



AUSTRALIAN CAPITAL TERRITORY

**SUBMISSION TO THE
COMMONWEALTH GRANTS COMMISSION'S
COMMISSION POSITION PAPER 2008/13:**

*Disabilities mainly affecting the ACT:
Part B: National Capital*

February 2009



Introduction

The 2010 Review has been run as an iterative process between the Commonwealth Grants Commission (the Commission) and the States and Territories (the States) over the course of the past four years. As part of this process the ACT has provided a number of submissions in response to the Staff and Commission Discussion Papers, incorporating subsequent multilateral and bilateral discussions with Commission staff and other States. These submissions outlined the ACT's position as to the validity of the conceptual case behind a number of assessments and the proposed assessment methodologies.

It is noted that in some instances the position adopted by the Commissioners, as detailed in the latest Commission Position Papers, is at odds to those of the ACT. In the interests of brevity the ACT has not sought to reiterate the entirety of its previously stated position unless new data or new thinking has been applied. In this light, a lack of objection does not imply support where such support has not been previously stated.

PART B: National Capital

The decision to continue to assess National Capital disabilities is welcomed. For its part, the ACT is conscious of the need to ensure each disability has a high degree of creditability given they are directly funded by the States and the Northern Territory from the existing GST pool.

Successive Commissions and ACT Government officials have successfully developed these claims over two past Reviews in conjunction with transitional funding arrangements and special fiscal needs as part of the program to bring the ACT into line with the funding principles underpinning the States and the NT.

Now with the 20th anniversary of self-government fast approaching this year, the ACT has readily absorbed the cessation of transitional funding and special fiscal needs payments and is now considered to be fully functional in its own right as a member of the Federation.

The National Capital disabilities however, remain and will continue to do so in the course of the 2010 Review. The ACT itself continues to take every opportunity to explore avenues with the Commonwealth Government to remove some of these disabilities from the equalisation process as has been pointed out in past submissions. This process will continue.

Consequently, the ACT is concerned that the drive for simplicity in the 2010 Review has led to the accompanying decisions to reduce the scope of some of these disabilities.

As the Commission would patently understand, whilst the quantum of funds redistributed by the National Capital disabilities is small relative to other categories, their existence continues to meet a fundamental pillar of the ACT self-government model, namely, that the residents of the ACT do not carry an unfair financial burden arising from its role as the national capital and Seat of the Federal Government.

The apparent decision to remove a number of the individual components is not supported. This is premised on the basis that circumstances in which they were developed in the 1999 Review and subsequently reinstated in the 2004 Review have not changed. The basic premise for each disability is well documented in both Reviews and the current staff analysis underpinning the decision to discontinue certain claims, in the ACT's view, is unsatisfactory.

Accordingly, the ACT requests the Commission to revisit their decisions today and reinstate all National Capital disabilities in light of the further comments provided by the ACT.

Justice Services – Australian Federal Police Salaries

The ACT supports the assessment of AFP police salaries, including the proposed method of assessment. Whilst it is not clear how simplification is realistically enhanced by aggregating the numbers and wages of sworn and unsworn officers, the materiality impact is noted and the proposal accepted.

The discount for the interstate wages location factor to avoid double counting is supported in-principle, pending the final outcome of the location avenues of inquiry.

Roads

The proposal to assess National capital disabilities for roads and to index the assessment by the *State and local general government final consumption expenditure implicit price deflator* is supported.

Urban Transit - Free Car Parking on Commonwealth Land

The view on parking in the parliamentary triangle is not supported as it appears to be based on incorrect/incomplete assumptions regarding the provision of parking by private sector firms and State Government responses to providing parking.

Firms in town centres do not provide free parking due to Fringe Benefits Tax (FBT) rules

The view that “private organisations in other cities also provide free parking to their employees” is considered to be inaccurate given that the provision of free employee parking within one kilometre of a commercial pay parking station would lead to a private firm incurring a fringe benefit liability (see **Attachment A** for ATO extract on FBT liability for car parking) on behalf of the employee. This liability would then be passed by the firm to the employee or included in the employee remuneration package – in essence the car park would come at a cost to the employee.

For private firms in town centres car parking is typically provided in allocated car parking spots within office basement car parks. However, given the unique land holdings of the Commonwealth in the ACT the provision of free parking is done in a way which does not attract an FBT liability (through unallocated street parking). As the majority of employees of private firms are unable to access free parking they face the marginal choice of using public transport or paying for car parking (through lower wages or a higher FBT liability). This has flow on effects to the usage and profitability of public transport systems. As Commonwealth employees do not face a similar cost to park on Commonwealth land their use of public transport is lower.

The use of car parking levies and other regulations to reduce the number of town centre car parks

Some States have implemented a series of car parking levies which seek to increase the cost of parking with the aim of reducing congestion. In the case of NSW, Victoria, and WA the receipts

from these levies are hypothecated to the upgrade and maintenance of urban transit systems. Other States regulate the minimum number of car parks in commercial and residential property developments to reduce the overall numbers on a per resident or per worker basis. This seeks to increase the usage of the public transport system and reduce the average cost of running the system.

As a significant proportion of car parks are on Commonwealth land the effectiveness of car parking levies in the ACT is reduced. This has thereby limited the ability of the ACT Government to manage the level of road congestion and the usage of the public transport system, leading to lower revenue collections for bus travel.

Calculating the cost to the ACT of free Commonwealth car parking spaces

Although the Commission to date has dismissed the potential to assess disabilities arising from free Commonwealth car parking spaces, the ACT considers the methodology applied in the 2004 Review to be robust.

The method calculated the total number of Commonwealth car spaces and applied the average number of passengers per vehicle per space to determine the total number of people using the free car spaces (the potential passenger population). The average public transport patronage of the ACT was then applied to the potential passenger population to calculate likely passenger numbers, with revenue forgone determined by multiplying by the number of work days and the average daily cost per passenger.

The reliability of this assessment is arguably stronger than a number of other assessments, for which the Commission has taken the decision to assess regardless. Given that the Commonwealth is in a position to provide free parking to its employees whereas private firms are not (without incurring an FBT liability) it is evident that the ACT faces different circumstances and as the costs can be quantified the assessment of this disability should remain.

The existence of this disability, and the attempts by the ACT to engage the Commonwealth, is best illustrated in a press article recently whereby the Chief Minister for the ACT clearly announced his attention to again bring this matter to a head with the Federal Government. See copy at **Attachment B**. A standard response from the Commonwealth in the form of a response from the Liberal Senator for the ACT, Gary Humphries is also attached.

Public Safety - Volunteer Fire Fighters

The analysis presented in *Commission Position Paper 2008/24: Public Safety* appears questionable.

The findings do not align with the ACT's critical examination of the data presented in the paper, and accordingly, does not support the findings of the analytical section on National Capital disabilities in the Public Safety paper or the Commission view to date to discontinue its assessment.

The ACT believes that the three pieces of data presented have been incorrectly interpreted, and that this data in fact provides evidence for the ACT's continued assessment of a national capital disability for low volunteer fire fighter numbers. The figures are referred to in the order they appear in the Public Safety Paper.

Figure 2 Fire service personnel – per 100,000 people: The paper presents data to demonstrate the high levels of fire service personnel in the highly accessible areas of Tasmania and the NT in an attempt to prove that the ACT has some sort of lesser need for overall fire service personnel, even though it highlights itself that the data cannot be used in any meaningful way given that it is not clear what is driving overall fire service personnel numbers.

The only piece of information this data set provides is that the ACT has above average fire service personnel in its urban areas and even this data is contaminated by other jurisdictions head office policies and more generally the policies surrounding the geographical distribution of their organisational structures. A high level of fire services personnel in highly accessible areas of some jurisdictions does not extinguish the national capital claim without further and deeper analysis as to the reasons behind the higher staffing levels. For example, geographic or State policies may allow these personnel to reside in more accessible areas and deploy to more remote areas when necessary.

Table 3 Fire Service Personnel per 100,000 people: Details the total numbers of fire fighting personnel and volunteer fire fighters and argues that as the NT has a low number of volunteer fire fighters and as it is classified as a more remote jurisdiction, thus the national capital claim is invalid. One potential reason why volunteer fire fighter numbers in both the ACT and NT are low could be the Socio-Demographics of volunteer fire fighting membership and indigenous populations, who make up the major proportion of remote populations in the NT. In fact in aboriginal communities where unemployment is high it would be reasonable to assume that these indigenous populations also do not engage in volunteer fire fighting work. As such, with the exclusion of the remote indigenous populations, it would appear that the NT faces similar disabilities with regards to recruiting volunteer bush fire fighters as the ACT in that the potential volunteer population are heavily urbanised and have less affinity or personal need to join such organisations. In addition it may be that the prevalence of bush fires is lower in the NT due to environmental conditions (further detailed below).

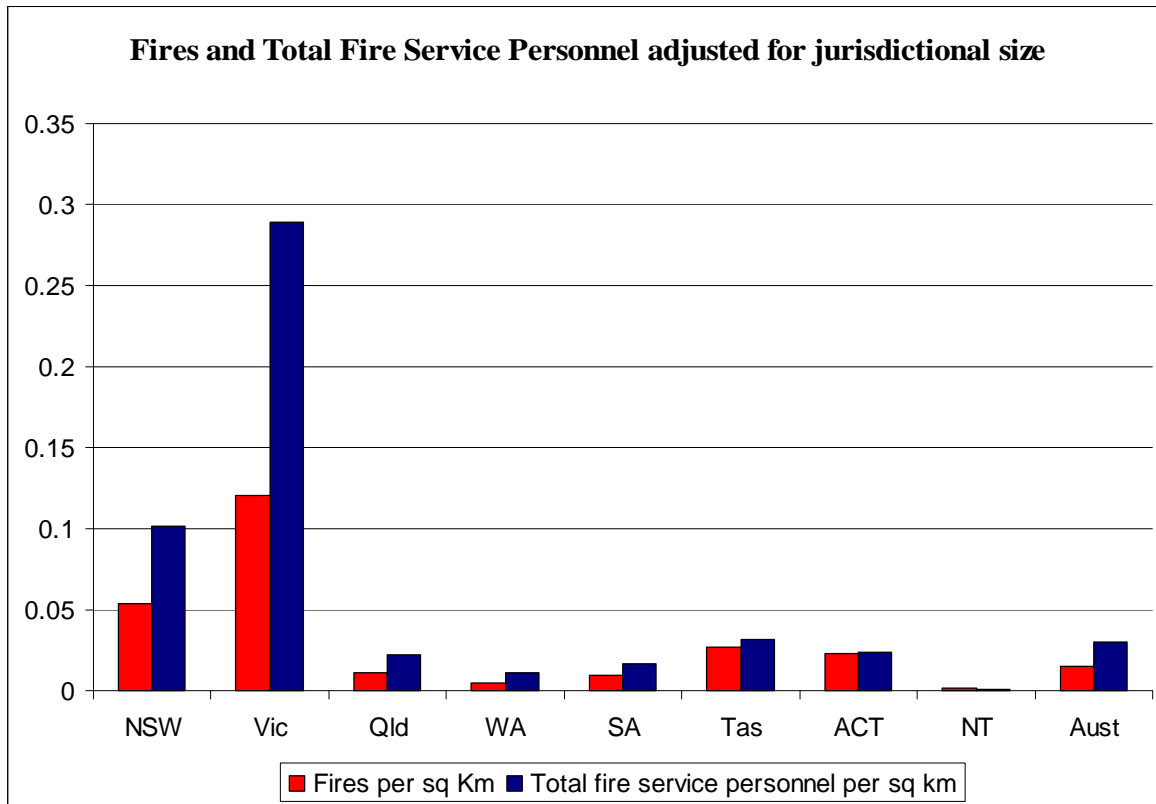
The comparison with the Victorian numbers of fire fighting personnel and volunteer fire fighters also makes unqualified comparisons. The number of Victorian volunteer fire fighters actually shows a high correlation between volunteer fire fighter numbers and non-urban populations; given that Victoria has large populations in accessible non-urban areas and also a high level of volunteers. Combining the support personnel with fire fighting personnel is questioned given that no further details are provided of the role of support personnel, and this drives Victoria's high overall total professional fire service personnel.

Table 4 Reported fires per 100,000 persons: is an additional example of selective data which is provided without appropriate context. Whilst it is true to say that the ACT actually experiences less fires, it is essentially comparing apples with oranges. It is no surprise that a geographically smaller jurisdiction would have a lower number of reported fires, however, in the ACT's case each reported fire is within around 50 kilometres of a major urban area. This is in contrast to the NT where fires may be left unattended given that they are less likely to pose threat to life or property when they occur in very remote areas.

ACT TABLE A: A more appropriate method of examining State policy responses to bushfires is to examine them using the geographical size of a jurisdiction and putting aside state populations. As bushfires are not causally related to urban population sizes analysis of per capita fire events provides no information as to the staffing effort required by States to undertake precautionary measures or indeed to combat bushfires. The prevalence of bushfires is related to two key determinants, the geographical area in question (as greater areas would be more likely to have greater likelihood of bushfire) and the environmental preconditions (such as the average rainfall, and number of extreme heat days).

At a broad level the prevalence of bushfires can be compared between jurisdictions by examining the number of reported fires per square kilometre of jurisdictional land mass. On a similar basis the total number of fire service personnel (needed to control these bushfires) can also be examined on a per sq kilometre basis. This is undertaken in **ACT Table A** using the data presented in the Commission’s position paper (Public Safety).

ACT TABLE A



Interestingly, the table provides an insight into both anomalies raised by the analysis. Firstly, it appears that the NT’s low number of volunteer fire fighters is due to the overall low prevalence of reported fires (thereby requiring less fire fighters to undertake preventative and fire fighting duties) once the large geographical nature of the jurisdiction is accounted for. One possible reason for the low prevalence of fires in northern tropical regions may be their weather patterns which have higher levels of atmospheric water content (humidity) or the high rainfall levels.

Secondly, the high level of fire service personnel in Victoria is also explained by the high level of reported fires per square kilometre, and the need to adequately undertake control and containment activities to lessen the potential negative impacts to persons and property. Contrary to the assertions made by the Position Paper, analysis of fires and fire service personnel on a geographical size basis (rather than a population basis) demonstrates the clear and standard policy response for States with a higher incidence of fires to have higher fire service personnel staff.

Best demonstrated by **ACT Table A** is that the ACT’s number of total fire service personnel (professional and voluntary) is in line with other States’ levels of responsiveness relative to the intensity of fire activity in their jurisdiction. As such, the difficulty in attracting volunteer fire

fighters (due to the unique urban form of the ACT) places additional cost pressures on the ACT in the form of higher than average professional fire fighter numbers.

In line with the evidence presented in **ACT Table A** the ACT proposes that the national capital (volunteer fire fighter numbers) disability be assessed in the 2010 Review using the current (2004) methodology and appropriately indexed to capture annual increases in wages.

Other Services - Aggregation of planning disabilities

The assessment of the planning related National Capital disabilities within the Other Services category is supported.

The ACT presumes the accompanying 2010 assessment papers will continue to distinguish the makeup of this disability. If this was not done the aggregation, whilst 'tidying' the presentation of the categories will lead to an erosion of the basis of these disabilities in future reviews, hence, a cause for concern as the loss of these disabilities lessens the transparency of HFE.

In order to preserve the basis for these disabilities the ACT proposes that they be separately identified as sub-components of a national capital planning disability in the working papers.

Extract from ATO Website: Car Parking Fringe Benefit

16.1 What is a car parking fringe benefit?

Very broadly, a car parking fringe benefit may arise for each day on which you (the employer) provide a car parking space for the use of an employee.

Specifically, a car parking fringe benefit arises only if all of the following conditions are satisfied:

- a car is parked at premises that are owned or leased by, or otherwise under the control of, the provider (usually you as the employer);
- within a one-kilometre radius of the premises on which the car is parked, there is a commercial parking station that charges a fee for all-day parking, which is more than the car parking threshold;
- the car is parked for a total of more than four hours between 7.00am and 7.00pm on the day ;
- the car is owned by, leased to, or otherwise under the control of, an employee, or is provided by you;
- the parking is provided in respect of the employee's employment;
- the car is parked at or near the employee's primary place of employment on that day;
- the car is used by the employee to travel between home and work (or work and home) at least once on that day, and
- the commercial parking station referred to above must also, at the beginning of the FBT year, charge a representative fee for all-day parking that is more than the car parking threshold.

<http://www.ato.gov.au/businesses/content.asp?doc=/Content/52010.htm>

City News

Monday 26 January 2009



news

City

Senator slams paid parking

By Megan Haggan

LIBERAL Senator for the ACT Gary Humphries has slammed the idea of introducing parking fees to the parliamentary triangle as "just another grab for people's disposable incomes".

Last week "CityNews" reported that Chief Minister Jon Stanhope would lobby his Federal Labor colleagues to introduce paid parking in the parliamentary triangle, as well as other Commonwealth-owned facilities such as Russell.



Gary Humphries.

Mr Stanhope was keen to coax public servants out of their cars and on to public transport as well as addressing issues of "equity between employees".

But Senator Humphries said that while he wouldn't be surprised to see paid parking introduced in this year's Budget, it would be the wrong decision for several reasons.

"It's a real sell-out for Commonwealth public servants, mainly because the public transport is not good," he said.

"People tell us that services [to the parliamentary triangle] are not adequate, and if you want to force people out of their cars, you should only do so when you can provide decent public transport to replace them."

It wouldn't be only highly paid public servants hit by the fees, he warned.

"There are plenty of people who live in distant parts of the city, who really need a car to access the parliamentary triangle. They're the ones who will be hit hardest by this," he said.

"If you've got to pay \$50 or \$60 a week in parking fees, that's a major hit."

"It's just another grab for people's disposable income, and if the Government is serious about helping Australians through this global financial crisis, they shouldn't make decisions which will have the inevitable effect of reducing people's standard of living."

Mr Humphries said parking was already inadequate in the triangle, with workers needing to arrive early to obtain a space and some workers parking in unsealed spaces.

"It's basic parking. They'd be charging for something that's not good value," he said.