

**From:** Bruce Michael  
**Sent:** Tuesday, 13 January 2009 7:16 PM  
**To:** Catherine Hull; Dermot Doherty  
**Cc:** Narelle Mills  
**Subject:** New Developments

Dear Catherine, Dermot, Narelle

I refer to John Spasojevic's letter of 19 December requesting additional comments on Land Rich transactions and positions on new development issues.

The Territory's legislative provisions in relation to land rich are contained within its previous supplementary submission on new developments. We are able to update the final paragraph of that submission in relation to a previous land rich transaction in 2000-01 which is still active through appeal and now reassessment as follows.

*The Territory has not raised any revenue with respect to transactions relating to listed companies for the years covered by the 2009 Update (2003-04 to 2007-08) as there were no relevant transactions during the period. However, the Territory did raise revenue from a land-rich stamp duty transaction relating to a takeover of a subsidiary of a listed company in 2000-01. This transaction was appealed by the taxpayer and the Court of Appeal determined that the land-rich provisions applied to that transaction, subject to a valuation issue relating to goodwill for which the matter was remitted to the Commissioner to reassess.*

A second issue is that of the final 2006 Census Indigenous Population estimates which we consider to be problematic due to the use of a biased estimation technique. Please find attached a response on this issue.

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## Measuring Indigenous populations

The Territory supports the use of Australian Bureau of Statistics (ABS) estimated resident Indigenous population figures which have been adjusted for undercount and 'not-stated' to the Indigenous status question. The Territory supports the operational enhancements introduced to the 2006 Census of Population and Housing (Census) and methodological improvements made to the estimation procedures by ABS to produce the preliminary Indigenous population estimates for 2006. However, the Territory has concerns about the subsequent methodological change introduced by ABS to produce the final 2006 Indigenous estimates from the preliminary ones.

It is essential that the Census count of Indigenous people be adjusted for undercount and other known weaknesses. The ABS acknowledge that more people are missed from the Census than are counted more than once. Across governments, wherever possible, planning and resource allocation decisions use population estimates which have been adjusted for undercount.

The Territory has consistently had the highest rate of undercount of all the jurisdictions. This is likely to be due to its remote and Indigenous population.

**Table 1. Net Undercount Rates by State of Usual Residence**

State	1981 Census		1986 Census		1991 Census		1996 Census		2001 Census		2006 Census	
	Rate %	Standard error	Rate %	Standard error	Rate %	Standard error	Rate %	Standard error	Rate %	Standard error	Rate %	Standard error
NSW	1.8	0.1	1.5	0.2	1.9	0.1	1.5	0.2	2.0	0.2	2.4	0.4
VIC	1.5	0.1	1.8	0.2	1.8	0.1	1.6	0.3	1.4	0.2	2.3	0.4
QLD	3.0	0.2	2.4	0.2	1.8	0.1	1.7	0.3	1.9	0.2	3.7	0.4
SA	1.6	0.1	1.6	0.3	1.6	0.1	1.3	0.3	1.6	0.2	2.3	0.4
WA	1.6	0.1	2.2	0.3	2.1	0.2	1.6	0.3	2.0	0.3	3.2	0.6
TAS	1.0	0.3	1.1	0.3	1.7	0.2	1.4	0.4	1.6	0.3	2.0	0.6
<b>NT</b>	<b>4.2</b>	<b>1.3</b>	<b>5.5</b>	<b>1.4</b>	<b>2.9</b>	<b>0.7</b>	<b>3.1</b>	<b>1.6</b>	<b>4.0</b>	<b>0.6</b>	<b>7.6</b>	<b>1.5</b>
ACT	1.4	0.5	1.6	0.8	1.4	0.2	1.1	0.3	1.0	0.4	1.2	1.0
Australia	1.9	0.1	1.8	0.1	1.8	0.1	1.6	0.1	1.8	0.1	2.7	0.2

Source:

ABS, August 1999, Catalogue number 3228.0, Demographic Estimates and Projections: Concepts, Sources and Methods, 1999.

ABS, June 2007, Catalogue number 2940.0, 2006 Census of Population and Housing – Undercount.

Adjusting for the undercount of Indigenous people is especially important because the Indigenous population has had a higher net undercount than the non-Indigenous

population over a number of Censuses. The Indigenous undercount is particularly high in the Territory. There are a number of reasons for this including remoteness, mobility, living in public housing and issues related to literacy.

**Table 2. Undercount rates by Indigenous Origin – Australia**

Census year	Indigenous status	Estimate	Standard error
1996	Indigenous	7.1	1.5
	Non-Indigenous	1.5	0.1
2001	Indigenous	6.1	1.1
	Non-Indigenous	1.7	0.1
2006	Indigenous	10.5	2.2
	Non-Indigenous	3.8	0.1

Notes:

Estimates of the Indigenous undercount have only been available since 1996.

The 2006 rate calculation is approximate based on the equivalent method to that used in the calculation of the 1996 and 2001 rates.

Source:

ABS, August 1999, Catalogue number 3228.0, Demographic Estimates and Projections: Concepts, Sources and Methods, 1999.

ABS, September 2004, Catalogue number 3238.0, Experimental Estimates and Projections, Aboriginal and Torres Strait Islander Australians, 1991 to 2009.

ABS, August 2007, Catalogue number 2940.0, Census of Population and Housing – Details of the Undercount.

It is equally important that 'not stated' responses to the Indigenous status question also be allocated in order to produce the most accurate estimate. In 2006 5.7 per cent of the Census count had unknown Indigenous status. The majority of these were for people from whom no Census form was received, while the remainder had a partially completed Census form.

The new comprehensive methodology adopted by ABS derives the preliminary estimates of the Indigenous population directly from the analysis of the Census Post Enumeration Survey (PES). This analysis simultaneously makes adjustments for a range of factors including the number of Indigenous people not counted in the Census but counted in the PES, the number of people counted as Indigenous in the PES but counted as non-Indigenous in the Census (and vice versa) and the number of Indigenous people recorded as 'not stated' Indigenous status in the Census.

These methodological improvements, combined with the fact that the 2006 PES was conducted for the first time in remote Indigenous communities, means that the 2006 preliminary Indigenous population estimates for the states and territories were far

superior to any produced from previous Censuses, even though they may have had relatively high standard errors.

**Table 3. Indigenous undercount by jurisdiction, Census 2006**

State	Rate %	Standard error	Rate %	Standard error
	Preliminary		Final	
NSW	6.0	5.8	8.58	3.44
VIC	-0.2	10.4	9.39	2.66
QLD	12.5	3.7	11.63	2.63
SA	0.5	10.4	8.58	2.93
WA	24.1	5.5	16.57	3.16
TAS	4.8	7.4	8.81	2.53
<b>NT</b>	<b>19.2</b>	<b>2.9</b>	<b>15.97</b>	<b>2.32</b>
ACT	-5.8	14.4	8.85	2.53
Australia	11.5	2.3	11.51	2.29

Source:

ABS August 2007, Catalogue number 2940.0 Census of Population and Housing – Details of Undercount. (Preliminary)

ABS August 2008, Catalogue number.3238.0.55.001 – Experimental Estimates of Aboriginal and Torres Strait Islander Australians, Jun 2006. (Final)

Preliminary PES estimates of the net undercount of Indigenous persons had relative standard errors ranging from 3.5 per cent for the Northern Territory to 7.3 per cent for Western Australia. The relative standard errors for NSW and Australia were 6.2 and 2.6 per cent respectively. It is not surprising that these relative standard errors are large since the estimation methodology systematically and comprehensively considers all sources of error, which was not done in previous Censuses.

Nevertheless ABS had concerns about the high sampling errors for the preliminary estimates and subsequently reviewed the methodology used prior to producing the final estimates from the preliminary ones. The methodology chosen to produce the final estimates was based on a controversial Empirical Bayes method which revises the preliminary estimates to produce final ones by replacing each preliminary regional estimate by a mix of the original estimate for the region and the overall national estimate. The justification for this approach is that doing this will usually reduce the overall variation of the regional estimates to about their respective true values. This probable reduction in overall 'errors' comes at a cost -- the individual jurisdictional estimates are no longer unbiased.

The Territory does not consider this approach appropriate because the bias introduced to jurisdictional undercount estimates will tend to be negatively correlated

with the magnitude of the estimates themselves. That is, those jurisdictions which have high (true) undercounts will tend to have negative adjustments made to the preliminary estimates so that the final estimates will tend to incorporate negative bias. This means that, in practice, states and territories which consistently have high undercounts Census after Census, because of their greater operational difficulties will have final Indigenous population estimates which are underestimated.

Although individual undercount estimates for the Indigenous population for each jurisdiction are not available for previous estimates, undercount estimates are available going back seven Censuses for the total population (table 1). These clearly demonstrate that the Territory has consistently had high undercounts compared with other jurisdictions. The same would have undoubtedly been true for the Territory's Indigenous population. This indicates that had the Empirical Bayes method been used to produce Indigenous estimates for these Censuses the Territory's estimated undercount would have been consistently recorded as smaller than the true undercount rate. This in all probability would have systematically reduced the estimate of the Territory's Indigenous population at every one of the previous seven Censuses. As this pattern of the highest undercount of all jurisdictions can be expected to be repeated in the Territory into the future the use of the Empirical Bayes method would perpetuate underestimation of the Territory's Indigenous population. The Territory is currently conducting a comprehensive review of this methodology to provide a thorough understanding of its applicability.