

CONTRIBUTIONS BY TRADING ENTERPRISES — FAG RELATIVITIES

- 1 This working paper describes the revenue base and the assessed revenues for the Contributions by Trading Enterprises assessment. Issues to do with the assessment method are discussed in Volume 3 of the 2004 Review Working Papers.

DESCRIPTION OF CATEGORY

- 2 The category comprised dividends, tax equivalent payments and other tax-like payments from government-owned trading enterprises. The major contributions came from electricity and gas enterprises and water supply and sewerage authorities. The category also included contributions from freight, non-urban passenger transport, forestry, ports and harbours, and marketing authorities. Any profits from similar general government sector activities were also included.
- 3 Under the *Intergovernmental Agreement on Reform of Commonwealth-State Financial Relations* (IGA), the Australian Government abolished wholesale sales taxes and States were no longer able to require their enterprises to make wholesale sales tax equivalent payments. For the purpose of calculating Financial Assistance Grants (FAG) relativities under the guarantee provisions of the IGA, the Commission included estimates of the wholesale sales tax equivalent revenues that would have been collected based on data from the Australian Government. However, the amounts have been zero since 2003-04¹.
- 4 Table 1 shows the assessed revenues for the last six financial years. In 2006-07, average revenue at \$288.85 per capita was 8.46 per cent of total own-source FAG revenues.

Table 1 Contributions by trading enterprises, average revenues, 2001-02 to 2006-07

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average revenues (\$pc)	241.09	232.25	243.67	255.08	291.40	288.85
% of total own-source revenues	9.61	8.73	8.59	8.68	9.18	8.46

¹ See the Commonwealth of Australia's *Final Budget Outcome 2003-04*, Table 32, page 55, and later issues.

ASSESSING CONTRIBUTIONS BY TRADING ENTERPRISES**The revenue base**

- 5 In the 2004 Review, the Commission decided to assess capacity for this category by the equal per capita (EPC) method, because it considered interstate differences in revenue collected arose predominantly from differences in State policies rather than differences in underlying revenue capacities. States can influence revenue collections through:
- their policy on the privatisation of trading enterprises;
 - their level of investment in trading enterprises and its capital structure;
 - the enterprises' policy on charging for its services;
 - the level of government subsidy or community service obligations; and
 - the level of tax equivalent payment and dividends required from the trading enterprises.
- 6 The revenue base was mean resident population of the States. Table 2 shows the revenue base.

Table 2 Revenue bases for Contributions by trading enterprises, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	`000	`000	`000	`000	`000	`000	`000	`000	`000
2000-01	6 605.9	4 835.4	3 672.2	1 914.4	1 516.5	472.3	320.9	198.5	19 536.1
2001-02	6 652.9	4 895.4	3 767.4	1 938.5	1 526.3	475.0	324.1	199.4	19 779.2
2002-03	6 692.5	4 956.1	3 862.7	1 968.2	1 536.3	480.7	326.2	200.9	20 023.6
2003-04	6 732.7	5 019.4	3 956.4	2 000.0	1 546.6	484.8	328.5	204.3	20 272.7
2004-05	6 789.0	5 091.0	4 048.9	2 038.6	1 560.5	488.5	332.2	208.7	20 557.3
2005-06	6 855.8	5 167.5	4 135.6	2 082.0	1 576.6	491.6	336.7	212.8	20 858.8

CALCULATING ASSESSED REVENUES PER PERSON

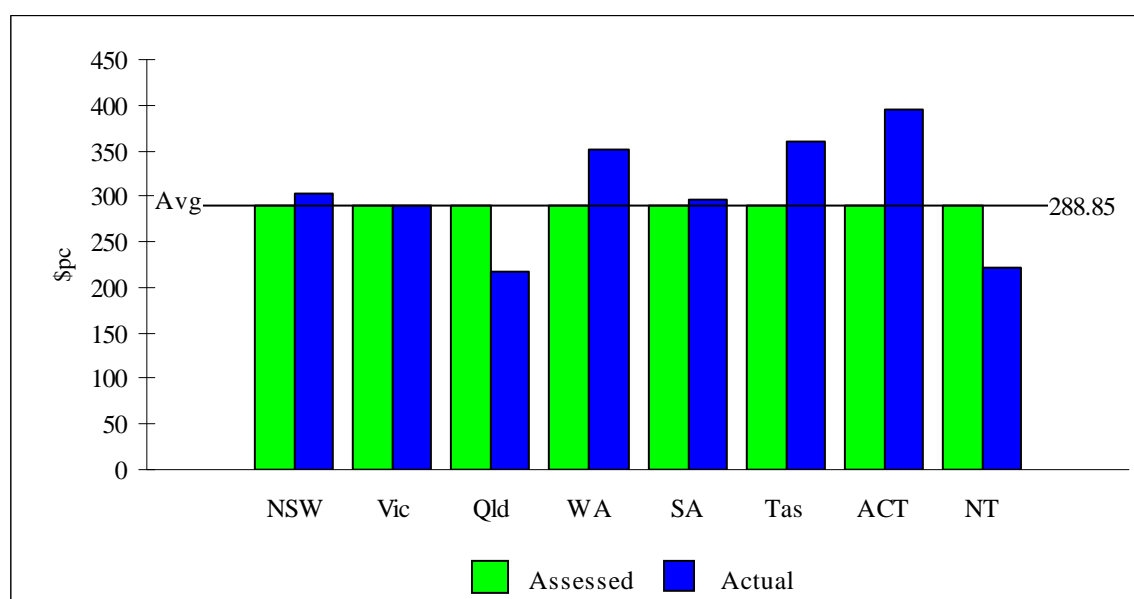
- 7 Table 7 summarises the average, actual and assessed revenues for each State for all years of the 2008 Update.
- 8 Because the assessed capacity for this category is calculated by the equal per capita (EPC) method, assessed revenues per person are equal for all States.
- 9 Table 3 shows actual and assessed revenues per capita and revenue capacity and effort ratios for 2006-07.

Table 3 Contributions by trading enterprises, assessment results, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues	302.51	290.03	216.44	351.90	296.34	359.71	395.36	222.60	288.85
Assessed revenues	288.85	288.85	288.85	288.85	288.85	288.85	288.85	288.85	288.85
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratio	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Revenue effort ratio	104.73	100.41	74.93	121.83	102.59	124.53	136.87	77.06	100.00

(a) Calculated by dividing Actual revenue by Assessed revenue and expressed as percentages.

- 10 Figure 1 shows graphically the per capita average, actual and assessed revenues for Contributions by trading enterprises.

Figure 1 Contributions by trading enterprises, revenues per capita — average, actual and assessed, 2006–07, FAG relativities

Revenue capacities

- 11 A State's revenue capacity compares its assessed revenue, which reflects its revenue raising advantages or disadvantages, with average revenue. The EPC method assumes States' revenue raising capacities are equal.

Revenue efforts

- 12 A State's revenue effort compares its actual revenue, which reflects both its revenue raising advantages and/or disadvantages and its policy choices, with its assessed revenue.

- 13 The EPC assessment attributed differences in actual revenues between States to revenue effort. State efforts to raise revenue from trading enterprises differ because of many differences in State policies in the areas noted in paragraph 5.

FAG REVENUE DISTRIBUTION FOR THE 2008 UPDATE

- 14 Table 4 shows that the Contributions by trading enterprises assessment had no redistributive effect on FAG revenue and health care grants (hereafter described as FAG revenue) because capacities were assessed to be equal.

Table 4 Contributions by trading enterprises, effect of assessment 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
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CHANGES IN FAG REVENUE DISTRIBUTION: 2008 UPDATE COMPARED WITH THE 2007 UPDATE

Effect of assessment on FAG revenue distribution

- 15 Because capacities were equal, changes to assessment data, whether due to revisions to equalisation budget data or to mean population data, had no effect on FAG revenue distributions for the 2007 and 2008 Updates.
- 16 Table 5 shows changes to the assessment data for the common years used in the 2007 and 2008 Updates, 2001-02 to 2005-06.

Table 5 Contributions by trading enterprises, assessment data, average of 2001-02 to 2005-06

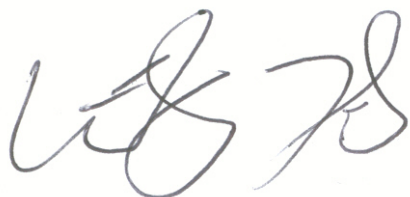
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues									
2007 Update	254.61	165.34	294.34	373.62	202.31	368.34	241.99	276.71	250.55
2008 Update	254.12	164.70	293.07	372.87	238.70	376.66	237.14	270.66	252.70
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2007 Update	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2008 Update	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

- 17 Table 6 provides the category revenues and implied capacity for 2001-02 and 2006-07 for the 2008 Update.

Table 6 Contributions by trading enterprises, assessment data, 2001-02 and 2006--07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual revenues									
2001-02	256.18	127.65	324.13	348.57	202.76	321.41	158.57	164.64	241.09
2006-07	302.51	290.03	216.44	351.90	296.34	359.71	395.36	222.60	288.85
Assessed revenues									
2001-02	241.09	241.09	241.09	241.09	241.09	241.09	241.09	241.09	241.09
2006-07	288.85	288.85	288.85	288.85	288.85	288.85	288.85	288.85	288.85
Assessed revenue raising capacity ratios									
2001-02	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2006-07	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	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.



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Table 7 Assessment of revenue, Contributions by trading enterprises

	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	\$
Average Revenue		232.25		243.67		255.08		291.40		288.85
New South Wales										
Assessed difference	- 0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Revenue - Assessed	1 545.161	232.25	1 630.773	243.67	1 717.352	255.08	1 978.302	291.40	1 980.286	288.85
Actual	1 447.095	217.51	1 771.195	264.65	1 647.159	244.65	1 952.366	287.58	2 073.951	302.51
Victoria										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Revenue - Assessed	1 136.963	232.25	1 207.652	243.67	1 280.333	255.08	1 483.507	291.40	1 492.626	288.85
Actual	785.396	160.44	607.750	122.63	1 004.410	200.11	1 082.668	212.66	1 498.720	290.03
Queensland										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Revenue - Assessed	874.999	232.25	941.224	243.67	1 009.185	255.08	1 179.832	291.40	1 194.565	288.85
Actual	1 113.759	295.63	1 121.675	290.39	1 088.752	275.19	1 133.692	280.00	895.127	216.44
Western Australia										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Revenue - Assessed	450.223	232.25	479.596	243.67	510.150	255.08	594.047	291.40	601.393	288.85
Actual	647.999	334.28	758.488	385.37	770.588	385.30	837.560	410.85	732.662	351.90
South Australia										
Assessed difference	0.000	0.00	- 0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Revenue - Assessed	354.496	232.25	374.346	243.67	394.511	255.08	454.722	291.40	455.410	288.85
Actual	297.515	194.92	336.594	219.10	303.322	196.12	593.923	380.60	467.218	296.34
Tasmania										
Assessed difference	0.000	0.00	- 0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Revenue - Assessed	110.331	232.25	117.129	243.67	123.663	255.08	142.339	291.40	142.011	288.85
Actual	191.434	402.98	186.751	388.51	182.728	376.91	192.203	393.48	176.852	359.71
Australian Capital Territory										
Assessed difference	0.000	0.00	- 0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Revenue - Assessed	75.284	232.25	79.488	243.67	83.802	255.08	96.814	291.40	97.252	288.85
Actual	51.700	159.49	28.631	87.77	100.913	307.16	157.044	472.69	133.113	395.36
Northern Territory										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Revenue - Assessed	46.320	232.25	48.955	243.67	52.105	255.08	60.821	291.40	61.467	288.85
Actual	58.879	295.22	68.078	338.85	73.228	358.48	40.928	196.09	47.369	222.60