

Tasmania

Submission-Attachment 1-Treatment of Commonwealth payments.

From: Alex.Tay Sent: Friday, 25 September 2009 11:32 AM
To: secretary_email
Subject: Tasmania's preliminary comments on the proposed treatment of Commonwealth Payments (Exceptions Table)

John,

Since the time Tasmania provided preliminary comments on the treatment of CW Payments, Treasuries have started discussing payment classifications.

The information we relied on when preparing our response to you was based on information contained in relevant NP agreements and in advice we had received from CW Treasury. It is possible that some of those classifications, particularly those classed as 'facilitation', may be changed to 'project'.

Therefore, when drafting the New Issues paper on the treatment of CW payments, I would ask that you ignore Tasmania's comments that relate to the block of NPs in the table starting at "Health and Hospitals Workforce Reform" and ending at "Social Housing".

COMMONWEALTH PAYMENTS

The Commission has requested assistance from the states in determining the range of Commonwealth payments and their appropriate treatment.

Tasmania has examined Attachment 1 of the 2010 Review Draft Report relating to the proposed treatment of Commonwealth payments, Commonwealth *Budget Paper No. 3 Australia's Federal Relations 2009-10*, and its own information with particular attention to:

- what, if any, Commonwealth payments are missing;
- whether the Commission's proposed treatment is appropriate; and
- whether any payments should be split or have different parts treated differently.

The attached "exceptions table" identifies Commonwealth payments that appear to be missing from Attachment 1 and where the Commission's proposed treatment may require further clarification.

It is understood that the proposed treatment of individual Commonwealth payments could change once further information on the nature of some Commonwealth payments is received and the terms of reference for the 2010 Review and the Commission's assessments are finalised.

Tasmania's response to this request is a preliminary one only. In particular, we have provided comments based on the Commission's guidelines and on the Commission's intent, expressed at the meeting with Heads of Treasuries on 13 August 2009, to accept in most instances the IGA direction as to how to treat National Partnership project, facilitation and reward payments. Tasmania may comment on whether Commission discretion to diverge from the IGA direction on particular payments is appropriate in its response to the New Issues Paper.

"Exceptions Findings" Attachment 1 of 2010 Review Draft Report *Commonwealth Payments*

Sector	Payment	Package Name	Issue
<i>Missing Commonwealth Payments</i>			
Education	National Schools SPP		Attachment 1 does not identify the non-government component of this Commonwealth payment, which should be treated as "no impact on the relativities".
Education	Building the Education Revolution	Building the Education Revolution (non-govt)	Attachment 1 does not identify the non-government component of this Commonwealth payment, which should be treated as "no impact on the relativities".
Education	Building the	Science and Language	Attachment 1 does not identify the

	Education Revolution	Centres for 21 st Century Secondary Schools (non-govt)	non-government component of this Commonwealth payment, which should be treated as “no impact on the relativities”.
Education	Smarter Schools	Improving Teacher Quality (non-govt)	Attachment 1 does not identify the non-government component of this Commonwealth payment, which should be treated as “no impact on the relativities”.
Education	Smarter Schools	Low SES School Communities (non-govt)	Attachment 1 does not identify the non-government component of this Commonwealth payment, which should be treated as “no impact on the relativities”.
Infrastructure	Nation Building Program	Heavy Vehicle Safety and Productivity Program	Attachment 1 does not include this Commonwealth payment, though it may be part of the payment described as ‘Nation Building programme (formerly Auslink).
Environment	Water for the Future	Water for the Future (local government)	Attachment 1 does not include this Commonwealth payment to the local government sector.
Contingent Payments	Native Title	Native Title	Attachment 1 does not include this Commonwealth payment.

<i>Clarification of Proposed Treatment</i>			
Infrastructure	Nation Building Plan for the Future	Various Projects	<p>The Draft Report proposes the treatment of these payments to be “No impact on relativities” because they are said to be payments to third parties. National Partnership Project agreements are currently being negotiated in recipient states to facilitate these payments.</p> <p>Tasmania considers these payments should impact on relativities because they are project payments and they clearly contribute to states’ fiscal capacities. The majority of projects are for urban rail and road projects.</p>

			<p>These payments are funded from the Commonwealth's Building Australia Fund. States put a list of their infrastructure priorities to the Commonwealth and the Commonwealth decided which projects it would fund. This process demonstrates that states had significant influence over this funding – states are not simply acting as intermediaries to pass funding onto third parties.</p> <p>Treating these payment as affecting relativities would be consistent with the treatment of payments made for health and education infrastructure, funded by the Commonwealth's Education Infrastructure Fund and Health Infrastructure Fund. There is no reason to treat economic infrastructure differently from social infrastructure.</p> <p>Treating these payments as affecting relativities is also consistent with the contemporary approach the Commission is intending to introduce with regard to the assessment of capital needs.</p>
Other	Strengthening Tasmania		<p>After the 2009 Update, clarification of this payment was sought with the Department of Finance and Deregulation and then communicated to the Commission (Priscilla Khan). In 2007-08, a payment of \$20 million had been classified according to the Commonwealth's Final Budget Outcome as a payment for Strengthening Tasmania, when in fact the payment was for health infrastructure (Launceston General Hospital). Therefore, this particular \$20 million payment should impact on relativities.</p> <p>Other payments made which are correctly classified as Strengthening Tasmania payments are not solely for the Low Head Historic Precinct as described in the Draft Report (and in Commonwealth Budget</p>

			<p>Papers). Instead, the Strengthening Tasmania package contains a large number of small community grants (of which the Low Head Historic Precinct is one), which were part of the Coalition Government’s 2004 election commitments. While these payments are identified in Budget Paper number 3 as payments to Tasmania, there is no evidence that the Tasmanian Government received these payments for on-passing, and it is more likely they were paid directly to community organisations by the Commonwealth. The Commission’s proposed treatment of not allowing these payments to influence relativities is, therefore, appropriate.</p>
Other	Tasmanian Water Infrastructure		<p>The Draft Report states this payment is a payment to a third party and should not impact on relativities. It may be that this payment is for a project also known as the Meander Dam. The Meander Dam was a state irrigation development project and its not clear what payments, if any, were made to third parties (presumably a local government).</p> <p>It may be the case that this payment should impact on relativities. Tasmania is still investigating this payment and will provide further advice if necessary.</p>
Health	Health and Hospitals Workforce Reform	Activity-based funding; Primary Care in Emergency Depts; and Sub-acute Care.	<p>Treatment proposed in Draft report is ‘Impact on Relativities’. However, payments are facilitation payments and should not impact on relativities if the Commission decides not to use discretion to change the treatment from the direction provided in the IGA.</p>
Education	Digital Education Revolution	Digital Education Revolution (Government)	<p>Treatment proposed in Draft report is ‘Impact on Relativities’. However, payments are facilitation payments and should not impact on relativities if the Commission</p>

			decides not to use discretion to change the treatment from the direction provided in the IGA.
Education	Trade Training Centres in Schools	Trade Training Centres in School (Government)	Treatment proposed in Draft report is ‘Impact on Relativities’. However, payments are facilitation payments and should not impact on relativities if the Commission decides not to use discretion to change the treatment from the direction provided in the IGA.
Education	Productivity Places Program	Productivity Places Program	Treatment proposed in Draft report is ‘Impact on Relativities’. However, payments are facilitation payments and should not impact on relativities if the Commission decides not to use discretion to change the treatment from the direction provided in the IGA.
Education	Smarter Schools	Literacy and Numeracy; Improving Teacher Quality; and Low SES School Communities (Government components)	Treatment proposed in Draft report is ‘Impact on Relativities’. However, payments are facilitation payments and should not impact on relativities if the Commission decides not to use discretion to change the treatment from the direction provided in the IGA.
Education	Early Childhood Education	Early Childhood Education	Treatment proposed in Draft report is ‘Impact on Relativities’. However, payments are facilitation payments and should not impact on relativities if the Commission decides not to use discretion to change the treatment from the direction provided in the IGA.
Housing	Homelessness	Homelessness	Treatment proposed in Draft report is ‘Impact on Relativities’. However, payments are facilitation payments and should not impact on relativities if the Commission decides not to use discretion to change the treatment from the direction provided in the IGA.
Housing	Social Housing	Social Housing	Treatment proposed in Draft report is ‘Impact on Relativities’. However, payments are facilitation payments and should not impact on relativities if the Commission decides not to use discretion to

			change the treatment from the direction provided in the IGA.
Education	Trade Training Centres in Schools	Trade Training Centres in Schools (non-govt)	Attachment 1 (page 114) identifies this Commonwealth payment to non-government schools (as well as government schools), but does not distinguish its treatment as being “no impact on relativities” for the non-government component.
<i>Clarification of Relevant Assessment Category (Presentational)</i>			
Community Services	Concessions for Pensioners	Certain Concessions for Pensioners and Seniors Card Holders	Attachment 13 (Welfare and Housing) identifies “concessions for pensioners” as a relevant Commonwealth payment (page 275). This should be more appropriately reflected in Attachment 14 (Services to Communities), which is associated with the provision of concessions for water and electricity, among other things.
Environment	Water for Our Future	Water for Our Future	Attachment 14 (Services to Communities) identifies “Water for Our Future” as a relevant Commonwealth Payment (page 300). From Tasmania’s perspective, this relates primarily to irrigation development and could be more appropriately reflected in Attachment 18 (Services to Industry). This would be consistent with the treatment of the Commonwealth payment “Water Initiative – Living Murray” (page 394).