancing act. Obviously road users need consistency. They do not want to drive across a state border and all of sudden find they have to drive on the other side of the road. Clearly there can be some variation in things such as speed limits and so on, but too often COAG is used as a vehicle, through the subterfuge of harmonisation, to determine services and too often to apply the lowest common denominator across the nation.

In my lifetime we have seen a big shift by the commonwealth into areas that were previously the preserve of the states. The report identifies the resourcing challenges faced by the states, across the nation, and consequently by local government. The report quotes from the Victorian government's submission to the Henry review, noting on page 62:

The commonwealth collects over 85 per cent of taxes and has access to some of the largest, broadest, and fastest growing taxes. However, the commonwealth is only responsible for around 57 per cent of government expenditure.

On the same page the report notes that spending by the States amounts to 43 per cent of all government expenditure despite receiving only 15 per cent of tax revenues. The report also identifies the 24 per cent growth from 1970s in commonwealth revenue as a percentage of gross domestic product and the matching decline in transfers to the states from the commonwealth of some 17 per cent of gross domestic product over the same period.

Clearly when the commonwealth was established it had a defined role and the balance was left to the states — and even unexpended funds were to be returned to the states.

That situation lasted only a couple of years, but we are at a point where we need to address the roles again. We need to deal with lots of duplication, and I think there is a public will to do that. I make the observation that to a large extent we have duplication because the commonwealth has dealt itself in to service provision in many areas where it did not previously have a role.

However, if we are to ensure the long-term success of our federation — if we are in any doubt that there is a substantial difference in views across the nation, that doubt should have been erased the other Saturday night with a difference in voting patterns — road funding is certainly one of these issues that needs to be addressed. I commend the committee for its work on this subject.