

# REVENUE REPLACEMENTS PAYMENTS (PETROLEUM, TOBACCO AND ALCOHOL) — FAG RELATIVITIES

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- 1 This working paper describes the revenue bases and the resulting assessed revenues for Revenue Replacement Payments (Petroleum, Tobacco and Alcohol) used in the calculation of the FAG relativities. Issues to do with the assessment methods are discussed in Volume 3 of the 2004 Review Working Papers.

## DESCRIPTION OF CATEGORIES

- 2 These categories comprised the revenue replacement payments (RRPs) the Australian Government made to the States from 1997-98 to 1999-2000 for petroleum products, tobacco and alcohol under ‘Section 90 safety net’ arrangements. The Australian Government adopted these arrangements in response to a High Court decision which cast doubt on the constitutional validity of the States’ business franchise fees. Under the arrangements, States abolished their franchise fees, and the Australian Government imposed surcharges on its taxes on these products and returned the additional revenue to the States (less administrative costs).
- 3 The interstate distribution of the RRP agreed to by the parties reflected the Commission’s 1996-97 assessment of the capacities of the States to raise revenues from business franchise fees, except for the additional revenue raised under the tobacco excise scheme. That revenue was distributed to ensure the States maintained their net budgetary positions across the three franchise fees and that individual States were compensated for any above average tax policies and other considerations.
- 4 Following the signing of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA) in June 1999, the RRP ceased from 1 July 2000. However, for the purpose of guarantee arrangements, the Commission is required to calculate FAG relativities which assume the pre-IGA arrangements continued. For this purpose, the Commission uses estimates of notional RRP prepared by the Commonwealth Treasury for the *Mid-year Economic and Fiscal Outlook* (MYEFO). The equalisation budget netted off the cost of all subsidy schemes paid by the States.

- 5 Table 1 shows the average notional revenues for the last six financial years for petroleum, tobacco and alcohol RRs. In 2006-07, the average revenues of \$119.90 per capita for petroleum, \$197.01 per capita for tobacco and \$74.92 per capita for alcohol, were 3.51 per cent, 5.77 per cent and 2.19 per cent respectively of total own source-revenues.

**Table 1 Contributions by revenue replacement payments, average revenues, 2001-02 to 2006-07**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Petroleum</b>						
Average revenues (\$pc)	117.73	115.55	116.24	117.80	115.00	119.90
% of total own-source revenues	4.69	4.34	4.10	4.01	3.62	3.51
<b>Tobacco</b>						
Average revenues (\$pc)	180.88	184.55	187.35	190.07	192.71	197.01
% of total own-source revenues	7.21	6.94	6.61	6.46	6.06	5.77
<b>Alcohol</b>						
Average revenues (\$pc)	54.57	58.26	61.44	67.41	71.03	74.92
% of total own-source revenues	2.18	2.19	2.17	2.29	2.23	2.19

## ASSESSMENT METHOD

### Revenue base

- 6 The revenue bases were a State's estimated amount of RRs less its assessed cost of subsidies<sup>1</sup>.
- 7 **Revenue Replacement Payments - Petroleum.** From 1 July 2000, as part of the tax reform arrangements, the Australian Government took responsibility for providing subsidies for off-road diesel. For 2000-01 onwards, the Australian Government has supplied data on the cost of the subsidy. This cost was used as the assessed subsidy and was subtracted from the notional RRP to determine the revenue base.
- 8 **Revenue Replacement Payments - Tobacco.** As part of the tax reform arrangements, the States and the Commonwealth agreed to maintain the 1997-98 relative State distribution of tobacco RRs. The 1997-98 payment had three components:
- a base payment — distributed in accordance with capacities agreed between the Commonwealth and States;

<sup>1</sup> The source of the amounts was estimates prepared by the Commonwealth Treasury for the *Mid-year Economic and Fiscal Outlook*.

- an additional payment to compensate some States for their previous above average taxes on petroleum and liquor franchise fees — distributed to those States on an equal per capita (EPC) basis; and
  - a special payment to Western Australia and Tasmania — distributed in accordance with their 1997-98 shares.
- 9 The Commission applied a percentage distribution derived from these components in 1997-98 to the notional RRP in later years to determine the revenue bases.
- 10 ***Revenue Replacement Payments - Alcohol.*** The Commission decided the provision of subsidies for cellar door sales and low alcohol products was standard policy. So, the alcohol RRP's revenue base was calculated as:
- notional alcohol RRP's from 2000-01 onwards;
  - less assessed subsidies for cellar door sales — these were equal to each State's actual subsidy because all States had the same rate of subsidy (15 cents per litre); and
  - less assessed subsidies for low alcohol wine and (up to 2001-02) beer products — from July 2002, the Australian Government introduced a national excise scheme for low alcohol beer and the cost of that subsidy was netted off the estimated RRP's thereby removing the need for the Commission to make an adjustment for it.

#### **CALCULATING THE REVENUE BASES**

- 11 Table 2 shows the calculation of the revenue base for Revenue Replacement Payments – Petroleum. Table 3 shows the calculation of the revenue base for Revenue Replacement Payments – Alcohol. The calculations are similar.

**Table 2 RRPS – Petroleum, Calculation of the revenue base**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Petroleum</b>									
A. Gross RRP's for petroleum									
2001-02	854.7	573.4	557.5	487.0	214.8	69.8	36.7	51.3	2845.2
2002-03	860.6	577.4	561.3	490.4	216.3	70.3	37.0	51.7	2865.0
2003-04	877.8	588.9	572.5	500.2	220.6	71.7	37.7	52.7	2922.1
2004-05	906.4	608.1	591.2	516.5	227.8	74.0	39.0	54.4	3017.4
2005-06	899.6	603.5	586.7	512.6	226.1	73.5	38.7	54.0	2994.7
2006-07	945.5	634.3	616.7	538.8	237.6	77.2	40.6	56.8	3147.5
B. Assessed subsidy payments									
2001-02	138.8	57.4	130.5	172.3	37.1	2.2	0.0	4.0	542.3
2002-03	138.2	57.5	132.3	172.8	37.0	2.2	0.0	3.9	543.9
2003-04	141.2	58.8	137.4	177.9	37.7	2.3	0.0	4.0	559.3
2004-05	145.1	60.7	143.2	184.4	38.6	2.3	0.0	4.1	578.4
2005-06	143.4	60.2	143.5	183.8	38.1	2.3	0.0	4.1	575.4
2006-07	148.9	63.5	152.8	194.4	40.1	2.4	0.0	4.4	606.5
C. Revenue base = A – B									
2001-02	715.9	516.0	427.0	314.7	177.7	67.6	36.7	47.3	2302.9
2002-03	722.4	519.9	429.0	317.6	179.3	68.1	37.0	47.8	2321.1
2003-04	736.6	530.1	435.1	322.3	182.9	69.4	37.7	48.7	2362.8
2004-05	761.3	547.4	448.0	332.1	189.2	71.7	39.0	50.3	2439.0
2005-06	756.2	543.3	443.2	328.8	188.0	71.2	38.7	49.9	2419.3
2006-07	796.6	570.8	463.9	344.4	197.5	74.8	40.6	52.4	2541.0

**Table 3 RRPS - Alcohol, Calculation of the revenue base**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Alcohol</b>									
A. Gross RRP's for alcohol									
2001-02	389.6	257.4	222.6	128.5	90.6	27.8	18.1	18.1	1152.7
2002-03	420.6	277.9	240.4	138.7	97.8	30.1	19.5	19.5	1244.5
2003-04	447.3	295.5	255.6	147.5	104.0	32.0	20.8	20.8	1323.5
2004-05	492.2	325.2	281.3	162.3	114.4	35.2	22.8	22.8	1456.2
2005-06	521.3	344.5	297.9	171.9	121.2	37.3	24.2	24.2	1542.5
2006-07	557.3	368.3	318.5	183.9	129.6	39.8	25.9	25.9	1649.2
B. Assessed subsidy payments									
2001-02	29.3	20.8	6.0	18.6	12.2	2.3	0.6	1.4	91.1
2002-03	50.7	42.0	13.9	28.1	18.6	5.3	1.7	3.3	163.6
2003-04	32.1	23.7	6.3	12.9	12.5	2.9	1.0	1.2	92.5
2004-05	31.0	22.5	5.5	12.1	11.8	2.5	1.0	1.3	87.8
2005-06	29.7	21.1	5.2	10.3	11.8	2.2	1.1	1.3	82.7
2006-07	30.2	22.6	5.4	10.6	11.5	4.7	1.1	1.3	87.4
C. Revenue base = A – B									
2001-02	360.3	236.6	216.6	109.9	78.4	25.5	17.5	16.7	1061.6
2002-03	369.9	235.9	226.5	110.6	79.2	24.8	17.8	16.2	1080.9
2003-04	415.2	271.8	249.3	134.6	91.5	29.1	19.8	19.6	1231.0
2004-05	461.2	302.7	275.8	150.2	102.6	32.7	21.8	21.5	1368.4
2005-06	491.6	323.4	292.7	161.6	109.4	35.1	23.1	22.9	1459.8
2006-07	527.1	345.7	313.1	173.3	118.1	35.1	24.8	24.6	1561.8

12 The next two tables show the calculation of the revenue base for Revenue Replacement Payments - Tobacco. Table 4 shows the estimated payments agreed by the Under Treasurers for 1997-98. Table 5 shows the resulting percentage distribution.

**Table 4 Estimated RRPs - Tobacco 1997-98**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Base RRPs	950.0	648.2	566.8	298.0	243.2	88.9	42.1	47.6	2 884.8
Additional payments	16.0	0.0	0.0	23.0	24.0	4.2	1.2	8.0	76.4
Other payments	0.0	0.0	0.0	9.0	0.0	2.8	0.0	0.0	11.8
<b>Total</b>	<b>966.0</b>	<b>648.2</b>	<b>566.8</b>	<b>330.0</b>	<b>267.2</b>	<b>95.9</b>	<b>43.3</b>	<b>55.6</b>	<b>2 973.0</b>

Source: South Australian Submission of 26 June 1998 and an agreement submitted by Under-Treasurers at the Preliminary Calculations Conference in July 1999.

**Table 5 Distribution of estimated RRPs - Tobacco, 1997-98**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Base RRPs – Tobacco	31.95	21.80	19.06	10.02	8.18	2.99	1.42	1.60	97.03
Additional payments	0.54	0.00	0.00	0.77	0.81	0.14	0.04	0.27	2.57
Other payments	0.00	0.00	0.00	0.30	0.00	0.09	0.00	0.00	0.40
<b>Total</b>	<b>32.49</b>	<b>21.80</b>	<b>19.06</b>	<b>11.10</b>	<b>8.99</b>	<b>3.23</b>	<b>1.46</b>	<b>1.87</b>	<b>100.00</b>

13 The Commission used the percentages in Table 5 to apportion:

- the notional tobacco RRPs for subsequent years between the base payment, the additional payment and the special payments to Western Australia and Tasmania;
- the notional base payments among the States; and
- the notional other payments to Western Australia and Tasmania between those States.

14 The Commission did not use the percentages in Table 5 to distribute the additional payments among the States. The States had agreed they would be distributed on an equal per capita basis.

15 The estimated notional Australian Government tobacco revenue replacement payments for 2006-07 were \$4 109.4 million. Table 6 shows the allocation of this amount to the three components by State.

**Table 6 Allocation of RRPs - Tobacco, 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Base RRPs	1313.1	896.0	783.5	411.9	336.2	122.9	58.2	65.8	3987.5
Additional payments <sup>(a)</sup>	34.7	26.2	20.9	10.5	8.0	2.5	1.7	1.1	105.6
Other payments	0.0	0.0	0.0	1240	0.0	3.9	0.0	0.0	16.3
<b>Total</b>	<b>1347.8</b>	<b>922.1</b>	<b>804.4</b>	<b>434.9</b>	<b>344.1</b>	<b>129.2</b>	<b>59.9</b>	<b>66.9</b>	<b>4109.4</b>

(a) State distribution based on mean resident populations.

16 Table 7 sets out the RRP - Tobacco revenue base for the assessment years of the update.

**Table 7 RRP – Tobacco revenue bases**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2001-02	1159.9	792.9	690.8	373.8	296.1	111.2	51.5	57.5	3533.7
2002-03	1198.0	819.1	713.8	386.1	305.8	114.8	53.2	59.4	3650.3
2003-04	1231.0	841.8	733.8	396.9	314.3	118.0	54.7	61.0	3751.4
2004-05	1264.1	864.6	753.9	407.7	322.8	121.2	56.2	62.7	3853.2
2005-06	1299.5	889.0	775.3	419.2	331.8	124.6	57.7	64.5	3961.6
2006-07	1347.8	922.1	804.4	434.9	344.1	129.2	59.9	66.9	4109.4

## RESULTS FOR 2006-07

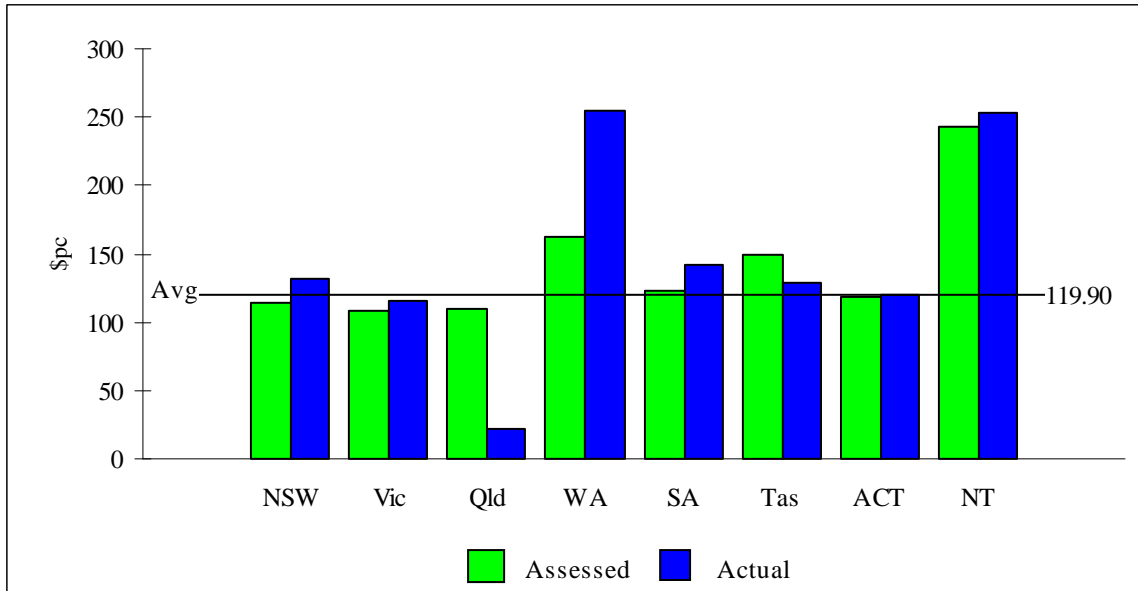
17 Table 8 shows the actual and assessed revenues per capita and revenue capacity and effort ratios for 2006-07. Tables 14, 15 and 16 show the average, actual and assessed RRP for each State and each assessment year for the 2008 Update.

**Table 8 Revenue replacement payments, assessment results, 2006-07**

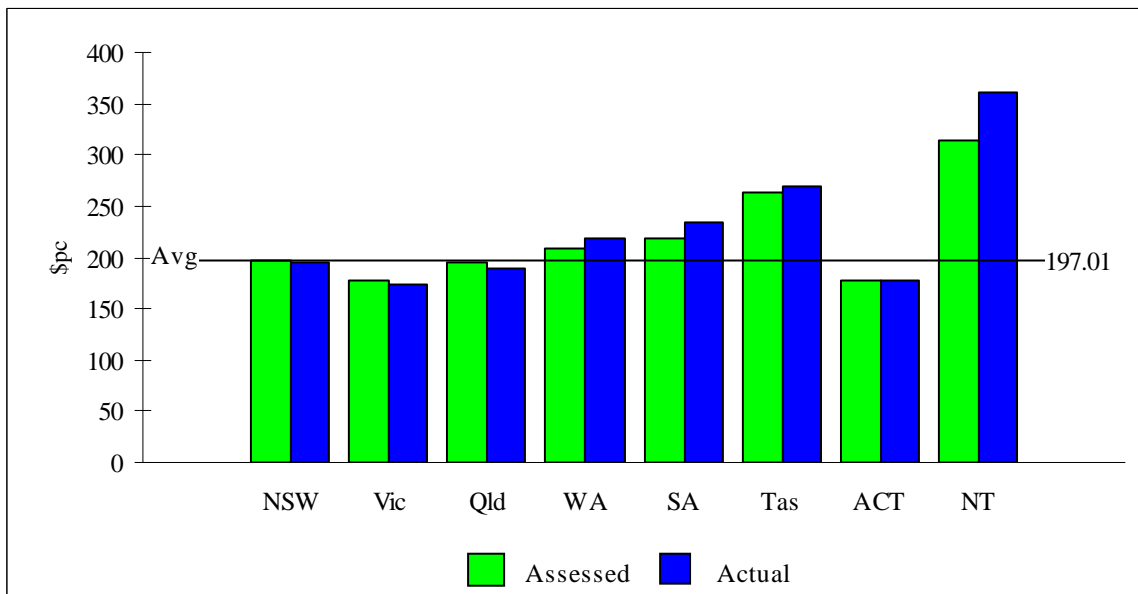
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Std
<b>Petroleum</b>									
Actual revenues (\$pc)	131.86	115.49	21.32	254.75	141.97	129.04	120.59	252.54	119.90
Assessed revenues (\$pc)	114.37	108.72	110.41	162.81	123.30	149.75	118.69	242.37	119.90
Revenue capacity ratio (%)	95.38	90.67	92.08	135.79	102.83	124.89	98.99	202.13	100.00
Revenue effort ratio (%)	115.30	106.23	19.31	156.47	115.14	86.17	101.60	104.20	100.00
<b>Tobacco</b>									
Actual revenues (\$pc)	194.75	173.39	189.45	219.06	234.30	269.71	177.61	360.90	197.01
Assessed revenues (\$pc)	196.60	178.45	194.50	208.88	218.28	262.87	177.90	314.25	197.01
Revenue capacity ratio (%)	99.79	90.58	98.73	106.02	110.79	133.43	90.30	159.51	100.00
Revenue effort ratio (%)	99.06	97.17	97.40	104.88	107.34	102.60	99.84	114.85	100.00
<b>Alcohol</b>									
Actual revenues (\$pc)	76.88	66.98	75.71	83.19	75.37	71.29	73.66	115.60	74.92
Assessed revenues (\$pc)	76.93	66.95	75.76	83.29	74.95	71.42	73.70	115.67	74.92
Revenue capacity ratio (%)	102.68	89.36	101.11	111.17	100.03	95.32	98.37	154.39	100.00
Revenue effort ratio (%)	99.94	100.05	99.94	99.88	100.56	99.82	99.94	99.94	100.00

18 Figure 1, Figure 2 and Figure 3 show for 2006-07, the average, actual and assessed revenues per capita for each State for the three RRP categories.

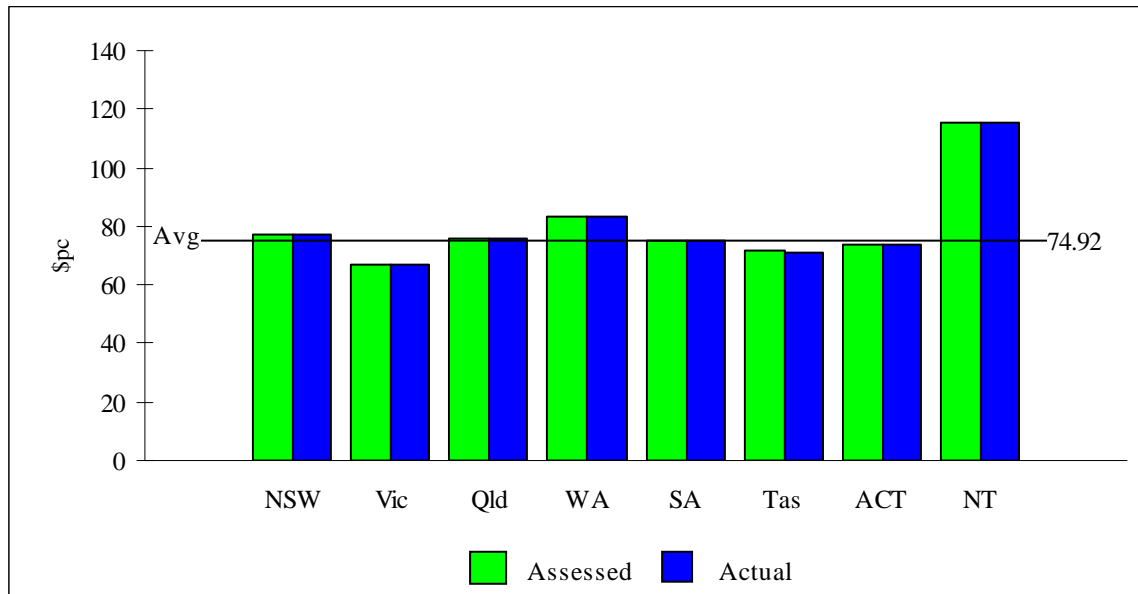
**Figure 1 RRPS – Petroleum revenues per capita — average, actual and assessed, 2006-07**



**Figure 2 RRPS – Tobacco revenues per capita — average, actual and assessed, 2006-07**



**Figure 3 RRPS – Alcohol revenues per capita — average, actual and assessed, 2005-06**



**Revenue capacities**

- 19 A State’s revenue capacity compares its assessed revenue with the average revenue and reflects its revenue raising advantages or disadvantages.
- 20 **Revenue Replacement Payments - Petroleum.** Western Australia, South Australia, Tasmania, the ACT and Northern Territory had above average capacities because their share of RRP’s exceeded their population share. This reflected their high consumption of petroleum products in 1996-97, the baseline for the interstate shares of RRP’s.
- 21 **Revenue Replacement Payments - Tobacco.** Western Australia, South Australia, Tasmania and Northern Territory had above average capacities because their share of RRP’s exceeded their population share. This reflected their relatively high consumption of tobacco products in 1996-97, the baseline for the interstate shares of base grants.
- 22 **Revenue Replacement Payments - Alcohol.** New South Wales, Queensland, Western Australia, Tasmania and Northern Territory had above average capacities because their share of RRP’s exceeded their population share. This reflected their high consumption of alcohol products in 1996-97, the baseline for the interstate shares of RRP’s.

**Revenue effort**

- 23 A State’s revenue effort compares its actual revenue with its assessed revenue. State shares of petroleum, tobacco and alcohol RRP’s reflected the agreed historical distribution. Changes in State populations, however, can change the per capita distribution of the payments.
- 24 **Revenue Replacement Payments - Petroleum.** All States except Queensland and Tasmania made an above average effort. Western Australia’s effort appeared very high because of the

relatively high assessed costs of off-road diesel. Queensland did not impose petroleum business franchise fees. Under the safety net arrangements, States were recompensed for the loss of actual revenues, so Queensland's notional revenue replacement payment was low.

- 25 **Revenue Replacement Payments - Tobacco.** Actual and assessed revenues were approximately similar in magnitude, and thus revenue efforts were similar. Assessed revenues reflect the apportionment of some of the notional RRP's to the additional and other payments. For Northern Territory, actual revenues were slightly above assessed revenues.
- 26 **Revenue Replacement Payments - Alcohol.** Actual and assessed revenues were practically identical. Differences in subsidy schemes are now very small.

## CONTRIBUTION TO FAG REVENUE DISTRIBUTIONS

- 27 Table 9 shows that compared with an equal per capita assessment, the RRP's assessments redistributed about \$290.4 million of FAG revenue and health care grants (hereafter described as FAG revenue) from Western Australia, South Australia, Tasmania and Northern Territory to the other States.

**Table 9 Revenue replacement payments, effects of assessments on FAG revenue distribution, 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redistributed
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Petroleum	53.8	62.6	30.3	-101.5	-3.0	-14.5	0.7	-28.4	147.4
Tobacco	18.4	101.2	-4.4	-31.1	-31.8	-32.5	7.2	-27.1	126.8
Alcohol	-8.6	41.1	-12.2	-15.3	2.5	0.7	0.3	-8.4	44.6
<b>Total</b>	<b>63.6</b>	<b>204.9</b>	<b>13.7</b>	<b>-147.9</b>	<b>-32.3</b>	<b>-46.3</b>	<b>8.2</b>	<b>-63.9</b>	<b>290.4</b>

### Differences from an equal per capita assessment

- 28 States' per capita receipts of RRP's differed because the agreed historical distribution reflected the Commission's assessment of capacities in past years when States levied franchise fees. Those assessments were based on the per capita consumption of petroleum, tobacco and alcoholic products. The level differed across States due to such influences as geography, climate and propensity to smoke and drink.

## CHANGES SINCE 2007 UPDATE

### Effect of assessment on grants

- 29 The following tables show the FAG revenue redistribution resulting from each RRP assessment in the 2007 and 2008 Updates and the reasons for change. The changes were brought about because the Commission:
- used revised financial data in the category standards and other revised data in revenue base calculations for the years common to each update (2001-02 to 2005-06); and
  - replaced 2001-02 category averages and revenue bases with those of 2006-07 to move forward the five-year average on which FAG relativities were based. (Moving the five-year average forward in this way ensures the assessments reflect recent trends in State priorities circumstances.)
- 30 As compared with an equal per capita assessment, the assessment for RRPs - Petroleum redistributed \$147.4 million from Western Australia, South Australia, Tasmania and Northern Territory in the 2008 Update, about \$5 million less than in the 2007 Update (Table 10). Notional RRPs - Petroleum per capita increased by 1.8 per cent between 2001-02 and 2006-07, less than the increase in the FAG pool per capita of 16.8 per cent. This meant the RRPs – Petroleum had a smaller effect on distributions for the 2008 Update.

**Table 10 Petroleum – Comparison of the 2007 Update and 2008 Update assessments<sup>(a)</sup>**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Redistribution from EPC resulting from the 2007 Update assessment (a)</b>	64.8	64.0	22.7	-106.3	-2.0	-14.4	0.7	-29.6	152.2
<b>Effect of revising category averages and revenue bases for 2001-02 to 2005-06</b>									
Category averages	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue bases	-2.9	0.8	1.1	-0.1	0.4	-0.1	0.3	0.4	3.1
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-2.0	-1.8	-0.2	3.0	0.0	0.4	0.0	0.8	4.2
<b>Effect of replacing 2001-02 category averages and revenue bases with those for 2006-07</b>									
Category averages	-2.0	-1.8	-0.2	3.0	0.0	0.4	0.0	0.8	4.2
Revenue bases	-7.0	-0.4	7.6	2.1	-1.6	-0.5	-0.2	0.0	9.7
Interactions	0.9	0.1	-1.0	-0.3	0.2	0.1	0.0	0.0	1.2
Total	-8.1	-2.2	6.4	4.8	-1.4	-0.1	-0.2	0.8	12.0
<b>Redistribution from EPC resulting from the 2008 Update assessment (a)</b>	53.8	62.6	30.3	-101.5	-3.0	-14.5	0.7	-28.4	147.4
<b>Total effect of revisions and updating (b)</b>	-11.0	-1.4	7.5	4.7	-1.0	-0.1	0.0	1.2	13.5

(a) All distributions are calculated using the same revenue pool and populations.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

31 Compared with an equal per capita assessment, the assessment for RRP - Tobacco redistributed \$126.8 million to New South Wales, Victoria and the ACT in the 2008 Update, about \$13 million less than in the 2007 Update (Table 11). Notional RRP - Tobacco per capita increased by 8.9 per cent between 2001-02 and 2006-07, less than the 16.8 per cent increased in the FAG pool per capita. This meant that RRP - Tobacco assessment had a smaller effect on grant distributions.

**Table 11 Tobacco – Comparison of the 2007 Update and 2008 Update assessments<sup>(a)</sup>**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Redistribution from EPC resulting from the 2007 Update assessment (a)</b>	31.5	101.3	-15.6	-33.0	-31.1	-32.1	7.1	-28.1	139.9
<b>Effect of revising category averages and revenue bases for 2001-02 to 2005-06</b>									
Category averages	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue bases	-4.7	1.3	2.0	-0.1	0.7	-0.1	0.4	0.5	5.0
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-4.7	1.3	2.0	-0.1	0.7	-0.1	0.4	0.5	5.0
<b>Effect of replacing 2001-02 category averages and revenue bases with those for 2006-07</b>									
Category averages	-0.6	-1.4	0.5	0.5	0.4	0.4	-0.1	0.4	2.2
Revenue bases	-8.3	0.0	9.4	1.7	-2.0	-0.7	-0.2	0.1	11.2
Interactions	0.6	0.0	-0.6	-0.1	0.1	0.0	0.0	0.0	0.8
Total	-8.3	-1.4	9.3	2.1	-1.5	-0.2	-0.3	0.4	11.8
<b>Redistribution from EPC resulting from the 2008 Update assessment (a)</b>	18.4	101.2	-4.4	-31.1	-31.8	-32.5	7.2	-27.1	126.8
<b>Total effect of revisions and updating (b)</b>	-13.0	-0.1	11.3	2.0	-0.7	-0.4	0.0	1.0	14.2

(a) All distributions are calculated using the same revenue pool and populations.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

32 Compared with an equal per capita assessment, the assessment for RRP - Alcohol redistributed \$44.6 million from New South Wales, Queensland, Western Australia and Northern Territory in the 2008 Update, about \$2 million more than in the 2007 Update (Table 12). Notional RRP - Alcohol per capita increased by 37.2 per cent between 2001-02 and 2006-07, whereas the FAG pool per capita grew by 16.8 per cent. This meant the RRP - Alcohol had a larger effect on distributions for the 2008 Update.

**Table 12 Alcohol – Comparison of the 2007 Update and 2008 Update assessments<sup>(a)</sup>**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Redistribution from EPC resulting from the 2007 Update assessment (a)</b>	-4.3	38.9	-16.9	-13.1	3.2	0.4	0.1	-8.4	42.6
<b>Effect of revising category averages and revenue bases for 2001-02 to 2005-06</b>									
Category averages	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue bases	-1.8	0.5	0.7	-0.1	0.3	0.0	0.1	0.2	1.9
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-1.8	0.5	0.7	-0.1	0.3	0.0	0.1	0.2	1.8
<b>Effect of replacing 2001-02 category averages and revenue bases with those for 2006-07</b>									
Category averages	0.0	1.2	-0.8	-0.3	0.2	0.0	0.0	-0.3	1.4
Revenue bases	-2.2	0.4	4.0	-1.5	-1.0	0.3	0.1	0.0	4.8
Interactions	-0.4	0.1	0.7	-0.3	-0.2	0.0	0.0	0.0	0.8
Total	-2.6	1.7	3.9	-2.1	-1.0	0.3	0.1	-0.3	6.0
<b>Redistribution from EPC resulting from the 2008 Update assessment (a)</b>	-8.6	41.1	-12.2	-15.3	2.5	0.7	0.3	-8.4	44.6
<b>Total effect of revisions and updating (b)</b>	-4.3	2.2	4.6	-2.1	-0.7	0.3	0.2	-0.1	7.3

(a) All distributions are calculated using the same revenue pool and populations.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

### Changes due to revising category standards and revenue bases for 2001-02 to 2005-06

- 33 Revisions to category standards and revenue bases for 2001-02 to 2005-06 were negligible. However, the ABS revised the yearly populations, with small increases in the populations in all States except New South Wales. While populations for Western Australia and Tasmania were revised upwards, the percentage increases in these States were below the overall average percentage adjustments.
- 34 In the absence of any other changes to revenue base calculations, the population revisions increase the revenue raising capacity of New South Wales, Western Australia and Tasmania relative to other States (see table 13). The effect on FAG revenue distributions from these

population changes were \$3.1 million for RRP - Petroleum, \$5.0 million for RRP - Tobacco and \$1.9 million for RRP - Alcohol.

**Table 13 Assessment data, RRP Average of 2001-02 to 2005-06**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
<b>RRPs – Petroleum</b>									
Actual revenues									
2007 Update	125.39	112.36	23.50	251.68	134.63	121.95	116.82	247.35	116.70
2008 Update	125.55	111.97	23.41	251.20	134.05	121.83	115.85	244.94	116.46
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2007 Update	92.96	90.73	95.88	138.56	101.11	122.42	98.58	205.50	100.00
2008 Update	93.27	90.60	95.65	138.58	100.89	122.54	97.97	203.92	100.00
<b>RRPs – Tobacco</b>									
Actual revenues									
2007 Update	181.72	165.38	185.94	211.41	220.15	252.09	168.63	350.01	187.51
2008 Update	181.95	164.79	185.11	211.00	219.20	251.82	167.22	346.56	187.11
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2007 Update	97.86	90.77	101.77	107.47	109.40	131.09	90.02	162.30	100.00
2008 Update	98.19	90.64	101.54	107.49	109.17	131.23	89.48	161.07	100.00
<b>RRPs - Alcohol</b>									
Actual revenues									
2007 Update	63.21	55.93	66.14	69.95	60.06	61.73	61.82	98.30	62.68
2008 Update	63.29	55.72	65.83	69.81	59.74	61.66	61.28	97.29	62.54
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2007 Update	100.95	89.38	105.96	108.83	97.08	98.80	99.77	155.58	100.00
2008 Update	101.30	89.25	105.72	108.86	96.80	98.92	99.17	154.40	100.00

#### Changes in State circumstances – replacing 2000-01 with 2006-07 data

- 35 The effect on FAG revenue distributions of replacing assessments for 2001-02 with assessments for 2006-07 were \$12.0 million for RRP - Petroleum, \$11.8 million for RRP - Tobacco and \$6.0 million for RRP - Alcohol. These arose because the category standards grew at different rates to the FAG revenue pool, and the agreed distributions of

RRPs did not change over time, but rates of population growth did. Table 14 compares the actual per capita revenues, the assessed revenues and the implied revenue capacity ratios for the two years.

**Table 14 Assessment data, RRP, 2001-02 and 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
<b>RRPs - Petroleum</b>									
Actual revenues (\$pc)									
2001-02	123.70	111.90	32.20	252.21	130.98	121.20	114.36	242.16	117.73
2006-07	131.86	115.49	21.32	254.75	141.97	129.04	120.59	252.54	119.90
Assessed revenues									
2001-02	108.23	106.57	116.13	164.18	117.03	142.95	114.22	237.95	117.73
2006-07	114.37	108.72	110.41	162.81	123.30	149.75	118.69	242.37	119.90
Revenue capacity (%)									
2001-02	91.94	90.53	98.64	139.45	99.40	121.42	97.02	202.12	100.00
2006-07	95.38	90.67	92.08	135.79	102.83	124.89	98.99	202.13	100.00
<b>RRPs - Tobacco</b>									
Actual revenues (\$pc)									
2001-02	173.81	159.32	183.46	204.87	209.43	241.38	160.48	332.95	180.88
2006-07	194.75	173.39	189.45	219.06	234.30	269.71	177.61	360.90	197.01
Assessed revenues									
2001-02	175.58	163.98	188.11	195.26	195.26	235.43	160.58	289.63	180.88
2006-07	196.60	178.45	194.50	208.88	218.28	262.87	177.90	314.25	197.01
Revenue capacity (%)									
2001-02	97.07	90.66	104.00	107.95	107.95	130.16	88.78	160.12	100.00
2006-07	99.79	90.58	98.73	106.02	110.79	133.43	90.30	159.51	100.00
<b>RRPs - Alcohol</b>									
Actual revenues (\$pc)									
2001-02	54.82	48.01	60.03	61.32	50.06	50.85	54.30	83.40	54.57
2006-07	76.88	66.98	75.71	83.19	75.37	71.29	73.66	115.60	74.92
Assessed revenues									
2001-02	54.77	49.14	59.24	57.66	51.91	54.25	54.87	84.29	54.57
2006-07	76.93	66.95	75.76	83.29	74.95	71.42	73.70	115.67	74.92
Revenue capacity (%)									
2001-02	100.38	90.06	108.56	105.66	95.12	99.41	100.56	154.47	100.00
2006-07	102.68	89.36	101.11	111.17	100.03	95.32	98.37	154.39	100.00

This chapter was prepared by the Revenue section of the Commonwealth Grants Commission. If you have any questions about its content please contact Lintong Feng on (02) 6229 8833 or [lintong.feng@cgc.gov.au](mailto:lintong.feng@cgc.gov.au).

A handwritten signature in black ink, appearing to be 'LF 78', written in a cursive style.

Date: 29 February 2008

**Table 15 Assessments - Revenue Replacement Payment - Petroleum - FAG Relativities**

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
<b>Average Revenue</b>		115.55		116.24		117.80		115.00		119.90
New South Wales										
Assessed difference	57.430	8.63	52.331	7.82	47.688	7.08	41.788	6.16	37.963	5.54
Revenue - Assessed	711.327	106.92	725.605	108.42	745.393	110.71	738.936	108.84	784.074	114.37
Actual	822.645	123.65	838.037	125.22	865.983	128.62	859.276	126.57	904.036	131.86
Victoria										
Assessed difference	53.737	10.98	53.905	10.88	55.301	11.02	54.560	10.72	57.780	11.18
Revenue - Assessed	511.931	104.57	522.187	105.36	535.962	106.78	530.896	104.28	561.825	108.72
Actual	543.498	111.02	553.381	111.66	571.117	113.78	567.531	111.48	596.816	115.49
Queensland										
Assessed difference	12.910	3.43	20.392	5.28	27.407	6.93	32.531	8.03	39.271	9.50
Revenue - Assessed	422.424	112.12	428.605	110.96	438.639	110.87	433.082	106.96	456.606	110.41
Actual	90.020	23.89	91.234	23.62	78.120	19.75	71.179	17.58	88.176	21.32
Western Australia										
Assessed difference	-88.734	-45.77	-88.705	-45.07	-89.571	-44.79	-86.856	-42.61	-89.340	-42.91
Revenue - Assessed	312.732	161.33	317.489	161.31	325.161	162.58	321.293	157.60	338.985	162.81
Actual	485.565	250.48	493.754	250.86	509.606	254.80	504.810	247.63	530.400	254.75
South Australia										
Assessed difference	-0.181	-0.12	-1.594	-1.04	-3.060	-1.98	-4.255	-2.73	-5.349	-3.39
Revenue - Assessed	176.552	115.67	180.170	117.28	185.247	119.77	183.708	117.73	194.395	123.30
Actual	201.211	131.83	205.633	133.85	213.239	137.87	211.810	135.73	223.834	141.97
Tasmania										
Assessed difference	-12.164	-25.61	-12.490	-25.98	-13.094	-27.01	-13.401	-27.44	-14.673	-29.85
Revenue - Assessed	67.056	141.16	68.364	142.22	70.202	144.80	69.574	142.43	73.624	149.75
Actual	57.219	120.45	58.271	121.22	59.935	123.63	59.899	122.63	63.443	129.04
Australian Capital Territory										
Assessed difference	1.023	3.16	0.781	2.39	0.515	1.57	0.390	1.18	0.409	1.21
Revenue - Assessed	36.433	112.40	37.137	113.84	38.185	116.23	37.816	113.82	39.962	118.69
Actual	37.000	114.15	37.700	115.57	39.000	118.71	38.700	116.48	40.600	120.59
Northern Territory										
Assessed difference	-24.022	-120.45	-24.620	-122.54	-25.187	-123.30	-24.758	-118.62	-26.060	-122.46
Revenue - Assessed	47.067	236.00	47.973	238.78	49.249	241.10	48.761	233.62	51.576	242.37
Actual	48.365	242.51	49.521	246.49	51.037	249.85	50.862	243.68	53.741	252.54

Table 16 Assessments - Revenue Replacement Payment - Tobacco - FAG Relativities

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
<b>Average Revenue</b>		184.55		187.35		190.07		192.71		197.01
New South Wales										
Assessed difference	29.835	4.48	22.885	3.42	15.523	2.31	8.783	1.29	2.830	0.41
Revenue - Assessed	1 197.978	180.07	1 230.953	183.93	1 264.146	187.76	1 299.520	191.42	1 347.838	196.60
Actual	1 186.000	178.27	1 218.900	182.13	1252.000	185.96	1 287.200	189.60	1 335.200	194.75
Victoria										
Assessed difference	84.364	17.23	86.742	17.50	89.403	17.81	92.128	18.10	95.926	18.56
Revenue - Assessed	819.088	167.32	841.775	169.85	864.626	172.26	888.955	174.61	922.130	178.45
Actual	795.900	162.58	817.900	165.03	840.100	167.37	863.700	169.65	896.000	173.39
Queensland										
Assessed difference	- 18.504	-4.91	- 10.127	-2.62	- 1.949	-0.49	4.927	1.22	10.370	2.51
Revenue - Assessed	713.794	189.46	733.798	189.97	753.934	190.56	775.327	191.49	804.391	194.50
Actual	695.900	184.71	715.200	185.16	734.600	185.67	755.300	186.55	783.500	189.45
Western Australia										
Assessed difference	- 28.378	-14.64	- 28.113	-14.28	- 27.527	-13.76	- 26.322	-12.91	- 24.704	-11.87
Revenue - Assessed	386.133	199.19	396.856	201.63	407.660	203.83	419.181	205.62	434.889	208.88
Actual	405.200	209.03	416.400	211.56	427.700	213.85	439.700	215.69	456.100	219.06
South Australia										
Assessed difference	- 24.155	-15.83	- 26.451	-17.22	- 28.791	-18.62	- 31.079	-19.92	- 33.527	-21.27
Revenue - Assessed	305.844	200.38	314.272	204.57	322.757	208.68	331.798	212.63	344.143	218.28
Actual	328.100	214.96	337.200	219.49	346.300	223.91	356.100	228.20	369.400	234.30
Tasmania										
Assessed difference	- 27.173	-57.20	- 27.968	-58.18	- 29.070	-59.96	- 30.479	-62.40	- 32.381	-65.86
Revenue - Assessed	114.844	241.75	118.023	245.53	121.217	250.03	124.612	255.11	129.241	262.87
Actual	117.800	247.98	121.000	251.72	124.300	256.39	127.800	261.63	132.600	269.71
Australian Capital Territory										
Assessed difference	6.594	20.34	6.422	19.69	6.275	19.10	6.281	18.90	6.435	19.11
Revenue - Assessed	53.228	164.21	54.693	167.66	56.169	170.97	57.745	173.81	59.897	177.90
Actual	53.100	163.81	54.600	167.38	56.100	170.76	57.700	173.67	59.800	177.61
Northern Territory										
Assessed difference	- 22.583	-113.23	- 23.390	-116.42	- 23.865	-116.83	- 24.239	-116.13	- 24.948	-117.23
Revenue - Assessed	59.390	297.79	61.030	303.77	62.690	306.90	64.462	308.84	66.872	314.25
Actual	68.300	342.46	70.200	349.42	72.100	352.96	74.100	355.02	76.800	360.90

**Table 17 Assessments - Revenue Replacement Payment - Alcohol - FAG Relativities**

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
<b>Average Revenue</b>		58.26		61.44		67.41		71.03		74.92
New South Wales										
Assessed difference	-6.730	-1.01	-3.760	-0.56	-6.728	-1.00	-9.525	-1.40	-13.761	-2.01
Revenue - Assessed	394.357	59.28	414.920	62.00	460.569	68.41	491.717	72.43	527.423	76.93
Actual	390.380	58.68	415.214	62.04	461.206	68.50	491.614	72.41	527.089	76.88
Victoria										
Assessed difference	33.736	6.89	32.833	6.62	36.087	7.19	38.124	7.49	41.206	7.97
Revenue - Assessed	251.489	51.37	271.648	54.81	302.264	60.22	323.466	63.54	345.963	66.95
Actual	253.734	51.83	271.840	54.85	302.700	60.31	323.729	63.59	346.138	66.98
Queensland										
Assessed difference	-21.959	-5.83	-11.816	-3.06	-8.685	-2.20	-5.180	-1.28	-3.443	-0.83
Revenue - Assessed	241.466	64.09	249.123	64.49	275.380	69.60	292.752	72.30	313.298	75.76
Actual	235.600	62.54	249.570	64.61	275.761	69.70	292.700	72.29	313.100	75.71
Western Australia										
Assessed difference	-5.022	-2.59	-13.632	-6.93	-15.188	-7.59	-16.849	-8.26	-17.427	-8.37
Revenue - Assessed	117.967	60.85	134.551	68.36	150.005	75.00	161.642	79.29	173.421	83.29
Actual	125.921	64.96	134.646	68.41	150.212	75.11	161.608	79.27	173.211	83.19
South Australia										
Assessed difference	4.469	2.93	2.915	1.90	1.806	1.17	1.406	0.90	-0.038	-0.02
Revenue - Assessed	84.462	55.34	91.467	59.54	102.450	66.24	109.428	70.12	118.166	74.95
Actual	83.299	54.57	90.368	58.82	100.699	65.11	109.406	70.11	118.828	75.37
Tasmania										
Assessed difference	1.248	2.63	0.407	0.85	0.023	0.05	-0.389	-0.80	1.724	3.51
Revenue - Assessed	26.430	55.64	29.124	60.59	32.658	67.36	35.083	71.82	35.112	71.42
Actual	27.400	57.68	29.145	60.63	32.689	67.43	35.040	71.73	35.048	71.29
Australian Capital Territory										
Assessed difference	-0.096	-0.30	0.275	0.84	0.385	1.17	0.493	1.48	0.410	1.22
Revenue - Assessed	18.982	58.56	19.766	60.59	21.761	66.24	23.105	69.54	24.816	73.70
Actual	18.031	55.63	19.780	60.64	21.791	66.33	23.100	69.53	24.800	73.66
Northern Territory										
Assessed difference	-5.645	-28.30	-7.222	-35.95	-7.701	-37.70	-8.080	-38.71	-8.672	-40.75
Revenue - Assessed	17.265	86.57	19.565	97.38	21.470	105.11	22.905	109.74	24.616	115.67
Actual	18.054	90.52	19.600	97.56	21.500	105.25	22.900	109.72	24.600	115.60