



AUSTRALIAN CAPITAL TERRITORY

SUBMISSION TO THE COMMONWEALTH GRANTS COMMISSION'S POSITION PAPER 2008/27: SERVICES TO INDUSTRY

January 2009



VIEWS ON THE COMMISSION'S ASSESSMENT POSITION

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 with that 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. As such, this submission encompasses the ACT's views solely on major issues.

SURVEY DATA

In its response to Discussion Paper 2007/37-S: *Services to Industry*, the ACT outlined its concerns with regard to the subjective nature of the data that the Commission is using to develop this expenditure category. Because of these concerns, the ACT spent considerable time and effort researching and analysing alternative data sets that could be used in the place of state-provided data. To date, the ACT has been unable to locate such a data set or combination of data sets.

Concerns still exist about the subjectivity of these data, however, the ACT recognises that the survey-derived data offers the best available data set for the Commission to develop a differential services to industry assessment.

DISABILITY WEIGHTS

At the 22-23 October 2008 meetings with the Commission, some states voiced their concerns about how the Commission were allocating survey data between the categories of level of activity, business numbers and population. In particular, the Commission was questioned on why the assessed weight allocated to population was always rounded higher and other weights were rounded lower. The Commission indicated that equal per capita is employed as the starting point for the assessment and is developed from there.

The ACT supports this approach and notes that in its *Progress Report to Ministerial Council for Commonwealth-State Financial Relations 2006*, the Commission outlines its guidelines on the use of data. More specifically, the Commission indicates that '*where suitable data are not available and a judgement cannot be made with sufficient confidence, an equal per capita assessment or, if there are limited differences between States in their policies on the range and standard of services provided, an actual per capita assessment would be adopted*'.

The ACT would categorise the data being used in this assessment as falling under this classification. Furthermore, the survey provides sufficient evidence of material differences between state policies in their provision of services to industry. Therefore, the ACT would

expect the Commission to, where possible, direct any allocation bias towards an equal per capita treatment.

In addition to the above, the 2006 Report also indicates that in the event the Commission cannot improve the data quality or seek an alternative data set, '*...an assessment could be made using the original data in a way consistent with their quality (for example, a conservative assessment could be made or an adjustment to the data made to compensate for their deficiencies)*'. The ACT would regard the survey data as deserving of such conservative treatment, which reinforces the need for the Commission to direct any allocation bias towards a conservative, or equal per capita treatment.

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