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An Analysis of the Roads to Recovery Program in New South Wales Local Government

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Abstract: A crisis has developed in the maintenance and renewal of vital Australian local infrastructure that has attracted the attention of several recent public inquiries and some academic scholarship. However, an unfortunate feature of the subsequent debate on the local infrastructure crisis has been its almost total neglect of the role of the Commonwealth Roads to Recovery Program which has helped to alleviate this crisis. Using the institutional context of Roads to Recovery funding to New South Wales local government, this paper seeks to remedy this neglect by presenting an initial exploratory analysis of the operation of the Roads to Recovery Program.

Keywords: Infrastructure; local government; Roads to Recovery.

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Introduction

Local government policy makers are acutely aware that a growing crisis exists in local infrastructure renewal in all Australian local government jurisdictions. This is attested by the fact that a spate of recent public inquiries into financial sustainability in many state jurisdictions had arrived at similar conclusions regarding local infrastructure investment. For example, the South Australian Financial Sustainability Review Board's (FSRB) (2005, 9) *Rising to the Challenge* Final Report found that an 'infrastructure renewal/replacement backlog' had arisen in that state 'in excess of \$300 million'. Along analogous lines, the Independent Inquiry into the Financial Sustainability of NSW Local Government's (LGI) (2006, 13) Final Report *Are Councils Sustainable* estimated that 'overall under-spending on infrastructure renewal' approximates \$400 to 600 million per year and that 'it [would] cost over \$6.3 billion to restore these assets to a satisfactory condition'. In addition, the Queensland Local Government Association's (LGAQ) (2006) *Size, Shape and Sustainability* project and the Western Australian Local Government Association's (WALGA) (2006) *Systemic Sustainability Study* reached similar conclusions for their local government jurisdictions. Finally, in its Local Government National Report, 2004-05, the Department of Transport and Regional Services (DOTARS) (2006b, 80, Table 4.2) observed that an 'annual road renewal shortfall' of \$303 million across Australian local government.

Several potential solutions to the infrastructure problem have been proposed. In the first place, the LGI (2006) advanced a multi-faceted approach that included the introduction of 'total asset management systems' by local councils, heightened oversight by Departments of Local Government and the federal government agencies, like the National Office of Local Government, increased intergovernmental grants, 'efficiency savings', and higher rates, fees and charges, cash funding of asset depreciation, greater borrowing by municipalities, and state government responsibility for regional roads in rural areas. Along similar lines, the FSRB (2005) called for much improved financial governance in asset management. Thirdly, Beresford-Wylie *et al.* (2006)

proposed more extensive use of Public Private Partnerships in local infrastructure development. Finally, Dollery *et al.* (2007) and the PriceWaterhouseCoopers (PWC) (2006) *National Financial Sustainability Study of Local Government* Report both independently presented arguments for the establishment of national local infrastructure assets fund.

Despite these efforts, a surprising feature of the debate surrounding the crisis in Australian local infrastructure provision is the almost total neglect of the *Roads to Recovery* Program funded by the Commonwealth government in the academic and official literature alike. After all, this program delivered almost \$3 billion between 2001-02 and 2004-05 (see Table 3), largely for local road infrastructure alone, with funding continuing, and the current infrastructure problems would have been much worse in its absence. This paper thus seeks to remedy this neglect in the literature by examining the origins, evolution and operation of the *Roads to Recovery* Program.

The paper itself is divided into four main sections. Section 2 provides a general overview of local roads in Australia, particularly the manner in which local roads have contributed to the asset crisis. Section 3 focuses on the implementation of the *Roads to Recovery* program, the dispersion of funding under the *Roads to Recovery* Program, and especially how initial monies were allocated as well as how they were spent. Section 4 outlines the AusLink *Roads to Recovery* program and examines in more detail how funding is allocated, the spending restrictions attached to these funds, and the division of funds to each local council, with the emphasis on NSW. The paper ends with some brief concluding remarks in section 5.

Local Roads

Of all the infrastructure responsibilities of local government, the maintenance of local roads is one of the most capital-intensive activities. Much local government infrastructure consists of local and regional roads. After reclassification in 1995, many 'regional' roads in NSW became 'local' roads,

when the responsibility for regional roads was passed from state to local government, leading to an increased burden of financial responsibility on local authorities (LGI 2006, 13). Local councils still dispute that they were adequately compensated for this transfer. While councils receive annual grants from the state government, PWC (2006, 70) observed that state funding has been rendered inadequate due to rising input costs, with roads needing more costly resurfacing.

Many local-managed roads across Australia are now reaching or have reached the end of their useful economic life. Councils have often ignored the need for infrastructure renewal, instead using scarce funds to finance their ever-increasing range of human services (LGI 2006, 14; Dollery *et al.* 2006b). Most local government assets, like roads, drainage and public buildings, were originally financed by higher tiers of government. However, with many of these assets over a century old and needing upgrading or replacement, local government faces the responsibility of major infrastructure renewal. The LGI (2006, 115) argued that 'current revenue mechanisms available to local government were not designed to meet the financial burden of "second generation" infrastructure renewal'. In addition, local government's expansion into new fields and undertaking a wider range of responsibilities, has also caused an expansion of councils' asset base, leading to the heightened financial pressures experienced by local government.

According to DOTARS (2006a, 78), 'local roads are important to national transport safety, efficiency and overall economic performance. They provide basic access from farms, factories and homes to schools, hospitals, work, shopping and to families and friends'. In particular, the mining, grain, horticulture and plantation industries are heavily dependent on local roads. It is estimated that 80 per cent of Australia's public roads (or 649,000 km) are classified as local and administered by local government (DOTARS 2006a, 78). Local roads in those areas with no local council, known as 'unincorporated areas', are the responsibility of state governments.

Road management includes kerbing, street lighting, bridges, footpaths, signage and traffic controls (LGI 2006, 59). Local government is responsible for constructing and maintaining local roads within their own boundaries. It is estimated that local roads account for approximately 20 per cent of local government expenditure (DOTARS 2006a, 78). The deterioration of local roads will affect the efficiency and cost of transport, both locally and throughout Australia (DOTARS 2006a, 78). Table 1 provides a summary of local road statistics throughout the various states and territories.

Table 1: Local Road Statistics as at June 2005

State	Total local road length (km)	Total sealed local road length (km)	Total unsealed local road length (km)	Sealed Road (%)
NSW	143,782	61,659	82,123	42.9
VIC	129,171	54,055	75,116	41.8
QLD	147,522	42,381	105,141	28.7
WA	122,993	33,479	89,514	27.2
SA	75,310	16,401	58,909	21.8
TAS	14,079	6,866	7,213	48.8
NT	14,108	2,027	12,081	14.4
ACT	1,837	1,825	12	99.3
Total	648,802	218,693	430,109	33.7

Source: DOTARS (2006a, 79). NSW local road length excludes 18,500 km of 'regional roads' and 2,900 km of regional and local roads in unincorporated areas.

The Australian local road network is estimated to be worth almost \$80 billion (DOTARS 2006a, 78). Spending on local roads by all levels of government was estimated to be \$4.3 billion for 2003-04 (DOTARS 2006a, 79). A third of this expenditure fell on new capital works, while two-thirds derived from road renewal and maintenance. Table 2 summarises total spending on council-managed roads.

Table 2: Estimated Spending on Council-Managed Roads 2001-04

	2001-02 (\$million)	2002-03 (\$million)	2003-04 (\$million)
Urban	2,645	2,621	2,493
Rural	1,726	1,684	1,865
Total local road expenditure	4,371	4,305	4,358
Less spending on unincorporated areas	na	40	36
Estimated spending on council-managed roads	na	4,265	4,322

Source: DOTARS (2006a, 81).

However, it has been estimated that nationally funding has been deficient by \$630 million each year (DOTARS/ALGA 2003, 7). DOTARS/ALGA (2003, 9) has identified two major problems with road infrastructure. Firstly, there is a need to expand the existing sealed road network; and secondly, there is a need to repair and maintain the existing road network. In response to the asset and infrastructure crisis, the federal government established the *Roads to Recovery* program, which provides funding directly to local councils.

Implementation of *Roads to Recovery* Program

Against this background, the Australian Local Government Association (ALGA) realised that a deficiency existed in the level of road funding required to maintain an adequate level of service and thus began holding an annual road congress commencing in March 2000. In response to the concerns raised at the inaugural national roads congress, the Commonwealth government announced a new road expenditure plan known as *Roads to Recovery* in November 2000. According to DOTARS/ALGA (2003, 2), the initial program was established as a 'single intervention by the Commonwealth to address the specific problem that much local government road infrastructure is about to reach the ends of its useful economics life and its replacement is beyond the capacity of local government'. Under the program, the federal government would boost funding for local roads by \$1.2 billion beginning on 1 January 2001 until 30 June 2005 (DOTARS/ALGA 2003, 1).

The *Roads to Recovery Bill 2000* was enacted on 21 December 2000, with the first payment made to local government authorities on 1 March 2001.

The Commonwealth government decided that the *Roads to Recovery* Program should operate under simple administrative arrangements so that councils could minimise administrative costs and devote funding to road works. Moreover, by allowing local decision making, a flexible system was ensured with local councils prioritising projects according to their own circumstances (DOTARS 2006b, 9). Although the federal government has previously provided funding to local government, particularly through Financial Assistance Grants (FAGs), *Roads to Recovery* is unique because grants are provided directly to local authorities from the federal government, bypassing state and territory governments (Dollery *et al.* 2006a, 4-5).

The *Roads to Recovery Act 2000* specified the level of funding available to be distributed to each council. Under the program, funding was to be allocated to Australian local government authorities already in receipt of FAGs from the Commonwealth and was to be in addition to other untied FAGs made to local government for roads and other purposes (DOTARS 2006b, 7). This allocation was gazetted and thus firmly established for the life of the Roads to Recovery program. Funding allocations to local councils were based on the recommendations of the Local Government Grants Commission in each jurisdiction of the local roads component of the FAGs (DOTARS 2006b, 10). Table 3 provides a summary of the different types of funding provided by the federal government for local roads from 2001-02 until 2004-05.

Table 1: Federal Government Funding for Local Roads 2001-02 to 2004-05

	2001-02 (\$million)	2002-03 (\$million)	2003-04 (\$million)	2004-05 (\$million)
Local road financial assistance grants	429	447	461	482
Roads to recovery formula component	300	200	300	250
Black Spot - local Roads	17	25	18	20
Total	746	672	779	752

Source: DOTARS (2006a, 82).

The allocation of *Roads to Recovery* funds to local councils was determined using a two-step process. The first step involved determining how funds would be distributed amongst the states, while the second step involved determining the allocation to each local council within each state (DOTARS/ALGA 2003, 34). The allocation of funds between the states and territories was decided at the ministerial level, with consideration given to the historical formulae used to distribute the local roads component of FAGs. Table 4 illustrates the distribution of funding between states and territories for the duration of the first instalment of the program.

Table 2: State and Territory Allocations of Roads to Recovery Funds for First Installment

State/ Territory	Allocation for 2001-02 to 2004-05 (\$million)
NSW	340
VIC	250
QLD	250
WA	180
SA	100
TAS	40
NT	20
ACT	20
TOTAL	1,200

Source: DOTARS (2006b, 9).

Allocation of *Roads to Recovery* funds between councils within each state was made by applying the various formulae of individual state grants commissions used to distribute the local roads component of FAGs in 2000-01 (DOTARS/ALGA 2003, 2). *Roads to Recovery* funds were paid quarterly to local councils three months in advance. DOTARS (2006b, 10) recognised that payments needed to be given to local authorities before the commencement of work to ensure that councils did not transfer funds from other activities to finance *Roads to Recovery* projects. Subject to a councils' overall allocation and the annual payment cap, the Australian National Audit Office (ANAO

2005, 135) advised that the following formula determined the funding paid to local authorities throughout Australia:

Payment to be made = reported expenditure to date (all projects) + reported forecast expenditure (all projects) – total payments previously made.

However, since DOTARS acknowledged that payments made too far in advance could potentially adversely affect accountability and additionally would come at a cost to the Commonwealth government, councils could only hold funds for up to three months before using them (ANAO 2005, 126). The amount paid was based on quarterly reports which provided data on expenditure to date as well as proposed expenditure for the next three months. Consequently, Roads to Recovery payments would match cash flow requirements (DOTARS 2006b, 10).

Under the *Roads to Recovery Act 2000*, councils were required to maintain a level of spending equivalent to the average of their expenditure from 1998-99 to 2000-01. This was an important provision which aimed to ensure that council's continued to spend own revenue on road maintenance to prevent substitution of local expenditure with federal funding. Consequently, councils were required to maintain their expenditure at, or above, their average for the period between 1998-99 and 2000-01. However, ANAO (2005, 19) found that over 60 per cent of the local authorities surveyed had not maintained their expenditure at the required rate in at least one year between 2000-01 and 2003-04. In addition, ten councils had not maintained their spending in any of the years in the period (ANAO 2005, 23).

Over the life of the *Roads to Recovery* program, 14,980 projects were funded. Table 5 provides a summary of how the funds were spent. Almost a third of all projects involved the reconstruction, rehabilitation and widening of roads. Resealing was another prevalent task, with approximately 22 per cent of projects involved in sealing along sections of gravel roads. By contrast, the

construction of new roads only involved 1.8 per cent of all projects and accounted for only 5.2 per cent of total cost.

Table 3: Roads to Recovery - Analysis of Projects by Number and Type

Output Description	No. of projects funded	%	Value of projects funded (\$m)	%
General maintenance	295	2.0	13.7	1
Constructing a new road	264	1.8	68.4	5.2
Reconstruction, rehabilitation, widening	4,589	30.6	610	45.9
Sheeting/ Re-sheeting	2,147	14.3	105.3	7.9
Sealing	1,745	11.6	165.9	12.5
Resealing	3,359	22.4	154.4	11.6
Bridges	700	4.7	97.8	7.4
Drainage	815	5.4	51.5	3.9
Traffic Improvement	483	3.2	33.2	2.5
Bicycle paths/Footpaths	486	3.2	21.7	1.6
Planning and related	45	0.3	2.5	0.2
Other	52	0.3	3.6	0.3
Total	14,980	100	1327.9	100

Source: DOTARS (2006b, 16).

After conducting a review into the program, DOTARS/ALGA (2003, 42) concluded that generally funding had been used in a way consistent with the main aims of the program, which was primarily to address the backlog of road works. It appeared that the state of roads and associated infrastructure had benefited from a national targeted funding program to contend with the backlog. Moreover, this report found that the program had reduced the rate of decline in the condition of local roads, with most of the expenditure being divided between renewal of roads and upgrading of capital. DOTARS/ALGA (2003, 31-32) also conducted a benefit cost analysis, with an indicative benefit cost ratio of 1.8 reported. This value is documented in DOTARS' 2003-04 Annual Report (2004, 81) which stated that, on average, there is a return of \$1.80 in benefits for every \$1 invested under the program. Furthermore, the AusLink *Roads to Recovery* brochure also claimed that returns are worth \$1.80 for every dollar outlaid (DOTARS 2007, 1). However, the ANAO (2005, 65) noted that the projects surveyed by DOTARS for the analysis were not

representative of local authorities as a whole. Furthermore, the cost of the projects surveyed only constituted 2.8 per cent of the total cost of the program. Accordingly, ANAO (2005, 65) advised that the results of the benefit cost analysis be used with care.

AusLink Roads to Recovery

After the review of the program in 2003, it was decided that despite the evident success of the program, no further funding was to be provided under the *Roads to Recovery Act 2000*. Instead, the Commonwealth government announced a new scheme in 2004 known as the AusLink National Land Transport Plan, which incorporated the *Roads to Recovery* program (DOTARS 2006b, 7). Subsequently, *Roads to Recovery* has been extended for a further four years, with the federal government committing a further \$1.35 billion from 2004-05 to 2008-09. On 8 May 2007, the federal government further extended the *Roads to Recovery* Program until June 2014. Funding for the program will also be increased to \$350 million from 2009-10.

Of funds paid during 2004-05 to 2008-09, \$300 million will be distributed annually to local councils under the *AusLink (National Land Transport) Act 2005*, \$120 million will be allocated to AusLink Strategic Regional Programs aimed at local transport infrastructure projects of strategic importance, while the remaining \$30 million will be distributed amongst the various unincorporated areas in each state and territory and to the Indian Ocean Territories on a formulaic basis. Money will still be paid directly from the federal government to local authorities, with funds distributed amongst states and territories according to length of road, historical road funding allocations and population criteria (DOTARS 2007, 2-3).

ANAO (2005, 25) found that the broad definition of the term 'road' under the *Roads to Recovery Act 2000* resulted in confusion and inconsistencies in a number of areas. Accordingly, the AusLink *Roads to Recovery* program has

aimed to overcome this problem and advised councils on which projects would be eligible for *Roads to Recovery* funding. DOTARS released a circular on the first day of the AusLink *Roads to Recovery* program to inform councils which projects would be eligible for funding. The circular also advised that compliance requirements would be tightened and that several items would be excluded from funding under the new program. These qualifications were also documented in the *AusLink Roads to Recovery Payment Conditions* ('Funding Conditions', DOTARS 2006d) and the *Notes on Administration: AusLink Roads to Recovery* ('Notes on Administration', DOTARS 2006c).

Under the current program, any road construction or maintenance qualifies for *Roads to Recovery* funding. The term 'road' is still defined broadly and incorporates traffic lights and signals, street lighting, vehicular ferries, bridges, tunnels or bicycle paths associated with a road (DOTARS 2006c, part 3.1). Part 3.2 of the *Notes on Administration* (DOTARS 2006c, 8) provides examples of some items that cannot be funded under the program. These include road building and plant equipment (such as graders), street furniture, finance leases on equipment and depreciation.

The AusLink *Roads to Recovery* Program places greater emphasis on accountability and reporting of local councils. Administrative improvements are being implemented by DOTARS to enhance performance monitoring to ensure that local councils are complying with the program's funding conditions (ANAO 2005, 23). A number of changes have also been made to the expenditure maintenance requirements of the AusLink *Roads to Recovery* Program. A primary alteration has been that certification has been expanded and requires that councils detail the annual amount spent on roads using its own sources as well as the reference average amount. This should assist DOTARS in making sure that councils are maintaining their spending obligations on roads (ANAO 2005, 23). Councils are required to maintain their spending level equal to their average expenditure from 2000-01 to 2004-05 under clause 2 of the *Funding Conditions* (DOTARS 2006d).

Since ANAO (2005, 128) has estimated that paying local authorities in advance could come at a potential cost of \$14.7 million to the Commonwealth if funds were held for the full three months before being spent, several changes have been made to the *Funding Conditions* (DOTARS 2006d) to assure the timely expenditure of AusLink *Roads to Recovery* funds. In particular:

- Clause 1.4 of the *Funding Conditions* states that funding recipients must ensure that AusLink *Roads to Recovery* payments are spent within six months of receipt of the payment, although the clause also states that the Minister has the power to waive this and any other conditions;
- Clause 1.5 of the *Funding Conditions* further affirms that funding recipients must spend all AusLink *Roads to Recovery* payments by 31 December 2009; and
- Clause 1.6 of the *Funding Conditions* states that if a funding recipient receives an amount as interest in respect of an AusLink *Roads to Recovery* payment, the recipient must spend an amount equal to that amount on the construction or maintenance of roads.

The AusLink *Roads to Recovery* program operates under a similar approach to the initial *Roads to Recovery* Program. Funding recipients are determined by the Minister for Transport and Regional Services, who also decides the funding conditions applicable to payments made under the new program (ANAO 2005, 27). The initial *Roads to Recovery* program was funded using a Special Appropriation, which was capped at \$2.1 billion and constrained by time with any funds not spent by 30 June 2005, no longer able to be used (ANAO 2005, 123). On the other hand, AusLink *Roads to Recovery* is funded using Annual Appropriations (ANAO 2005, 125). Councils still receive payments quarterly, and in advance, to ensure that they are not forced to reduce funding from other projects to finance road works. The quarterly payment is based on each councils' reported spending to date against each project and the projected expenditure in the next quarter, up to their annual limit (DOTARS 2006b, 10).

The distribution of AusLink *Roads to Recovery* funds to local councils is also based on recommendations of local government grants commission following the same allocations as the local roads component of FAGs (ANAO 2005, 47). However, since the original *Roads to Recovery* funds were distributed based on 2000-01 recommendations, these are now outdated. The AusLink *Roads to Recovery* funds are thus now distributed based on the recommendations for 2004-05. According to NSW Treasury (2006, 4), the NSW Local Grants Commission uses the following method to allocate local road grants: from the initial state portion, 27.54 per cent is allocated to urban areas, with the remainder (72.46 per cent) distributed amongst rural areas. The funding provided to urban areas is then apportioned according to the following method:

- (a) 5 per cent distributed based on bridge length of local councils
- (b) 95 per cent distributed to local councils on the basis of
 - (i) Length of roads (60 per cent)
 - (ii) Population (40 per cent)

In rural areas funds are allocated using a similar model:

- (a) 7 per cent distributed based on bridge length of local councils
- (b) 95 per cent distributed to local councils on the basis of
 - (i) Length of roads (90 per cent)
 - (ii) Population (20 per cent)

This approach is relatively simple and similar to that used by the Queensland Local Government Association, with the main determinants (population, road length and bridge length) used because the data is readily available and is reasonably reliable and accurate (NSW Treasury 2006, 2). Road length is a key variable because it determines the size of maintenance and preservation. The number of bridges, as well as their length and type, is another important consideration since bridges are more expensive than roads to maintain per kilometre. In addition, population is also included as a proxy to determine road usage (NSW Treasury 2006, 2). The NSW Treasury (2006, 4-5) also

acknowledged that other environmental factors could also be considered, data on such variables are often unavailable.

Table 6 specifies allocations made to NSW local councils under the initial *Roads to Recovery* program as well as under the AusLink *Roads to Recovery* Program until 2008-09. In Table 1 NSW local councils are grouped according to the Department of Local Government's (2006, 13) classification system, which divides councils into eleven different categories of urban and rural councils. These eleven categories are further explained by Table 7. Groups 1 to 7 signify an urban council while groups 8 to 11 represent rural municipalities. Table 1 details the total allocation received by the local council from 2000-01 to 2004-05. From Table 6 it can be seen that during the initial stage of the program, rural councils received a greater proportion of funding than their urban counterparts, with over 50 per cent of all funding being allocated to rural councils. This trend continues under the AusLink *Roads to Recovery* program with over 60 per cent of funding for 2005-06 distributed amongst rural councils.

Table 1: Distribution of Roads to Recovery Funding

NSW Councils	DLG Group	Roads to Recovery Allocations 2000-01 to 2004-05 (\$)	AusLink Roads to Recovery Allocations 2005-06 to 2008-09 (\$)	Roads to Recovery Allocations 2005-06 (\$)
Sydney City	1	344,264	1,764,843	441,211
Ashfield Municipal	2	555,547	513,565	128,391
Auburn Council	2	913,264	909,681	227,420
Botany Bay City	2	484,080	479,780	119,945
Burwood Council	2	488,284	419,009	104,752
Canada Bay City Council	2	901,544	929,260	232,315
Hunters Hill Municipal	2	257,537	251,318	62,829
Kogarah Municipal	2	797,443	786,778	196,695
Lane Cove Municipal Council	2	506,482	456,869	114,217
Leichhardt Municipal Council	2	900,389	696,856	174,214
Manly Council	2	535,016	523,088	130,772
Mosman Municipal	2	415,535	403,778	100,944

NSW Councils	DLG Group	Roads to Recovery Allocations 2000-01 to 2004-05 (\$)	AusLink Roads to Recovery Allocations 2005-06 to 2008-09 (\$)	Roads to Recovery Allocations 2005-06 (\$)
North Sydney	2	782,894	769,687	192,422
Pittwater	2	1,038,381	1,004,074	251,019
Strathfield Municipal Council	2	451,517	431,281	107,820
Waverley Council	2	750,572	714,354	178,588
Willoughby City Council	2	963,011	956,906	239,226
Woollahra Municipal Council	2	733,609	695,533	173,883
Bankstown City Council	3	2,630,357	2,615,080	653,770
Blacktown City Council	3	4,877,016	4,793,615	1,198,404
Canterbury City Council	3	1,884,485	1,813,675	453,419
Fairfield City Council	3	3,256,125	2,875,125	718,781
Holroyd City	3	1,473,200	1,469,808	367,452
Hurstville City Council	3	1,033,323	1,041,748	260,437
Ku-ring-gai Council	3	1,891,702	1,861,715	465,429
Marrickville Council	3	1,055,309	995,609	248,902
Parramatta City	3	2,483,301	2,476,977	619,244
Randwick City	3	1,604,205	1,550,476	387,619
Rockdale City	3	1,340,854	1,325,235	331,309
Ryde City	3	1,532,357	1,505,885	376,471
South Sydney City Council (abolished)	3	1,138,047	—	—
Sutherland Shire Council	3	3,472,200	3,411,559	852,890
Warringah Council	3	2,227,005	2,158,766	539,691
Albury City Council	4	1,860,824	2,076,732	519,183
Armidale Dumaresq Council	4	2,361,475	2,228,148	557,037
Ballina Shire Council	4	1,971,056	1,995,904	498,976
Bathurst City Council (abolished)	4	1,333,106	—	—
Bathurst Regional	4	—	2,897,604	724,401
Bega Valley Shire	4	2,924,205	3,021,864	755,466
Broken Hill City Council	4	914,246	875,516	218,879
Byron Shire Council	4	1,843,411	1,870,223	467,556
Cessnock City Council	4	2,679,884	2,733,851	683,463
Clarence Valley	4	—	5,225,105	1,306,276
Coffs Harbour City Council	4	2,865,937	3,073,568	768,392
Deniliquin	4	456,320	464,788	116,197

NSW Councils	DLG Group	Roads to Recovery Allocations 2000-01 to 2004-05 (\$)	AusLink Roads to Recovery Allocations 2005-06 to 2008-09 (\$)	Roads to Recovery Allocations 2005-06 (\$)
Dubbo City	4	2,787,287	2,898,267	724,567
Eurobodalla Shire	4	2,451,834	2,526,058	631,514
Glen Innes Municipal Council	4	350,819	2,189,937	547,484
Goulburn City Council (abolished)	4	855,308	—	—
Goulburn Mulwarree Council	4	—	2,496,229	624,057
Grafton City Council (abolished)	4	725,330	—	—
Great Lakes	4	2,346,325	2,470,406	617,602
Greater Taree City	4	4,116,490	4,102,204	1,025,551
Griffith City	4	2,547,851	2,449,336	612,334
Hastings	4	4,023,683	4,147,488	1,036,872
Kempsey Shire Council	4	2,880,313	2,851,628	712,907
Kiama Municipal	4	697,812	700,855	175,214
Lismore City Council	4	3,212,591	3,133,423	783,356
Lithgow City Council	4	1,616,965	1,813,556	453,389
Maitland City	4	1,813,179	1,894,713	473,678
Mid-Western Regional	4	—	3,899,161	974,790
Orange City	4	1,617,081	1,637,127	409,282
Port Stephens	4	1,819,554	1,851,883	462,971
Queanbeyan City Council	4	1,064,986	1,296,737	324,184
Richmond Valley	4	2,374,293	2,464,575	616,144
Shellharbour City Council	4	1,151,222	1,283,322	320,830
Singleton Shire Council	4	1,858,803	1,873,423	468,356
Tamworth City Council (abolished)	4	1,580,568	—	—
Tamworth Regional	4	—	6,429,232	1,607,308
Wagga Wagga City Council	4	5,023,449	4,955,992	1,238,998
Wingecarribee Shire Council	4	2,722,194	2,771,307	692,827
Lake Macquarie City Council	5	4,515,985	4,504,737	1,126,184
Newcastle City	5	2,996,619	2,992,925	748,231
Shoalhaven City Council	5	4,787,500	4,977,049	1,244,262
Tweed Shire Council	5	3,946,235	4,112,438	1,028,110
Wollongong City Council	5	3,701,717	3,697,685	924,421
Camden Council	6	1,105,899	1,272,444	318,111

NSW Councils	DLG Group	Roads to Recovery Allocations 2000-01 to 2004-05 (\$)	AusLink Roads to Recovery Allocations 2005-06 to 2008-09 (\$)	Roads to Recovery Allocations 2005-06 (\$)
Hawkesbury City Wollondilly Shire Council	6	2,906,734	2,907,836	726,959
Baulkham Hills Shire Council	6	2,138,494	2,172,962	543,240
Blue Mountains City Council	7	2,798,938	3,065,371	766,343
Campbelltown City Council	7	2,446,430	2,361,833	590,458
Gosford City Council	7	2,670,219	2,724,326	681,081
Hornsby Shire Council	7	3,903,509	3,871,756	967,939
Liverpool City Council	7	2,601,650	2,609,446	652,361
Penrith City Council	7	2,876,549	3,106,900	776,725
Wyong Shire Council	7	3,637,225	3,666,314	916,578
Total Urban Councils		163,056,485	163,056,485	182,861,024
Bingara Shire Council (abolished)	8	919,696	—	—
Conargo Shire Council	8	2,049,671	2,034,161	508,540
Jerilderie Shire Council	8	1,616,861	1,607,875	401,969
Nundle Shire Council (abolished)	8	540,443	—	—
Urana Shire Council	8	1,400,705	1,411,962	352,990
Balranald Shire Council	9	2,023,008	2,046,362	511,590
Barraba Shire Council (Amalgamated)	9	1,245,403	—	—
Bogan Shire Council	9	2,338,068	2,315,500	578,875
Bombala Council	9	1,155,322	1,126,016	281,504
Boorowa Council	9	1,206,026	1,037,379	259,345
Bourke Shire Council	9	3,034,483	3,034,074	758,519
Brewarrina Shire Council	9	2,058,170	2,040,964	510,241
Carrathool Shire Council	9	3,708,507	3,640,994	910,248
Central Darling Shire Council	9	2,523,382	2,504,992	626,248
Coolah Shire Council	9	1,667,127		
Coolamon Shire Council	9	2,059,082	2,046,128	511,532
Coonamble Shire Council	9	2,332,399	2,311,708	577,927
Copmanhurst Shire Council (abolished)	9	1,159,028	—	—
Crookwell Shire Council (abolished)	9	1,562,750	—	—

NSW Councils	DLG Group	Roads to Recovery Allocations 2000-01 to 2004-05 (\$)	AusLink Roads to Recovery Allocations 2005-06 to 2008-09 (\$)	Roads to Recovery Allocations 2005-06 (\$)
Culcairn Shire Council (abolished)	9	1,371,155	—	—
Gilgandra Shire Council	9	2,106,184	2,088,470	522,117
Gloucester Shire Council	9	1,417,668	1,414,758	353,689
Gundagai Shire	9	1,263,002	1,292,607	323,152
Gunning Shire Council (abolished)	9	835,896	—	—
Guyra Shire	9	1,522,496	1,512,015	378,004
Harden Shire	9	1,542,519	1,528,926	382,232
Hay Shire	9	1,283,083	1,250,578	312,645
Holbrook Shire Council (abolished)	9	826,728	344,264	1,764,843
Lockhart Shire	9	2,520,703	2,526,947	631,737
Manilla Shire Council (abolished)	9	1,062,792	—	—
Merriwa Shire Council (abolished)	9	917,410	—	—
Murrumbidgee Shire Council	9	975,782	969,804	242,451
Murrurundi Shire Council (abolished)	9	909,580	—	—
Oberon	9	1,281,408	1,612,612	403,153
Quirindi Shire Council (abolished)	9	1,404,689	—	—
Tallaganda Shire Council (abolished)	9	1,049,489	—	—
Tumbarumba Shire Council	9	939,604	929,112	232,278
Wakool, The Council of the Shire of	9	2,343,334	2,317,486	579,371
Walcha Council	9	1,404,458	1,392,148	348,037
Warren Shire Council	9	1,644,933	1,629,004	407,251
Weddin Shire Council	9	1,610,095	1,598,828	399,707
Yallaroi Shire Council (abolished)	9	2,101,681	—	—
Berrigan Shire	10	2,274,581	2,133,345	533,336
Bland Shire Council	10	4,631,148	4,634,548	1,158,637
Blayney Shire Council	10	1,346,120	1,307,905	326,976
Cobar Shire Council	10	2,711,085	2,689,759	672,440
Cooma-Monaro Shire Council	10	1,655,153	1,723,511	430,878
Coonabarabran Shire Council	10	2,190,966	—	—

NSW Councils	DLG Group	Roads to Recovery Allocations 2000-01 to 2004-05 (\$)	AusLink Roads to Recovery Allocations 2005-06 to 2008-09 (\$)	Roads to Recovery Allocations 2005-06 (\$)
Cootamundra Shire	10	1,142,296	1,129,470	282,367
Corowa Shire	10	2,127,466	2,283,905	570,976
Dungog Shire	10	1,437,426	1,423,009	355,752
Evans Shire Council (abolished)	10	1,859,508	—	—
Gwydir Shire	10	—	3,245,499	811,375
Hume Shire Council (abolished)	10	1,294,191	—	—
Junee Shire Council	10	1,430,497	1,425,084	356,271
Kyogle Council	10	2,543,243	2,663,102	665,775
Lachlan Shire Council	10	5,238,994	5,194,661	1,298,665
Liverpool Plains Shire	10	—	2,181,092	545,273
Mulwaree Shire Council (abolished)	10	2,262,029	—	—
Murray Shire Council	10	2,237,767	2,394,013	598,503
Narrandera Shire	10	2,464,074	2,464,873	616,218
Narromine Shire	10	2,233,171	2,230,392	557,598
Scone Shire Council (abolished)	10	1,729,310	—	—
Snowy River Shire Council	10	1,380,647	1,387,169	346,792
Temora Shire Council	10	1,962,603	1,948,452	487,113
Tenterfield Shire Council	10	2,540,484	2,664,915	666,229
Upper Lachlan	10	—	3,105,018	776,255
Uralla Shire Council	10	1,518,073	1,509,982	377,496
Walgett Shire Council	10	3,366,103	3,355,252	838,813
Wellington Council	10	2,214,869	2,194,204	548,551
Wentworth Shire Council	10	3,213,907	3,189,986	797,496
Yarrowlumla Shire Council (abolished)	10	1,270,912	—	—
Yass Shire Council (abolished)	10	1,720,950	—	—
Bellingen Shire	11	1,358,637	1,348,237	337,059
Cabonne Shire Council	11	3,317,407	3,303,526	825,881
Cowra Shire	11	2,395,517	2,318,681	579,670
Forbes Shire Council	11	3,197,695	3,155,767	788,942
Greater Hume Shire	11	—	3,149,477	787,369
Gunnedah Shire	11	2,528,266	2,481,436	620,359
Inverell Shire Council	11	3,306,622	3,296,861	824,215
Leeton Shire Council	11	1,597,069	1,646,970	411,742
Maclean Shire Council (abolished)	11	1,379,850	—	—

NSW Councils	DLG Group	Roads to Recovery Allocations 2000-01 to 2004-05 (\$)	AusLink Roads to Recovery Allocations 2005-06 to 2008-09 (\$)	Roads to Recovery Allocations 2005-06 (\$)
Moree Plains Shire	11	4,628,099	4,625,952	1,156,488
Mudgee Shire Council (abolished)	11	2,760,901	—	—
Muswellbrook Shire Council	11	1,448,811	1,443,936	360,984
Nambucca Shire Council	11	1,944,682	1,858,742	464,685
Narrabri Shire Council	11	3,704,523	3,677,425	919,356
Palerang	11	—	2,091,062	522,765
Parkes Shire	11	3,160,246	3,127,631	781,908
Parry Shire Council (abolished)	11	2,804,331	—	—
Pristine Waters Council (abolished)	11	2,240,273	—	—
Rylstone Shire Council (abolished)	9	1,086,695	—	—
Tumut Shire Council	11	1,289,041	1,342,289	335,572
Upper Hunter	11	—	2,788,206	697,052
Warrumbungle	11	3,858,093	3,833,408	958,352
Yass Valley	11	—	1,933,504	483,376
Young Shire	11	2,012,431	2,015,316	503,829
Total Rural Councils		178,951,582	157,138,982	39,284,741
NSW Total		340,000,000	340,000,000	85,000,000

Sources: DOTARS (2006e); DLG (2006, 15-18).

In order to make meaningful comparisons between NSW councils, the Department of Local Government (DLG) organises local authorities into eleven groups. First, councils are classed as either urban or regional. Urban councils are then organised into four categories: capital city, metropolitan developed, regional town or city, or fringe, while rural councils are divided into two categories: agricultural or remote. Lastly, councils are then classified based on population (DLG 2006, 12). As Table 7 illustrates, this results in eleven council groups. The majority of NSW local councils are classed as urban, with group 4, small/medium regional towns and cities containing the most councils, as seen from Table 6.

Table 2: Department of Local Government Council Classification

URBAN				
		Size	Population	DLG Group Number
	Capital city	-	-	1
Population > 20,000	metropolitan developed	small	up to 30,000	2
		medium	30,001 - 70,000	
		large	70,001 - 120,000	
		very large	> 120,000	3
Population density > 30 persons per square km	Regional Town/city	small	up to 30,000	4
		medium	30,001 - 70,000	
		large	70,001 - 120,000	
		very large	> 120,000	5
Population density > 90% of council population is urban	Fringe	small	up to 30,000	6
		medium	30,001 - 70,000	
		large	70,001 - 120,000	
		very large	> 120,000	7
RURAL				
		Size	Population	DLG Group Number
	Agricultural	small	up to 2,000	8
		medium	2,001 - 5,000	9
		large	5,001 - 10,000	10
		very large	10,001 - 20,000	11
	Remote	medium	1,001 - 3,000	9
		large	3,001 - 20,000	10

Source: DLG (2006, 12).

During the first *Roads to Recovery* Program, several local councils in NSW were engaged in structural reform through amalgamation. Consequently, a number of councils in Table 6 have incomplete data due to these structural changes. Councils which underwent change are identified in Table 8. According to DOTARS (2006b, 11), three main types of changes were made to council structure:

1. Councils that were wholly merged with other councils. These councils are described in Table 8 as 'amalgamated;'

2. Councils that were divided into two or three parts, with these parts incorporated into other councils. These councils are described in Table 8 as 'split;' and
3. Several councils formed in the amalgamations were renamed.

For example, the Coolah Shire Council was amalgamated with the Warrumbungle Council, while the Barraba Shire Council was divided, with one part amalgamated with Tamworth Regional Council and the other with the Gwydir Shire Council. In addition, the Tamworth Regional Council was formerly known as Tamworth City Council and was one of the many council's renamed after amalgamation.

Table 8: NSW Council Restructuring

Original Local Authority	New Local Authority	Reason for change
Barraba Shire Council	Tamworth Regional Council	Split
	Gwydir Shire Council	Split
Bingara Shire Council	Gwydir Shire Council	Amalgamated
City of Bathurst	Bathurst Regional Council	Renamed
City of South Sydney	City of Sydney	Amalgamated
Concord Council	City of Canada Bay	Amalgamated
Coolah Shire Council	Warrumbungle Council	Amalgamated
Cooma-Monaro Shire Council	Cooma-Monaro Council	Renamed
Coonabarabran Shire Council	Warrumbungle Council	Amalgamated
Copmanhurst Shire Council	Clarence Valley Council	Amalgamated
Crookwell Shire Council	Upper Lachlan Council	Amalgamated
Culcairn Shire Council	Greater Hume Shire Council	Amalgamated
Drummoyne Council	City of Canada Bay	Amalgamated
Eastern Capital City Regional Council	Palerang Council	Renamed
Evans Shire Council	Bathurst Regional Council	Split
	Oberon Council	Split
Goulburn City Council	Greater Argyle Council	Renamed
Grafton City Council	Clarence Valley Council	Amalgamated
Greater Argyle Council	Goulburn Malwaree Council	Renamed
Gunning Shire Council	Upper Lachlan Council	Amalgamated
Hume Shire Council	Greater Hume Shire Council	Renamed
Macleay Shire Council	Clarence Valley Council	Amalgamated
Manilla Shire Council	Peel Regional Council	Amalgamated
Merriwa Shire Council	Upper Hunter Shire Council	Amalgamated
Mudgee Shire Council	Mid-Western Regional Council	Amalgamated
Mulwaree Shire Council	Eastern Capital City Regional Council	Split
	Upper Lachlan Council	Split
	Greater Argyle Council	Split

Original Local Authority	New Local Authority	Reason for change
Murrurundi Shire Council	Upper Hunter Shire Council	Split
Parry Shire Council	Liverpool Plains Shire Council	Split
	Tamworth Regional Council	Split
	Liverpool Plains Shire Council	Split
Peel Regional Council	Tamworth Regional Council	Renamed
Pristine Waters Shire Council	Clarence Valley Council	Amalgamated
Queanbeyan City Council	Greater Queanbeyan Council	Amalgamated
Quirindi Shire Council	Liverpool Plains Shire Council	Amalgamated
Scone Shire Council	Upper Hunter Shire Council	Amalgamated
Shire of Windouran	Shire of Conargo	Amalgamated
Sydney City Council	City of Sydney	Renamed
Tallaganda Shire Council	Eastern Capital City Regional Council	Amalgamated
Tamworth City Council	Tamworth Regional Council	Amalgamated
Tumut Shire Council	Tumut Council	Renamed
Yallaroi Shire Council	Gwydir Shire Council	Amalgamated
Yarrowlunla Shire Council	Yass Valley Council	Split
	Eastern Capital City Regional Council	Split
Yass Shire Council	Yass Valley Council	Renamed

Source: DOTARS (2006b, Appendix 2).

Concluding Remarks

Local roads are vital local infrastructure asset within Australia. However, due to diminishing sources of funds and increasing responsibilities, local councils have often ignored spending on this traditional service in order to finance their growing range of 'human services'. The Commonwealth government thus introduced the *Roads to Recovery* Program as a response to the substantial decline of many local roads, with replacement beyond the financial capability of local government. *Roads to Recovery* is a unique initiative in that funds are paid directly from federal to local government, bypassing the state and territory governments which have typically reallocated funds to local governments via local government grants commissions. Moreover, funding payments tend to target rural rather than urban areas. Although it is generally thought that *Roads to Recovery* has partly alleviated the infrastructure crisis facing local government, the extent of the success of the program is still relatively unknown. The exploratory discussion presented in this paper thus represents only a preliminary step in a much-needed wider research agenda

aimed at determining the efficacy of the *Roads to Recovery* Program. Future research should focus *inter alia* on how effectively funds have been disbursed under the Program.

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