



**Australian Government**

**Department of Transport and Regional Services**

*File Reference: L3/427*

Senator the Hon Bill Heffernan  
Chair  
Senate Standing Committee on Rural and Regional  
Affairs and Transport  
Department of the Senate  
Parliament House  
CANBERRA ACT 2600

Dear Senator Heffernan

I write regarding my statements at the recent Senate Estimates Hearings on 21 May 2007.

At the time of the hearing incorrect information was given on Monday 21 May 2007 at page 49 of Hansard (copy attached) about the own sources expenditure requirement for councils under the Roads to Recovery programme as follows:

‘In relation to Roads to Recovery, there is a requirement that the council maintain its own source revenue which matches the amount of the Commonwealth contribution.’

The requested correct information is:

‘In relation to Roads to Recovery, there is a requirement that the council maintain its own source expenditure, for the life of the current programme, against a reference amount of its average own source expenditure in either the five years beginning in 2000-01 or in three of those five years, excluding the highest and lowest years.’

I apologise for any inconvenience that the incorrect information may have caused.

Yours sincerely

A handwritten signature in cursive script that reads 'Susan Page'.

Susan Page  
Deputy Secretary

*21 June 07.*

the Commonwealth contribution, in the vast majority of projects, to be matched either by the state or by local government or by industry or a combination of all of them. In relation to Roads to Recovery, there is a requirement that the council maintain its own source revenue which matches the amount of the Commonwealth contribution. So it is fair to say that, yes, the Commonwealth has had, and has had from time to time, policy interventions in relation to regional and rural roads of certain classes, but under the current arrangements there are a range of incentives that the government has put in place to attempt to increase the overall funding pool.

**Senator IAN MACDONALD**—Yes. I understand the language you are talking. But at each estimates I try to encourage the minister through you to actually bring the states to account. You are saying local governments will put it in. But clearly in those smaller places most of the local government roads money is federal government money anyhow. So we might as well build 100 per cent of them. My question is: when is the government going to get serious about requiring the states to live up to their responsibilities on state roads? It is a policy question that you cannot answer.

**Ms Page**—I think they are policy judgements for the government at the end of the day.

**Senator O'BRIEN**—It is a question on notice for your party room.

**CHAIR**—Senator Macdonald, we have bigger fish to fry. You have got your mind into everything but the Capricorn.

**Senator IAN MACDONALD**—I am looking at these northern roads. These are northern roads.

**CHAIR**—If you go right into the Territory and the Kimberleys, mate, you have a big job to do.

**Senator IAN MACDONALD**—We are going to run water down these roads, but they have got to be sealed.

**CHAIR**—The road from Corrong to Booligal is not sealed and I do not ever expect it to be sealed.

**Senator IAN MACDONALD**—From where to where?

**CHAIR**—Booligal to Corrong.

**Senator IAN MACDONALD**—Yes. But does anyone live there?

**CHAIR**—Yes. There are about six or eight properties up that road. We got electricity in 1985 and we got telephone the same year. We had a big year. Senator Adams has a question.

**Senator ADAMS**—Thank you very much. I would like to ask a question on Roads to Recovery. There are a number of local governments in Western Australia that are really having problems—this keeps coming up all the time—on the policy of claiming depreciation with Roads to Recovery. Could you clarify why they cannot claim against depreciation with the Roads to Recovery funding?

**Mr Atkinson**—I might be able to help you with that. The objective of the Roads to Recovery program is to increase the net spending on roads by local government to increase the quality of roads and maintenance. The program rules require that only the net costs of projects can be charged to the Roads to Recovery program. In doing that, we are not funding capital equipment for the councils, so we are optimising the amount of road we get for our dollar. So I suppose the indirect cost of capital equipment, which is depreciation for councils, is being picked up by councils' own source funds.

**Senator ADAMS**—When councils are tendering out against contractors, the contractors use depreciation as part of their costings. The councils do as well. Is there any way that this can be reviewed so that they can be helped out with this?

**Mr Atkinson**—The difference there is that the cost of the contractors is actually a net cost to the council of doing the project. Councils have own source expenditure on roads as well. The costs of the capital are already covered. So it is not actually a net cost associated with the Roads to Recovery program.

**Senator ADAMS**—So there is no way that they will look at any change in that policy or in the guidelines?

**Mr Atkinson**—We could examine it but—

**Ms Page**—I think the policy judgement is for the government. But the government would need to look at what sorts of incentives that creates for councils in relation to the purchase of machinery as opposed to the construction of the road, I think, if we were to start funding depreciation on capital equipment.

**Senator ADAMS**—To me, it is all part of the whole issue. If they have not got machinery that is up to scratch, they are not going to be able to actually take up the work that they want to do.