

ELECTRICITY AND GAS — ASSESSMENT RESULTS

- 1 This working paper describes the expenses assessment for Electricity and Gas and provides information on its impact on the GST revenue distribution for the 2008 Update. The development of the assessment method is discussed in Volume 5 of the 2004 Review Working Papers.

DESCRIPTION OF THE CATEGORY

- 2 The Electricity and Gas category comprised costs to the State budget sector of payments made to, or on behalf of, undertakings providing electricity and gas services. It included all costs associated with the reimbursement of concessions, subsidies and payments of community service obligations. Payments made by government on behalf of Public Trading Enterprises for depreciation were also included. Where the service operated as part of the general government sector, and did so at a loss, that loss was also included.
- 3 No specific purpose payments are associated with the Electricity and Gas category.
- 4 Table 1 shows the average expenses for the last six financial years. In 2006-07, the average expense of \$30.76 per capita represented 0.48 per cent of total average expenses.

Table 1 Electricity and Gas, average expenses, 2001-02 to 2006-07

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average expenses (\$pc)	22.52	22.59	26.29	24.78	33.68	30.76
% of total State average expenses	0.44	0.42	0.48	0.44	0.56	0.48

Source: CGC assessment system, U2008 GST\Expenses\Economic activities\5415 Electricity and gas\Tables and chart\5415 E Average expenses.

ASSESSMENT METHOD

Description of the assessment

- 5 The assessment for the 2008 Update was carried out using five components: fixed costs, regulation, concessions, general subsidies and economic development.

- 6 The 2008 Update expenses assessment method is the same as the 2007 Update:
- the expenses for fixed costs were assessed using general methods;
 - the expenses for regulation were assessed using customer numbers and consumption data and general methods were used for input costs and dispersion factors;
 - the expenses for concessions were assessed using the proportion of the population who have an Australian Government Health Care or Pensioner Card;
 - the expenses for general subsidies were assessed on the basis of the number of people in regional areas, weighted by costs weights for each region; and
 - the expenses for economic development were assessed on an equal per capita basis.

Assessment Structure

7 Table 2 summarises the assessment structure for the 2008 Update.

Table 2 Electricity and Gas, assessment structure for the 2008 Update, 2006-07

Expense component	Component weight	Factors	Basis of calculation
	%		
Fixed costs	1.54	Administrative scale	General method.
		Input costs	General method with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
Regulation	5.70	Economic environment	Based on per capita consumption of electricity and gas, and proportions of customers in each State.
		Dispersion	General method.
		Input costs	General method with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
Concessions	41.54	Socio-demographic composition	Based on the proportion of people who have an Australian Government Health Care Card or a Pensioner Card.
General subsidies	46.28	Socio-demographic composition	A cost weight applied to State populations by region.
Economic development	4.95	None	Equal per capita.

Source: CGC, 2004 Review working papers, Volume 2 Assessment results, Section 3 Expense category results, Concessions and other payments – electricity and gas, Table 1, p612.

CGC assessment system, U2008 GST\Expenses\Economic activities\5415 Electricity and gas\Assessed expenses\QA 5415 Electricity and gas\Component weight calculation worksheet\Table 15.

- 8 The proportion of expenses affected by fixed costs was calculated using general methods. The proportions of expense relating to regulation, concessions, general subsidies and economic development were based on GFS data and data provided by States.

Calculating the category factor

9 Table 3 summarises the components, component weights and factors assessed for this category for the last year of the 2008 Update. It shows the calculation of the category factor for 2006-07.

Table 3 Electricity and Gas, derivation of category factor, 2008 Update, 2006-07

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed Costs (component weight = 1.54 %)								0.01535
Administrative scale	0.38031	0.50456	0.63046	1.25230	1.65373	5.30328	7.74403	12.25245
Input costs	1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769
Component factor	0.38993	0.50059	0.62029	1.24227	1.61369	5.07334	7.89420	12.46916
A Wgtd comp factor	0.00601	0.00772	0.00957	0.01916	0.02489	0.07824	0.12174	0.19230
Regulation (component weight = 5.7 %)								0.05696
Economic environment	0.96224	1.12300	0.91492	0.91731	1.00228	1.37630	1.08049	0.67875
Dispersion	1.00123	0.98700	1.01407	1.00242	0.99400	0.99909	0.96256	1.08485
Input costs	1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769
Component factor	0.98774	1.09955	0.91303	0.91217	0.97200	1.31538	1.06099	0.74835
B Wgtd comp factor	0.05635	0.06273	0.05209	0.05204	0.05545	0.07504	0.06053	0.04269
Concessions (component weight = 41.54 %)								0.41545
Socio-demographic composition	0.99208	1.03064	0.97330	0.86575	1.17128	1.32789	0.62160	0.91556
Component factor	0.99208	1.03064	0.97330	0.86575	1.17128	1.32789	0.62160	0.91556
C Wgtd comp factor	0.41216	0.42818	0.40435	0.35967	0.48660	0.55167	0.25824	0.38037
General Subsidies (component weight = 46.28 %)								0.46277
Socio-demographic composition	0.80589	0.46947	1.44904	1.87049	0.97429	1.26829	0.00240	4.04209
Component factor	0.80589	0.46947	1.44904	1.87049	0.97429	1.26829	0.00240	4.04209
D Wgtd comp factor	0.37294	0.21726	0.67057	0.86560	0.45087	0.58693	0.00111	1.87055
Economic Development (component weight = 4.95 %)								0.04948
EPC	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Component factor	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
E Wgtd comp factor	0.04948	0.04948	0.04948	0.04948	0.04948	0.04948	0.04948	0.04948
Category factor	0.89694	0.76536	1.18606	1.34595	1.06729	1.34136	0.49110	2.53539

(a) Category factor is the sum of the weighted component factors. It equals A + B + C + D + E.

Note: For each component, the component factor is calculated using the formula in the following paragraph. The weighted component factor is the component factor multiplied by the component weight. This is then population weighted to ensure that the sum of assessed expenses equals average expenses.

Source: CGC assessment system, U2008 GST\Expenses\Economic activities\ 5415 Electricity and gas\Assessed expenses\QA 5415 Electricity and gas\Derivation of factor worksheet\Table 1.

10 The category factor was calculated as follows:

$$\begin{aligned} \text{category factor} &= \text{fixed costs} + \text{regulation} + \text{concessions} + \text{general subsidies} + \text{economic development} \\ \text{fixed costs} &= 0.0154 * [\text{administrative scale} * \text{fixed costs} + \text{input costs}] \\ \text{regulation} &= 0.0570 * [\text{economic environment} * (\text{dispersion} + \text{input costs} - 1)] \\ \text{concessions} &= 0.4154 * [\text{socio-demographic composition}] \\ \text{general subsidies} &= 0.4628 * [\text{socio-demographic composition}] \\ \text{economic development} &= 0.0495 * [\text{equal per capita}] \end{aligned}$$

11 In each case, the contribution to the category factor was calculated as the component weight (the percentages above) multiplied by the component factor (the bracketed terms in the formulas). Each component's contribution to the category factor was then scaled to ensure the sum of assessed expenses equalled the sum of actual expenses.

RESULTS FOR 2006-07

12 Table 4 shows, for 2006-07, the actual, average and assessed expenses per capita and the assessed cost of providing services ratios. The assessed cost of providing services ratio is equivalent to the category factor shown in Table 3.

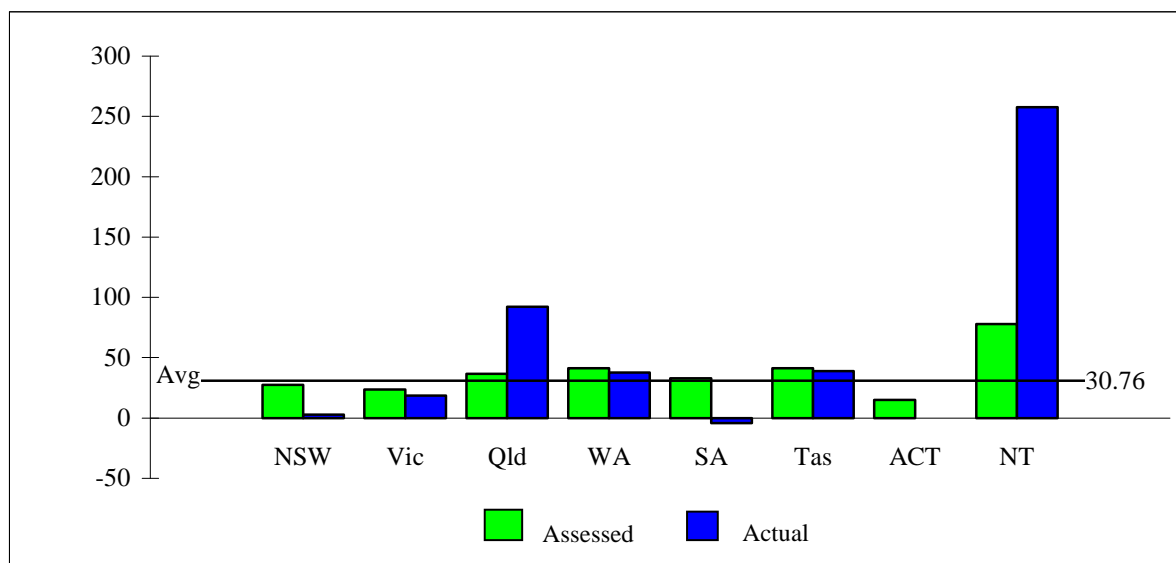
Table 4 Electricity and Gas, assessment results, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	2.73	18.56	92.27	37.64	-4.36	38.90	0.00	257.49	30.76
Assessed expenses	27.59	23.54	36.48	41.40	32.83	41.26	15.11	77.99	30.76
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	89.69	76.54	118.61	134.60	106.73	134.14	49.11	253.54	100.00

(a) The assessed cost of providing services ratio is the ratio of assessed to average net expenses per capita.
Source: CGC assessment system, U2008 GST\Expenses\Economic activities\5415 Electricity and gas\Tables and charts\5415 E Assessment results.

13 States assessed to have above average costs are Queensland, Western Australia, South Australia, Tasmania and Northern Territory. States assessed to have below average costs are New South Wales, Victoria and the ACT.

14 Figure 1 illustrates the actual, average and assessed expenses per capita for Electricity and Gas for 2006-07. It shows that the Northern Territory has the highest assessed cost of providing electricity and gas services whilst the ACT has the lowest assessed cost of providing electricity and gas services.

Figure 1 Electricity and Gas, expenses per capita — assessed, actual and average, 2006-07

Source: CGC assessment system, U2008 GST\Expenses\Economic activities\ 5415 Electricity and gas\Tables and charts\5415 E Expenses per capita – assessed, actual and average.

- 15 Table 13 at the end of this working paper summarises the actual, average and assessed expenses for each State for all years of the 2008 Update.

CONTRIBUTION TO GST REVENUE DISTRIBUTION

- 16 Table 5 shows the category's contribution to the distribution of GST revenue and health care grants (hereafter GST revenue) implied by the 2008 Update. It also shows the contribution of each factor and component to the GST revenue distribution.

Differences from an equal per capita assessment

- 17 Table 5 indicates that the main disabilities of this assessment were:
- Socio-demographic composition for general subsidies — which recognised the cost of providing electricity and gas services to remote areas; and
 - Socio-demographic composition for concessions — which recognised the cost of providing services to health care card and pensioner concession card holders.
- 18 The socio-demographic composition for general subsidies is based on applying cost weights to the number of people in different regions of the State. A weight of 10.61 is applied to the population in remote areas and a weight of 23.21 to those in very remote areas. The factor is heavily influenced by each State's share of weighted population in remote and very remote areas. Table 6 shows the proportions of population by region before cost weights were applied.
- 19 Table 7 shows States' proportions of health care card and pensioner card holders in 2006-07.

Table 5 Electricity and Gas, contribution of assessment to GST revenue distribution, 2008 Update

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed costs									
Administrative scale	-2.2	-1.3	-0.8	0.3	0.5	1.1	1.2	1.3	4.3
Input costs	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.1
Component factor	-2.2	-1.3	-0.8	0.3	0.5	1.0	1.2	1.3	4.3
Regulation									
Economic environment	-0.9	1.6	-0.9	-0.3	0.0	0.5	0.1	-0.2	2.2
Dispersion	0.0	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.2
Input costs	0.6	-0.1	-0.3	-0.1	-0.1	-0.1	0.0	0.0	0.6
Component factor	-0.3	1.4	-1.1	-0.3	-0.1	0.5	0.1	-0.2	2.0
Concessions									
Socio-demographic composition	-2.9	1.2	0.4	-3.0	4.1	2.6	-2.0	-0.4	8.3
Component factor	-2.9	1.2	0.4	-3.0	4.1	2.6	-2.0	-0.4	8.3
General subsidies									
Socio-demographic composition	-14.9	-30.3	20.9	20.0	-0.5	1.4	-3.7	7.1	49.3
Component factor	-14.9	-30.3	20.9	20.0	-0.5	1.4	-3.7	7.1	49.3
Economic development									
EPC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Component factor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Redistribution from EPC resulting from the 2008 Update assessment									
	-20.2	-29.0	19.4	17.0	4.0	5.4	-4.4	7.8	53.6

Note: The redistribution due to the component factors includes the effect of interactions between factors. Therefore the component factor figure may not equal the sum of its factors' redistribution.

Source: CGC assessment system, U2008 GST\Expenses\Economic activities\5415 Electricity and gas\Tables and charts\5415 E Contribution of assessment to GST revenue.

Table 6 Proportion of State populations by region before cost weights applied

Region	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Major city	70.82	74.42	54.85	72.44	72.65	34.95	99.85	64.89	68.44
Inner regional	14.77	20.63	25.85	12.96	14.23	57.51	0.15	5.85	18.91
Outer regional	13.27	4.83	16.54	9.65	10.81	7.03	0.00	8.34	10.87
Remote	0.95	0.11	1.96	1.83	1.87	0.02	0.00	13.50	1.16
Very remote	0.19	0.00	0.81	3.12	0.43	0.49	0.00	7.43	0.63

Note: State populations were adjusted to exclude the populations of remote and very remote Indigenous communities because the provision of essential services to these populations was assessed in the services to Indigenous communities category.

Source: ABS, 2006 Census of Population and Housing, adjusted by the CGC:

CGC assessment system, U2008 GST\Expenses\Economic activities\5415 Electricity and gas\Tables and charts\5415 E Proportion of State population in remote and very remote areas.

Table 7 Health care card and pensioner card holders as a proportion of State population, 2001-02 to 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
2001-2002	26.46	27.91	29.31	26.07	32.29	36.81	17.61	22.50	27.83
2002-2003	26.42	27.61	28.68	25.89	31.81	36.70	17.47	22.59	27.57
2003-2004	26.15	27.24	27.76	25.19	31.24	35.94	17.04	22.63	27.07
2004-2005	25.11	26.16	25.95	23.77	29.95	33.96	16.25	22.48	25.81
2005-2006	24.27	25.22	24.41	22.22	28.80	32.50	15.59	22.50	24.71
2006-2007	24.01	24.94	23.56	20.95	28.35	32.14	15.04	22.16	24.20

Source: Data requests to Centrelink, Department of Families, Community Services and Indigenous Affairs and Department of Veterans' Affairs.

CGC assessment system, U2008 GST\Expenses\Economic activities\5415 Electricity and gas\Tables and charts\5415 E Health care card and pensioner card holders.

20 The category factor reflected the following on a State by State basis:

- *New South Wales* – this State required a less than equal per capita share of GST revenue to deliver these services, primarily because its proportion of population in remote and very remote areas (see Table 6) was below average, as was its proportion of health care card holders.(see Table 7).
- *Victoria* – Victoria required a less than equal per capita share of GST revenue to deliver these services, largely due to it having a low proportion of its population in remote and very remote areas. This was offset in part by greater use of utilities services and an above average proportion of health care card and pensioner concession card holders.
- *Queensland* – This State required more than an equal per capita share of GST revenue. It had an above average proportion of its population in remote and very remote areas. Queensland also had an above average proportion of health care card and pensioner concession card holders for 2001-02 to 2004-05.

- *Western Australia* – Western Australia required more than an equal per capita share of GST revenue due to it having a high proportion of its population in remote and very remote areas. This was offset partly by lower than average numbers of health care card and pensioner concession card holders.
- *South Australia* – This State required more than an equal per capita share of GST revenue due to its above average proportion of health care card and pensioner concession card holders.
- *Tasmania* – Tasmania required more than an equal per capita share of GST revenue due to an above average number of concession card holders and a higher than average proportion of the population in remote areas. Tasmania also required more than equal per capita revenue because of the relatively high cost of administering utilities services to a small population base (Table 5).
- *ACT* – The ACT required less than an equal per capita share of GST revenue. It had no population in remote or very remote areas and a lower proportion of health care card and pensioner concession card holders. This was offset in part by the relatively high cost of administering utilities services to a small population.
- *Northern Territory* – The Northern Territory required more than an equal per capita share of GST revenue because it had the highest proportion of the population in remote and very remote areas. It also required more than an equal per capita share of revenue due to the relatively high cost of administering utilities services to a small population.

CHANGES SINCE THE 2007 UPDATE

Effect of assessment on the distribution of GST revenue

- 21 Table 8 shows the distribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. The assessment is now redistributing more GST than it did in the 2007 Update. This result reflects the greater redistribution effects due to the variation across states in populations living in remote areas.
- 22 This table also shows the changes were brought about because the Commission:
- used revised average expenses data and other revised data in updating factor calculations for the years 2001-02 to 2005-06; and
 - replaced 2001-02 average expenses and factors with those of 2006-07 to move forward the five year period on which GST revenue distribution was based. Moving the five year period forward in this way ensures the assessments reflect recent trends in State priorities on the services provided and recent trends in State demographic and economic circumstances which affect the relative costs of those services.
- 23 With the availability of 2006 Census data, these have now been included in the socio-demographic composition factors for general subsidies and concessions calculations for

the years 2004-05 through 2006-07. Earlier assessment years have continued to use 2001 Census data for these factor calculations.

- 24 Compared with an equal per capita assessment, the 2008 Update redistributed \$53.6 million from New South Wales, Victoria and the ACT to the other States.

Table 8 Electricity and Gas, effect of assessment on GST revenue distribution, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Redistribution from EPC resulting from the 2007 Update assessment (a)	-18.9	-25.4	17.9	15.2	3.1	4.5	-3.3	7.0	47.7
Effect of revising category averages and factors for 2001-02 to 2005-06									
Category average	-4.0	-5.3	3.7	3.1	0.7	1.0	-0.7	1.5	9.9
Category factors	2.2	3.1	-2.4	-2.0	0.2	-0.1	-0.1	-1.0	5.5
Interactions	0.5	0.7	-0.5	-0.5	0.0	0.0	0.0	-0.2	1.3
Total	-1.2	-1.4	0.7	0.6	0.9	0.9	-0.8	0.3	3.4
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.2
Category factors	0.0	-2.1	0.7	1.1	0.0	0.0	-0.3	0.6	2.4
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	-2.2	0.8	1.2	0.0	0.0	-0.3	0.6	2.6
Redistribution from EPC resulting from the 2008 Update assessment (a)	-20.2	-29.0	19.4	17.0	4.0	5.4	-4.4	7.8	53.6
Total effect of revisions and updating (b)	-1.2	-3.6	1.5	1.8	0.9	0.9	-1.1	0.9	5.9

(a) Using the same pool and populations that were used to calculate the 2008 Update redistribution.

(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.

Source: CGC assessment system, U2008 GST\Expenses\Economic activities\ 5415 Electricity and gas\Tables and charts\5415 E Effect of assessment, previous inquiry to current inquiry.

- 25 The Electricity and gas assessment resulted in a redistribution of \$53.6 million towards Queensland, Western Australia, South Australia, Tasmania and the Northern Territory, away from the other States. The total effect of revisions and updating was to increase the redistribution and to redistribute \$5.9 million across the States. The GST shares of Queensland, Western Australia, South Australia, Tasmania and the Northern Territory increased and those of the other States decreased.

26 Table 9 shows the changes in GST revenue attributable to changes in each factor arising from both revising data for 2001-02 to 2005-06 and replacing 2001-02 data with 2006-07 data.

Table 9 Electricity and Gas, effect of assessment on GST revenue distribution by factor, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed Costs									
Administrative scale	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.2
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regulation									
Economic environment	0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.2
Dispersion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Concessions									
Socio-demographic composition	0.4	0.6	-0.9	-1.0	0.9	0.6	-0.5	-0.1	2.5
General subsidies									
Socio-demographic composition	-1.8	-4.4	2.5	2.9	0.0	0.3	-0.6	1.1	6.8
Economic development									
EPC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: CGC assessment system, U2008 GST\Expenses\Economic activities\ 5415 Electricity and gas\Tables and charts\5415 E Effect of assessment by factor, previous inquiry to current inquiry.

27 The main reasons for the changes in GST revenue distribution were as follows.

Changes due to revising average expenses and factors for years 2001-02 to 2005-06

Revising average expenses

28 Data was reclassified by most States which led to an upward revision of expenses and caused an increase in average expenses for most years in the assessment period. The revisions were mainly due to Victoria and Tasmania reallocating some concessions expenses previously in the welfare category to this category. The reclassification increased the GST share of States with above average cost of services — Queensland, Western Australia, South Australia, Tasmania and the Northern Territory.

29 The reclassification of data led to a redistribution of GST revenue between the States of \$9.9 million — the largest effect within the category (see Table 8).

Revising category factors

30 Table 8 shows that revising category factors led to a redistribution of GST revenue between the States of \$5.5 million. Revisions to general subsidies data by Queensland and, to a lesser extent Western Australia, reduced general subsidies expenses. In effect, the revisions led to a decreased emphasis on the general subsidies component. Revenue is redistributed from States

with a higher than average proportion of the population in remote and very remote areas (Queensland, Western Australia and the Northern Territory) to States where the proportion of the population in remote and very remote areas is less than average.

- 31 Replacement of the 2001 Census data with the 2006 Census data also led to revisions of the category factors. The 2006 Census indicated a decline in the proportion of the population in remote and very remote areas in most States with above average populations in these areas. The decline in the proportions of remote and very remote populations is larger in Queensland, Western Australia and the Northern Territory. Consequently, their GST revenue share is reduced (see Table 10).

Table 10 Proportion of the population in remote and very remote classifications and the change between 2006 and 2001

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
2006	1.14	0.11	2.77	4.96	2.30	0.51	0.00	20.92	1.79
2001	1.24	0.12	3.15	5.33	2.40	0.54	0.00	22.27	1.93
Change in percentage pts	-0.10	-0.01	-0.39	-0.37	-0.10	-0.03	0.00	-1.34	-0.14

Source: CGC, I:U2008\Category assessments\Electricity and gas\SARIA analysis.xls

Changes in State circumstances — replacing 2001-02 data with 2006-07 data

Replacing average expenses

- 32 Since 2001-02, State spending on this function has increased (45.9 per cent), at a slightly faster rate than growth in the GST pool (43.9 per cent). So, replacing 2001-02 average expenses with 2006-07 average expenses slightly increased the amount of GST redistributed (\$0.2 million).

Replacing category factors

- 33 Table 11 shows actual and assessed expenses and the assessed cost of providing services for 2001-02, the year that drops out of the assessment period, and 2006-07, the year that comes into the assessment period.
- 34 The replacement of the 2001-02 category factors with the 2006-07 resulted in a redistribution of \$2.4 million (see Table 8). The observed changes were largely driven by changes to the proportion of State expenses on general subsidies as well as changes to State proportions of concession card holders.

Table 11 Electricity and Gas, actual and assessed expenses and cost of providing services ratios, 2001-02 and 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	3.97	23.93	59.49	15.38	-9.58	45.12	46.61	142.41	22.52
2006-07	2.73	18.56	92.27	37.64	-4.36	38.90	0.00	257.49	30.76
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07	-31.34	-22.47	55.11	144.79	54.45	-13.80	-100.00	80.80	36.61
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	20.24	18.69	26.15	28.51	24.13	30.47	14.51	48.03	22.52
2006-07	27.59	23.54	36.48	41.40	32.83	41.26	15.11	77.99	30.76
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	89.89	83.03	116.13	126.60	107.17	135.32	64.46	213.33	100.00
2006-07	89.69	76.54	118.61	134.60	106.73	134.14	49.11	253.54	100.00

Source: CGC assessment system, U2008 GST\Expenses\Economic activities\5415 Electricity and gas\Tables and charts\5415 E Assessment data, year 0 and year 5.

- 35 Between 2001-02 and 2006-07 there has been a substantial increase in the proportion of expenses related to general subsidies. The increase in the proportion of general subsidies expenses led to a decrease in proportions of expenses for regulation, concessions and economic development components.
- 36 Table 12 shows that the proportion of State expenses allocated to general subsidies increased from 33 per cent to 46 per cent between 2001-02 and 2006-07. States with a higher proportion of remote population (Queensland, Western Australia and the Northern Territory) received more GST revenue while States with a lower proportion received less. The replacement effect for general subsidies is opposite to the revision effect discussed earlier.

Table 12 Electricity and Gas, component weights, 2001-02 and 2006-07

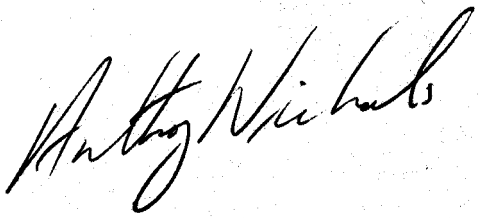
Component weights	Fixed costs	Regulation	Concessions	General subsidies	Economic development
2001-02	0.0191	0.1538	0.4471	0.3300	0.0500
2006-07	0.0154	0.0570	0.4154	0.4628	0.0495

Source: CGC assessment system, U2008 GST\Expenses\Economic activities\ 5415 Electricity and gas\Tables and charts\5415 E Component weights.

- 37 Concession card holder data for 2001-02 was replaced with data for 2006-07. All States except the Northern Territory recorded a fall in the total number of concession card holders but the decline was least in NSW and Victoria. Accordingly, the proportion of concession card holders increased in NSW, Victoria and the Northern Territory, increasing their share of GST revenue.

- 38 The reduced importance given to concession expenditure led to a decline in the component weight for concessions from 45 per cent to 42 per cent (see Table 12). GST share was reduced for Victoria, South Australia and Tasmania.

This working paper was prepared by the Expense — Health and Welfare section of the Commonwealth Grants Commission. If you have any questions about its content please contact Anthony Nichols on (02) 6229 8858 or Anthony.Nichols@cgc.gov.au.

A handwritten signature in black ink that reads "Anthony Nichols". The signature is written in a cursive style and is positioned above a faint, dotted rectangular box.

Date: 29/02/08

Table 13 Assessment of expenses, Electricity and Gas

	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 Expenses		22.585		26.289		24.782		33.676		30.759
New South Wales										
Assessed difference	- 14.763	- 2.219	- 15.115	- 2.258	- 12.840	- 1.907	- 21.203	- 3.123	- 21.733	- 3.170
Expenses - Assessed	135.495	20.366	160.828	24.031	154.008	22.875	207.420	30.552	189.145	27.589
Actual	23.247	3.494	41.146	6.148	22.043	3.274	22.538	3.320	18.684	2.725
Victoria										
Assessed difference	- 18.824	- 3.845	- 18.129	- 3.658	- 15.300	- 3.048	- 33.965	- 6.672	- 37.295	- 7.217
Expenses - Assessed	91.739	18.740	112.163	22.631	109.090	21.734	137.477	27.004	121.652	23.542
Actual	95.726	19.554	108.549	21.902	109.626	21.840	104.466	20.520	95.892	18.557
Queensland										
Assessed difference	13.343	3.542	13.249	3.430	9.884	2.498	21.821	5.390	23.668	5.723
Expenses - Assessed	98.432	26.127	114.797	29.719	107.930	27.280	158.169	39.065	150.875	36.482
Actual	223.535	59.333	255.799	66.223	246.174	62.222	415.086	102.519	381.609	92.274
Western Australia										
Assessed difference	11.632	6.001	10.017	5.089	8.424	4.212	19.976	9.799	22.155	10.641
Expenses - Assessed	55.414	28.586	61.760	31.379	57.987	28.994	88.627	43.474	86.197	41.400
Actual	46.203	23.834	54.750	27.817	61.942	30.971	72.368	35.499	78.371	37.641
South Australia										
Assessed difference	2.329	1.526	3.883	2.527	3.895	2.518	4.033	2.584	3.263	2.070
Expenses - Assessed	36.802	24.111	44.271	28.817	42.223	27.300	56.583	36.260	51.759	32.829
Actual	1.251	0.820	6.220	4.049	- 4.157	- 2.688	0.671	0.430	- 6.878	- 4.363
Tasmania										
Assessed difference	3.823	8.048	4.544	9.453	4.344	8.961	5.502	11.264	5.162	10.500
Expenses - Assessed	14.552	30.633	17.181	35.743	16.359	33.743	21.952	44.940	20.285	41.259
Actual	17.752	37.369	21.890	45.539	18.331	37.811	17.900	36.645	19.124	38.898
Australian Capital Territory										
Assessed difference	- 2.607	- 8.041	- 3.188	- 9.774	- 2.795	- 8.507	- 5.271	- 15.864	- 5.270	- 15.653
Expenses - Assessed	4.714	14.544	5.388	16.516	5.347	16.274	5.918	17.811	5.086	15.106
Actual	- 0.058	- 0.179	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Northern Territory										
Assessed difference	5.066	25.400	4.740	23.594	4.389	21.485	9.107	43.631	10.050	47.227
Expenses - Assessed	9.570	47.985	10.022	49.883	9.451	46.267	16.135	77.306	16.596	77.986
Actual	39.062	195.859	38.056	189.421	48.435	237.110	59.251	283.877	54.794	257.487

Source: CGC Assessment System, U2008 GST\Expenses\Economic Activities\ 5415 Electricity and Gas\Tables and Charts\5415 E Assessment of expenses.

Note: Refer to Attachment A of the 2008 Update, Relative Fiscal Capacity of States for how these figures are compiled.