



**NORTHERN TERRITORY VIEWS ON
2010 REVIEW DRAFT REPORT
ATTACHMENT 19**

OTHER EXPENSES

September 2009

Key Points

- The Territory does not support an equal per capita assessment of national parks and wildlife expenses. The category is material for the Territory and policy neutral measures exist to assess differential needs.
- The Territory strongly supports an adjustment for locational disabilities for the service expenses in this category.
- An actual per capita assessment of natural disaster, native title and national capital expenses is supported.
- The fixed costs borne by small states for their central government services are not adequately recognised in this assessment and need to be increased if equalisation is to be achieved.

Introduction

This submission details the Territory's views on issues raised in the Commonwealth Grants Commission's (the Commission's) 2010 Review Draft Report, Attachment 19, *Other Expenses*. It focuses on the treatment of national parks and wildlife services, the application of location to service expenses and administrative scale.

The Other Expenses category encompasses a significant proportion of states' operating expenses (average 20.3 per cent, Table 19-1 Draft Report). Accordingly, the Territory submits that the assessment should adequately measure the disabilities that apply to expenses in this category.

The Commission proposes to treat Other Expenses as a residual expense category. It comprises four components: service expenses, other expenses, transitional superannuation and miscellaneous expenses. Service delivery expenses are proposed to be assessed equal per capita (EPC) and adjusted for location disabilities; other expenses (with the exception of administrative scale) are proposed to be assessed actual per capita (APC). An historical cost factor is proposed for transitional superannuation expenses. Miscellaneous expenses are proposed to be assessed EPC.

Service expenses

The Territory supports a location adjusted EPC assessment of the service expenses included in this assessment, with the exception of national parks and wildlife. The Territory believes that population alone is not a significant driver of national parks and wildlife expenses, and influences such as land area, biodiversity and rare land formation cannot be ignored if a valid, equalisation based assessment is to be made. The CGC has previously assessed national parks and wildlife expenses using fixed costs, Indigenous involvement in parks, visitor impact, conservation, marine parks, national capital, land rights, native title and isolation. In the 2009 Update this redistributed \$127.5 million, and was material for the Australian Capital Territory and the Northern Territory.

While the Territory acknowledges the difficulties in obtaining comparable national parks and wildlife data in this area on which to base an assessment, the Territory reiterates its argument that a reliable assessment can be made using national park area, average park expenses and population density. Each of these components is conceptually valid in the assessment of differential needs. The Territory has previously suggested a methodology which assesses conservation activities, contiguous populations and visitor impact in a policy neutral manner and considers that this approach warrants consideration by the Commission. An alternative also previously suggested by the Territory is the tourism satellite accounts data (produced by the Sustainable Tourism Co-operative Research Centre) as a proxy broad indicator.

The use of EPC for this component of the assessment appears to be a case where the pursuit of simplicity compromises the achievement of equalisation. If the Commission considers that neither of the Territory's proposals is appropriate, then the Territory strongly argues that it is more valid to continue to apply some or all elements of the current assessment than to treat the national parks and wildlife expenses EPC.

The Territory supports the Commission's proposal to apply an adjustment for location disabilities to expenses included in this component of the assessment, however is concerned that intrastate disabilities are only partially applied to these expenses. Further comments on the impact of location on these expenses will be included in the Territory's submission on location.

Other expenses

The Territory supports the Commission's approach to assess natural disaster, national capital and native title and land rights expenses APC. However the Territory remains concerned that the fixed costs for central government services in the small states have been underestimated, leading to a lower assessment of administrative scale expenses for Other Expenses for these states.

The Draft Report indicates 2007-08 Other Expenses administrative scale expenses of \$103.7 million for the Northern Territory, \$97.8 million for Tasmania and \$105 million for the ACT. This is significantly less than Territory, Tasmanian and ACT estimates of 2005-06 whole of state fixed costs for central government services (Table 1) as previously provided to the Commission (Northern Territory Response to Position Paper 2008/12). The Territory believes that the Commission's proposed methodology of indexing the cost estimates determined during the 2004 Review does not adequately address this issue.

Table 1 – Whole of State Fixed Costs, 2005-06, \$000

Department	TAS	ACT	NT
Auditor General	4 524	4 122	2 852
Electoral Commission	1 754	1 050	2 017
Ombudsman	1 676	934	2 110
Premier/Chief Minister	25 370 ¹	38 174	35 151
Legislative Assembly	N/a	5 740	20 079
Treasury	49 424	51 853	45 613
Treasury Corporation	4 230	2 496	3 411
Commission Public Employment	N/a ²	N/a ²	8 581
ACT Executive	N/a	4 924	N/a
House of Assembly	5 233	N/a	N/a
Office of the Governor	2 871	N/a	N/a
Legislature General	4 886	N/a	N/a
Legislative Council	3 386	N/a	N/a
Land Planning and Information	51,903	47,417	32,157 ³
Shared services for central agencies	1,500 ⁴	5,866 ⁵	9,253 ⁶
Total	156,757	162,576	161,224

Notes to the table:

1. Excludes the 'Electronic Services for Government Agencies' output group.
2. Included in the Department of Premier/Chief Minister as an output group.
3. Excludes the Darwin Waterfront Development output group.
4. Assumes 4.53% of total 'Electronic Services for Government Agencies' expenses are related to central agencies.
5. Estimate based on the assumption that 7% of total InTACT expenses are related to central agencies.
6. Estimate based on notional DCIS charges for the agencies in Table 7.

Source: 2006-07 Budget Papers