

Victoria Grants Commission

**Presentation to Parliamentary Road Safety Committee:
Inquiry into Federal-State Road Funding**

1 March 2010

Overview

- Role of the Victoria Grants Commission
- Interstate distribution of local roads grants - current
- Distribution of local roads grants within Victoria
- Review of interstate distribution

Victoria Grants Commission

- Commission is an independent statutory body
- Role is to allocate general revenue assistance to local government
- Funding is provided annually by the Commonwealth Government in the Federal Budget
- Two streams of funding provided annually – general purpose grants and local roads grants
- Total pool of funds is indexed annually in line with CPI and population growth forecasts
- Commission operates under State legislation, but allocations must be in accordance with Commonwealth legislation and approved national distribution principles

2009-10 Allocations

Victoria

General Purpose Grants	\$331.963 m	(24.8% of Aust. Total)
Local Roads Grants	\$122.501 m	(20.6% of Aust. Total)
Total Victorian Allocation	\$454.463 m	

Interstate Distribution of Local Roads Grants

2009-10

State/Territory	2009-10 Allocation (\$m)	Share (%)	Supplementary Funding to SA (\$m)*	Share (including Supp. Funding) (%)
New South Wales	172.393	29.0		28.3
Victoria	122.501	20.6		20.1
Queensland	111.330	18.7		18.3
Western Australia	90.853	15.3		14.9
South Australia	32.655	5.5	14.820	7.8
Tasmania	31.488	5.3		5.2
ACT	19.053	3.2		3.1
Northern Territory	13.919	2.3		2.3
TOTAL	594.191	100.0	14.820	100.0

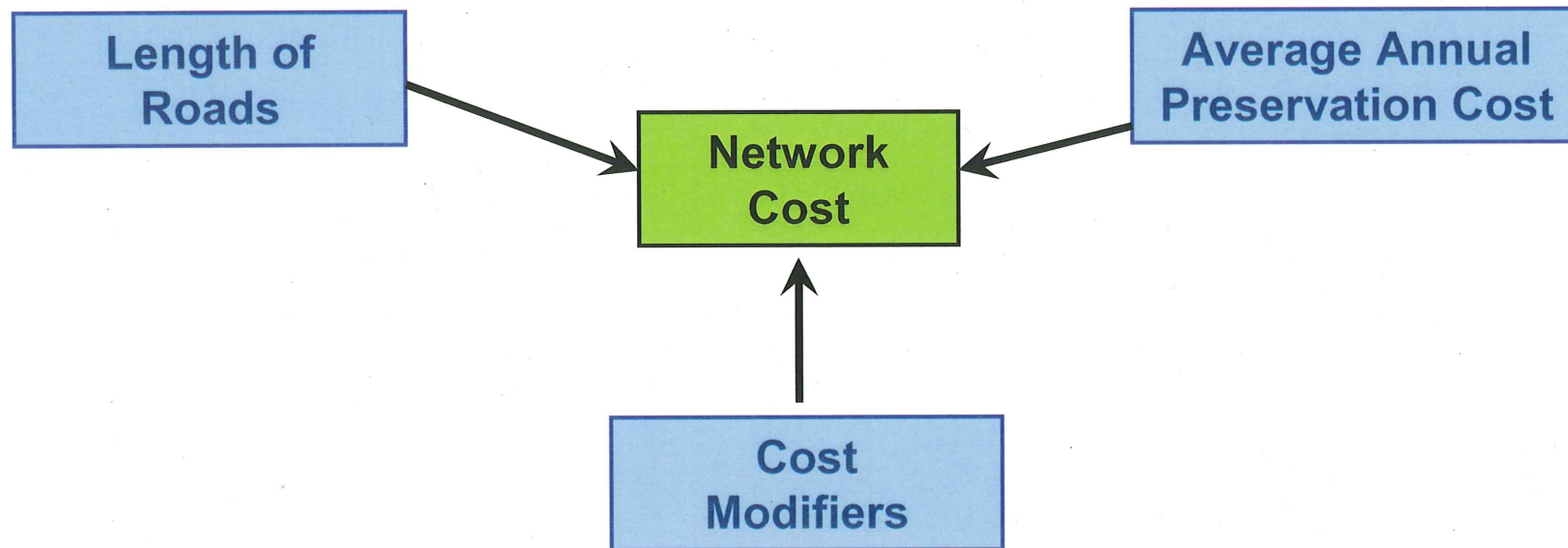
* Supplementary funding to South Australia commenced in 2004.

Distribution of Local Roads Grants - Victoria

- Victoria Grants Commission is responsible for making recommendations on the distribution of local roads grants to councils within Victoria
- Amount available for allocation in 2009-10: \$122.501 m
- Length of local roads in Victoria as at June 2008: 128,663 km
- National principle requires grants to be allocated on an asset preservation basis – taking account of the relative costs councils incur in maintaining their local road networks
- Since 2000-01, the Commission has allocated grants using a “network cost” formula, which incorporates:
 - local roads lengths
 - traffic volume data
 - statewide “asset preservation costs”
 - local characteristics (e.g.: climate, freight)

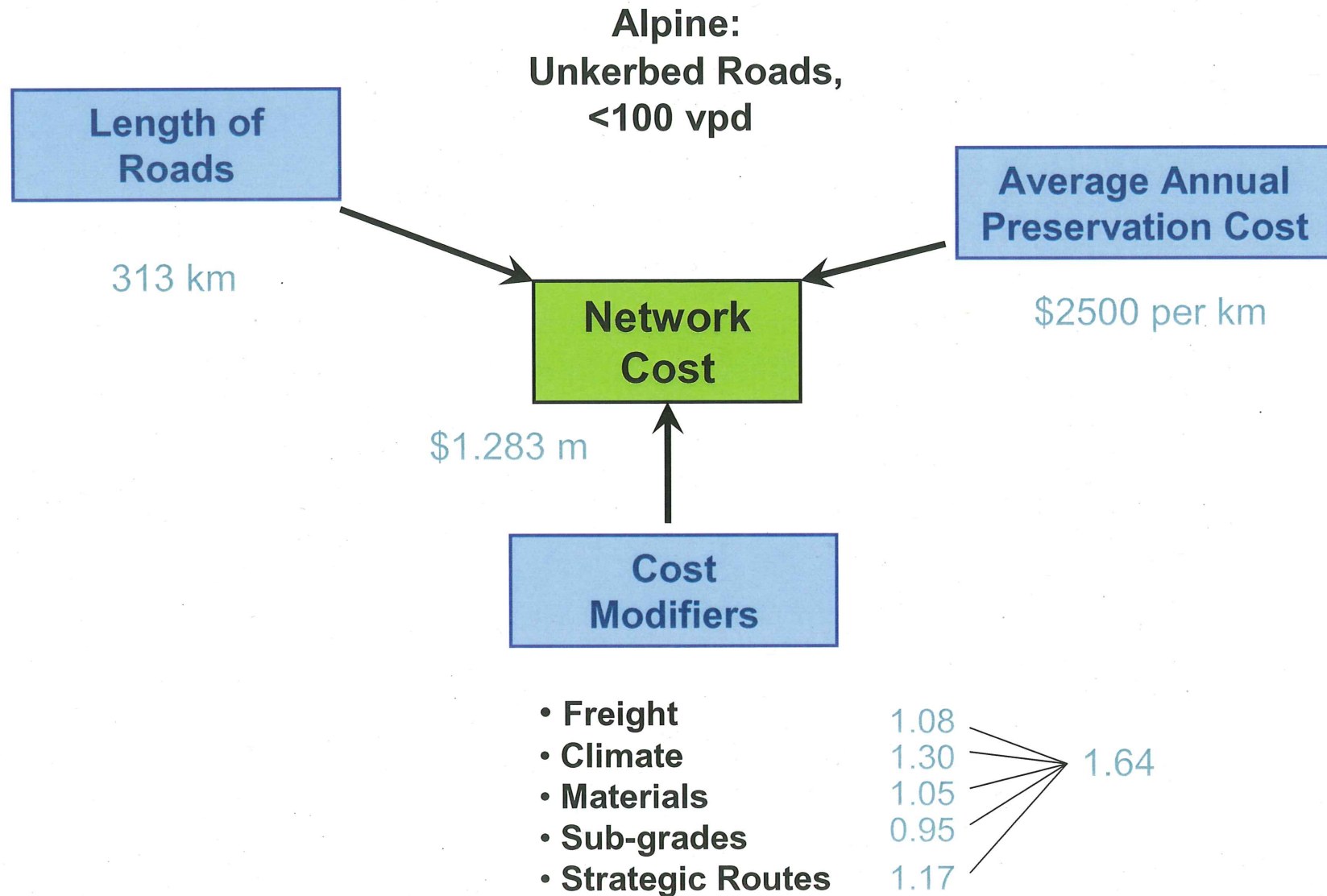
Distribution of Local Roads Grants - Victoria

Network Cost
(for each category of local roads)



- Freight
- Climate
- Materials
- Sub-grades
- Strategic Routes

Distribution of Local Roads Grants - Victoria



Distribution of Local Roads Grants - Victoria

Grant Calculation - Alpine

Road Type	Daily Traffic Volume Range (vehicles/day)	Kms in Each Category (a) (kms)	Kms of Strategic Routes in Each Category (b)	% Strategic Routes in Each Category	Cost Factors (c)						Average Annual Cost (Base Case) (\$/km)	Network Cost (e) (\$)
					Freight Loading	Climate	Materials	Reactive Subgrade	Strategic Route	Overall Cost Factor (d)		
Kerbed Local Roads	Under 500	40.0	3.0	7.5	1.04	1.20	1.05	0.95	1.05	1.31	3,600	188,640.00
	500 - < 1,000	5.0	3.0	60.0	1.08	1.20	1.05	0.95	1.09	1.41	4,900	34,545.00
	1,000 - < 5,000	9.0	8.0	88.9	1.08	1.20	1.05	0.95	1.13	1.46	6,600	86,724.00
	5,000 +	0.0	0.0	0.0	1.08	1.20	1.05	0.95	1.00	1.29	10,700	0.00
	Total Kerbed	54.0	14.0									
Unkerbed Local Roads	Natural Surface	235.0	0.0	0.0	1.08	1.30	N/A	N/A	1.00	1.40	350	115,150.00
	Under 100	313.0	80.0	25.6	1.08	1.30	1.05	0.95	1.17	1.64	2,500	1,283,300.00
	100 - < 500	167.0	43.0	25.7	1.08	1.20	1.05	0.95	1.04	1.34	5,200	1,163,656.00
	500 - < 1,000	14.0	1.0	7.1	1.08	1.20	1.05	0.95	1.01	1.31	5,800	106,372.00
	1,000 +	13.0	10.0	76.9	1.08	1.20	1.05	0.95	1.00	1.29	6,600	110,682.00
	Total Unkerbed	742.0	134.0									
		(Sq.M.)									(\$/Sq.M.)	
Bridges Deck Area	Timber	1,170.0									100	117,000.00
	Concrete	7,726.0									60	463,560.00
Total Network Cost											3,669,629.00	
Local Roads Grant = Total Network Cost x 0.264494 (\$)											970,596	
Share of Total Victorian Local Roads pool (%)											0.792	

Distribution of Local Roads Grants - Victoria

Asset Preservation Costs

Underlying assets preservation costs were reviewed and updated by ARRB Transport Research in 2009:

Road Type	Daily Traffic Volume	Previous Cost	Revised Cost
Kerbed	<500	\$ 2700 \$/km	\$ 3600 \$/km
	500 - 999	\$ 4000 \$/km	\$ 4900 \$/km
	1000 - 4999	\$ 5500 \$/km	\$ 6600 \$/km
	5000 +	\$ 9000 \$/km	\$ 10,700 \$/km
Unkerbed	Natural Surface	\$ 300 \$/km	\$ 350 \$/km
	<100	\$ 2000 \$/km	\$ 2500 \$/km
	100 - 499	\$ 4000 \$/km	\$ 5200 \$/km
	500 - 999	\$ 4900 \$/km	\$ 5800 \$/km
	1000 +	\$ 5400 \$/km	\$ 6600 \$/km
Bridges	Concrete Deck	\$ 40 sq.m.	\$ 60 sq.m.
	Timber Deck	\$ 80 sq.m.	\$ 100 sq.m.

Distribution of Local Roads Grants - Victoria

2009-10 Grant Outcomes

Total: Highest: \$3.963m Wellington (3165km)

Lowest: \$0.049m Queenscliffe (46km)

Per Km Highest: \$2822 per km Melbourne

Lowest: \$332 per km Yarriambiack

2005-06 Review of Interstate Distribution

- Allocation of local roads grants to local government through State and Territory Grants Commissions commenced in 1991
- Interstate relativities were fixed at that time – with Victoria receiving 20.6% of the annual funds
- In a 2001 review, the Commonwealth Grants Commission (CGC) noted that:

“The distribution of Local Roads grants between States is based on historical shares ... the original basis for this allocation is now not known.”

- In 2004, supplementary local roads grants were provided to South Australia on a temporary basis, recognising the State’s low share of the total funding pool
- In October 2005, the Commonwealth Government asked the CGC to review the interstate distribution of local roads grants (without addressing the total quantum of funds provided)

2005-06 Review of Interstate Distribution

Victorian Proposal

- Distribution based 80% on population and 20% on road length

State/Territory	Current Share (%)	Population (%)	Road Length (%)	Proposed Share (%)
New South Wales	29.0	33.4	22.2	31.2
Victoria	20.6	24.7	19.9	23.7
Queensland	18.7	19.5	22.7	20.1
Western Australia	15.3	9.9	19.0	11.7
South Australia	5.5	7.6	11.6	8.4
Tasmania	5.3	2.4	2.2	2.4
ACT	3.2	1.6	0.3	1.2
Northern Territory	2.3	1.0	2.2	1.4
TOTAL	100.0	100.0	100.0	100.0

2005-06 Review of Interstate Distribution

Review Recommendation

- Interim distribution formula (based on average per capita expenditure on roads in urban, rural and remote areas and population resident in each of those areas) pending a further review based on improved data.

State/Territory	Current Share (%)	Proposed Share (%)
New South Wales	29.0	31.1
Victoria	20.6	22.0
Queensland	18.7	20.5
Western Australia	15.3	11.3
South Australia	5.5	8.8
Tasmania	5.3	3.3
ACT	3.2	1.2
Northern Territory	2.3	1.8
TOTAL	100.0	100.0

2005-06 Review of Interstate Distribution

Outcome

- CGC Final Report completed in June 2006
- Had the CGC's recommendations been adopted, annual local roads grants to Victorian councils would have increased by \$10.5 million from 2007-08
- Commonwealth Minister released report in May 2007 and announced that the CGC recommendation for a new, interim distribution had not been accepted due to the lack of consistent and comparable local roads data
- CGC recommendation for further review in five years also not accepted "because of the poor prospects of obtaining the rigorous set of standardised data from all states that the Commission would need"
- Existing distribution retained and supplementary funding for South Australia extended