



Queensland Treasury Response to Commonwealth Grants Commission Draft Report Attachment 19

Other Expenses

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SUMMARY OF QUEENSLAND'S POSITION

Queensland supports the assessment of both the Public Safety and Other Services expenses as a single Other Expenses category. The expenses for these two components meet the criteria for making an EPC assessment and combining them is simpler in terms of presentation.

An actual per capita (APC) assessment of Natural Disaster expenditure as a separate component within this combined category is appropriate. However, the application of the administrative scale and location factors in the combined EPC, APC assessment does not appear to be consistent with the 2004 Review EPC and APC assessment standards.

Queensland believes that there has been no evidence provided to support an urban complexity disability for the public safety component of this category. In light of the paucity of evidence to make an assessment, Queensland supports the Commission's proposal not to include an urban complexity disability.

Queensland's Position on Key Issues

Queensland supports the finalisation of the Other Expenses assessment as proposed in the Draft Report, with the exception of:

- The removal of administrative scale and location factors from the combined category.

PROPOSED METHODOLOGY

The Commission has proposed assessing an Other Expenses category comprising expenses that are not included in the separate expense categories. The category will comprise four components:

- Service expenses;
- Other expenses;
- Transitional superannuation; and
- Miscellaneous expenses.

Service expenses

Expenses related to general public services, debt charges, culture and recreation, national parks and wildlife, public safety, GST administration, pipelines and communications and other purposes, to be assessed EPC. A cross border factor will apply to culture and recreation expenses. The service expenses component will have a location factor applied.

Other Expenses

Expenses related to natural disaster relief and native title and land rights, to be assessed APC, and administrative scale, national capital, to be assessed differentially.

Transitional Superannuation

Consists of one tenth of the unfunded superannuation liabilities states held in 1997-98 plus nominal interest and a historical cost factor based on the average of superannuation over the period 1948-49 to 1997-98.

Miscellaneous Expenses

A balancing item being the difference between total GFS expenses and the assessed expense categories, to be assessed EPC.

ASSESSMENT APPROACH

Assessment Structure

Queensland supports the Commission's proposal to assess all Other Services and Public Safety expenses as a single Other Expenses category with the majority assessed EPC. Assessing Natural Disaster and Native Title and Land Rights expenditure on an APC basis is appropriate due to the nature of this expenditure.

Queensland believes that the assessment of Public Safety and Other Services expenditure as EPC is appropriate, as states do not face disabilities that affect state expenditure or it is not possible to make a robust differential assessment.

Application of Administrative Scale and Location factors

Queensland believes that the application of the location factor to an EPC assessment is at odds with the criteria for pursuing an EPC assessment. EPC is generally used when there are judged to be no disabilities between states, to then apply a location factor to the assessment suggests there are disabilities.

In previous years, input cost factors were applied to 29 expense categories "but not to categories assessed by equal per capita or actual per capita methods".¹ The 2010 location factors are largely driven by the interstate wage factor (2004 review input cost factors) and move the assessment significantly from what is supposed to reflect no differences in state circumstances.

Queensland considers that the treatment of EPC and APC assessments in the 2010 Review should be the same as in the 2004 Review, which is with no other factors applied to the components of assessments.

Urban Complexity

Queensland is yet to see any evidence for the assessment of the urban complexity disability, despite the repeated requests for its assessment. There has however been data provided by states showing that Public Safety expenditure is no higher in large urban centres, as discussed in the Commission's position paper *2008/24 Public Safety*.

Queensland believes that the lack of evidence and data for an urban complexity disability indicates that the conceptual case for the disability is weak and it should not be included in the Public Safety category.

¹ Commonwealth Grants Commission 2008 Update Input Costs Working Paper- Paragraph 4