



The Hon Dr Sharman Stone MP
Federal Member for Murray
Parliamentary Secretary to the Minister for Finance and Administration

Mr Alan Morris
Chairman
Commonwealth Grants Commission
Cypress Court
5 Torrens Street
BRADDON ACT 2612

26 OCT 2005

Dear Mr Morris

I am writing to convey to you the attached terms of reference for the Commission's review of the interstate distribution of the local road grants paid as local government financial assistance grants (FAGs). The terms of reference provide guidance to the Commission to recommend a new methodology for the distribution of identified local roads grants to local government. The methodology should ensure that the distribution of this funding is based on the relative needs of local government in States and Territories for local roads rather than the current historical share.

The terms of reference require the Commission to report to Ministers by 30 June 2006 on possible changes to the interstate distribution.

Yours sincerely

Dr Sharman Stone

Terms of Reference for the Review of the Interstate Distribution of the Local Road Grants paid as Local Government Financial Assistance Grants

COMMONWEALTH GRANTS COMMISSION ACT 1973

1. I, Sharman Stone, Parliamentary Secretary to the Minister for Finance and Administration, pursuant to section 17 of the *Commonwealth Grants Commission Act 1973*, refer to the Commission for review and report upon, by 30 June 2006, the interstate distribution of the local road grants paid under section 12 of the *Local Government (Financial Assistance) Act 1995*.
2. For the review, the Commonwealth Grants Commission should recommend a distribution between the States and Territories of the section 12 grants. The allocation method used in deriving the recommendation should:
 - (a) assess the relative needs of local government in the States and the Northern Territory, and the ACT Government for expenditure on maintenance and preservation of local roads and, to the extent practicable, bridges on local roads; and
 - (b) not take account of local roads in unincorporated areas of the States and Territories.
3. The Commission should also recommend how the interstate distribution of the section 12 grants could be updated in future years.
4. The review will not address the quantum of funds available for section 12 grants.
5. The Commission should use the latest available data for the review.

The Australian Government's Department of Transport and Regional Services has undertaken to provide information in its possession required for the review in a timely manner.