

# **MINING, FUEL AND ENERGY**

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- 1 This working paper describes the expenses assessment for the Mining, Fuel and Energy category and provides information on its impact on GST revenue distribution for the 2008 Update. The Commission's assessment aims to estimate the expenses each State would face if it provided the Australian average level of service to mining, fuel and energy industries. The development of the assessment method is discussed in Volume 5 of the 2004 Review Working Papers.

## **DESCRIPTION OF THE CATEGORY**

- 2 The category comprises expenses on administration, regulation, planning and support services in the areas of mining, fuel and energy affairs. The industries covered are those involved in coals of all grades, oil, natural gas, liquefied petroleum gases and refinery gases, electricity and nuclear energy research. More specifically, the category included expenses on:
  - activities relating to prospecting, mining and mineral resources development, in addition to metal bearing minerals; and
  - advances and bounties to foster mineral developments and production; and price control, research, dissemination of information, measures designed to reduce consumption or increase production of mineral products and support in the form of advances, grants, or subsidies.
- 3 The Commission also included the following Special Purpose Payments (SPPs) in this category for the 2004 Review.
  - Regional Minerals Program; and
  - National Business Information Services.
- 4 Both SPPs have since been discontinued, with neither involving any payments to the States in the period covered by the 2008 Update (the last payment under the Regional Mineral Program was 2000-01).
- 5 Table 1 shows the average expenses and user charges for the last six financial years. In 2006-07, the average was \$20.95 per capita representing 0.33 per cent of the total gross

average expenses. In 2006-07, user charges accounted for almost 13 per cent of gross average expenses associated with this category.

**Table 1 Mining, Fuel and Energy, average expenses and user charges, 2001-02 to 2006-07**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average expenses (\$pc)	16.72	12.55	21.93	17.28	19.32	20.95
% of total State average expenses	0.32	0.23	0.40	0.30	0.32	0.33
Average user charges (\$pc)	2.20	2.07	2.26	1.93	2.68	2.65
% of category average expenses	13.16	16.50	10.29	11.18	13.85	12.66

- 6 Average expenses per capita have risen and fallen by large amounts in individual years during the period from 2001-02 to 2006-07. The volatility is influenced by States' responses to the inherent volatility of these industries.

## **DEVELOPMENTS SINCE THE 2007 UPDATE**

### **Data revisions**

- 7 The ABS revised its current price estimates of gross state product (GSP) by industry. The revisions were made due to the availability of new data and affected all states, although the extent to which each State was affected varied. For mining, fuel and energy factor income, the ABS changes resulted in upward revisions in all States for almost all years of the assessment except in Queensland, where downward revisions were made in all years. The ABS advised that the current data is the best available but that there will be further revisions to GSP estimates for the mining industry in the 2007-08 issue of the *Australian National Accounts, 5220.0*. These revisions are likely to partially offset the revisions published in the 2006-07 issue of *5220.0*.
- 8 In 2008, South Australia re-classified the petroleum subsidy (for all years) from Primary Industry to Mining, Fuel and Energy, increasing category expenses. Category expenses also increased due to the removal of the Snowy Hydro SPP from Victoria in all years and New South Wales' re-classification of some 2004 General Public Services expenses to the Mining, Fuel and Energy category.

## **ASSESSMENT METHOD**

### **Description of the assessment**

- 9 The Mining, Fuel and Energy assessment for the 2008 Update was undertaken using six components: fixed costs, regulation, economic development, land rights, native title and isolation. The assessment method was the same as was used for the 2007 Update:
- (i) The expenses for fixed costs were assessed using the general method.

- (ii) The expenses for regulation were assessed using economic environment, input cost and dispersion factors.
- (iii) The expenses for economic development were assessed on an equal per capita basis.
- (iv) The expenses for land rights were based on the additional costs in the Northern Territory arising from the Australian Government's Aboriginal Land Rights (Northern Territory) Act 1976.
- (v) The expenses for native title were based on the additional costs of administering the Australian Government legislation associated with the Native Title Act (as amended in 1998) and related compensation expenses.
- (vi) The expenses for isolation were assessed by the general method.

**Assessment structure**

10 Table 2 summarises the Mining, Fuel and Energy assessment structure for the 2008 Update.

**Table 2 Mining, Fuel and Energy, assessment structure for the 2008 Update, 2006-07**

Expense component	Component weight	Factors	Basis of calculation
Fixed costs	7.95	Administrative scale	General method.
		Input costs	General method, with weights of 80% for wage, 2% for accommodation and 0.5% for electricity.
Regulation	49.03	Dispersion	General method, based on mining employment distribution.
		Economic environment	Based on per capita value of mining production.
		Input costs	General method, with weights of 60% for wages, 2% for accommodation and 0.5% for electricity.
Economic development	40.11	None	Equal per capita.
Land rights	0.27	Land rights	Based on the additional costs in the Northern Territory arising from the Australian Government's <i>Aboriginal Land Rights (Northern Territory) Act 1976</i> .
Native title	2.04	Native title	The additional costs of administering the Australian Government legislation associated with the <i>Native Title Act (as amended 1998)</i> and related compensation expenses.
Isolation	0.60	Isolation	General method.

**Calculating the category factor**

11 Table 3 summarises the components, component weights and disability 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 Mining, Fuel and Energy, derivation of category factor, 2008 Update, 2006-07**

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Fixed Costs (component weight = 7.95 %)</b>								
Administrative Scale	0.41489	0.55043	0.68778	1.36615	1.80407	5.78540	2.81601	13.36631
Input Costs	1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769
Component factor	0.42537	0.54610	0.67668	1.35520	1.76039	5.53456	2.87062	13.60272
<b>A Wgtd comp factor</b>	<b>0.03404</b>	<b>0.04370</b>	<b>0.05415</b>	<b>0.10845</b>	<b>0.14087</b>	<b>0.44289</b>	<b>0.22972</b>	<b>1.08854</b>
<b>Regulation (component weight = 49.03 %)</b>								
Regulation Economic								
Environment	0.33203	0.26303	1.01514	5.24896	0.50164	0.54252	0.00334	4.87628
Dispersion	0.87213	0.83545	1.04092	1.67630	1.00225	0.92496	0.82288	2.14017
Input Costs	1.01919	0.99309	0.98935	0.99482	0.98016	0.96490	1.01447	1.01260
Component factor	0.29594	0.21793	1.04586	8.77164	0.49282	0.48277	0.00280	10.49755
<b>B Wgtd comp factor</b>	<b>0.10439</b>	<b>0.07687</b>	<b>0.36891</b>	<b>3.09403</b>	<b>0.17383</b>	<b>0.17029</b>	<b>0.00099</b>	<b>3.70282</b>
<b>Economic Development (component weight = 40.11 %)</b>								
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
<b>C Wgtd comp factor</b>	<b>0.40114</b>	<b>0.40114</b>	<b>0.40114</b>	<b>0.40114</b>	<b>0.40114</b>	<b>0.40114</b>	<b>0.40114</b>	<b>0.40114</b>
<b>Land Rights (component weight = 0.27 %)</b>								
Land Rights	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	98.01962
Component factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	98.01962
<b>D Wgtd comp factor</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.26659</b>
<b>Native Title (component weight = 2.04 %)</b>								
Native Title	0.00656	0.00000	1.61775	5.98954	0.08736	0.00000	0.00000	7.12015
Component factor	0.00656	0.00000	1.61775	5.98954	0.08736	0.00000	0.00000	7.12015
<b>E Wgtd comp factor</b>	<b>0.00013</b>	<b>0.00000</b>	<b>0.03305</b>	<b>0.12235</b>	<b>0.00178</b>	<b>0.00000</b>	<b>0.00000</b>	<b>0.14544</b>
<b>Isolation (component weight = 0.6 %)</b>								
Isolation	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
Component factor	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
<b>F Wgtd comp factor</b>	<b>0.00024</b>	<b>0.00041</b>	<b>0.00067</b>	<b>0.01078</b>	<b>0.00652</b>	<b>0.01641</b>	<b>0.00733</b>	<b>0.35040</b>
<b>Category factor</b>	<b>0.53994</b>	<b>0.52212</b>	<b>0.85791</b>	<b>3.73675</b>	<b>0.72415</b>	<b>1.03072</b>	<b>0.63917</b>	<b>5.95493</b>

12 The category factor was calculated as follows:

category factor	=	fixed costs + regulation + economic development + land rights + native title + isolation
fixed costs	=	0.0795 [administrative scale * input costs fixed costs]
regulation	=	0.4903 [economic environment * (dispersion + input costs other – 1)]
Economic development	=	0.4011 [EPC factor]
land rights	=	0.0027 [land rights]
native title	=	0.0204 [native title]
isolation	=	0.0060 [isolation]

- 13 In each case, the contributions to the category factor were calculated as the expense component weight multiplied by the component factor (the bracketed terms in the formulas). Each contribution to category factor was rescaled to ensure that the sum of assessed expenses equalled the sum of actual expenses.

#### **RESULTS FOR 2006-07**

- 14 Table 10 at the end of the section summarises the average, actual and assessed expenses for each State for all years of the 2008 Update.
- 15 Table 4 shows actual and assessed gross expenses per capita and cost of service provision ratio for 2006-07.

**Table 4 Mining, Fuel and Energy, assessment results, 2006-07**

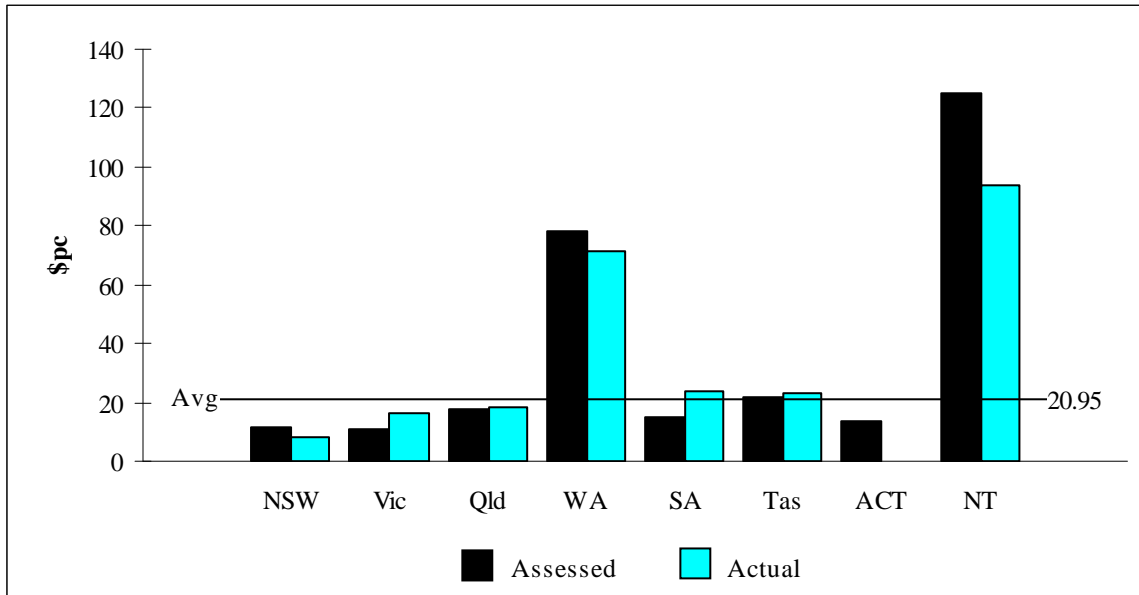
	NSW	Vic	Qld	WA	SA	Tas	ACT(a)	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	8.4	16.5	18.6	71.3	23.7	23.1	0.0	93.5	20.9
Assessed expenses	11.3	10.9	18.0	78.3	15.2	21.6	13.4	124.7	20.9
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (b)	54.0	52.2	85.8	373.7	72.4	103.1	63.9	595.5	100.0

(a) ACT expenses may include municipal transactions.

(b) The cost of service provision ratio is the ratio of assessed to average gross expenses per capita.

- 16 Figure 1 shows the gross expenses per capita for 2006-07 in terms of assessed, actual and gross average expenses.

**Figure 1 Mining, Fuel and Energy, gross actual, assessed and average expenses, \$ per capita, 2006-07**



**Cost of service provision ratios**

17 A State’s cost of service provision ratio is the ratio of assessed gross expenses per capita to average gross expenses per capita. For this category, the key drivers of the cost of service provision ratio were expenses associated with regulating and supporting the industry.

**CONTRIBUTION TO GST AND HCG POOL DISTRIBUTION**

18 Table 5 shows the category’s contribution to the distribution of GST revenue and health care grants pool (the pool) implied in the 2008 Update. It also shows the contributions of each factor and component to that distribution.

**Table 5 Mining, Fuel and Energy, contribution of assessment to distribution of the pool, 2008 Update**

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Fixed costs</b>									
Administrative scale	-7.4	-4.2	-2.3	1.5	2.3	4.2	1.1	4.9	13.9
Input costs	0.4	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.4
Component factor	-7.2	-4.2	-2.4	1.4	2.2	4.0	1.2	5.0	13.8
<b>Regulation</b>									
Economic environment	-45.3	-34.6	-1.1	87.0	-8.3	-3.2	-3.5	8.9	95.9
Dispersion	-9.1	-8.9	1.7	14.7	0.0	-0.4	-0.6	2.5	19.0
Input costs	1.7	-0.2	-0.8	-0.3	-0.3	-0.2	0.1	0.0	1.8
Component factor	-54.3	-42.1	-11.9	110.9	-10.6	-3.8	-3.5	15.4	126.2
<b>Economic development</b>									
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
<b>Land rights</b>									
Land rights	-0.6	-0.5	-0.4	-0.2	-0.1	0.0	0.0	1.9	1.9
Component factor	-0.6	-0.5	-0.4	-0.2	-0.1	0.0	0.0	1.9	1.9
<b>Native title</b>									
Native title	-3.2	-2.4	0.0	5.4	-0.5	-0.2	-0.2	1.0	6.4
Component factor	-3.2	-2.4	0.0	5.4	-0.5	-0.2	-0.2	1.0	6.4
<b>Isolation</b>									
Isolation	-0.9	-0.7	-0.5	0.2	0.0	0.1	0.0	1.7	2.1
Component factor	-0.9	-0.7	-0.5	0.2	0.0	0.1	0.0	1.7	2.1
<b>Redistribution from EPC resulting from the 2008 Update assessment</b>									
Update assessment	-66.2	-49.9	-15.1	117.7	-9.0	0.0	-2.5	25.0	142.7

**Differences from an equal per capita assessment**

- 19 The table indicates that the main drivers of the assessment are the economic environment factor (which redistributed almost \$95.9 million) and, to a lesser degree, the dispersion and administrative scale factors (\$19 million and \$13.9 million, respectively).
- 20 Western Australia and the Northern Territory were assessed as needing to incur above average expenses to provide the average level of service to these industries. This is because of current high levels of mining activities in these States relative to the others and associated native title expenses. The opposite is seen for New South Wales, Victoria, South Australia and the ACT.

## **CHANGES SINCE THE 2007 UPDATE**

### **Effect of assessment on the distribution of the pool**

- 21 The assessments in each update are based on a five year average of the most recent expense data and indicators of disability. For the 2007 Update, data for the period 2001-02 to 2005-06 were used, and for the 2008 Update the data covered 2002-03 to 2006-07. In addition to ‘shifting’ the data window one year forward when performing the next update, data for each year are revised where necessary to account for any corrections or changes since the last update. For example, expense data can be revised by the ABS between the updates. Hence, changes in the distribution of the pool between the 2007 Update and the 2008 Update were brought about because the Commission:
- used revised financial data in the average expenses and other revised data in 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 on the relative costs of those services.
- 22 Table 6 shows the distribution of the pool resulting from the assessments in the 2007 Update and the 2008 Update. It also summarises the effect of revisions and the effect of moving the five year window forward showing that, overall, revisions to data for the common years was the main source of change between the two updates.

**Table 6 Mining, fuel and energy, effect of assessment on distribution of the pool, 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
<b>Redistribution from EPC resulting from the 2007 Update assessment (a)</b>	-62.2	-48.4	-2.3	99.1	-9.2	0.1	-2.2	25.1	124.3
<b>Effect of revising category averages and factors for 2001-02 to 2005-06</b>									
Category average	-5.9	-4.6	-0.4	9.3	-0.8	0.1	-0.2	2.5	11.9
Category factors	0.4	4.1	-11.7	7.2	0.6	-0.2	-0.1	-0.2	12.2
Interactions	0.2	0.4	-1.0	0.7	0.0	-0.1	0.0	-0.2	1.3
Total	-5.3	-0.1	-13.2	17.2	-0.2	-0.2	-0.3	2.1	19.3
<b>Effect of replacing 2001-02 category averages and factors with those for 2006-07</b>									
Category average	1.1	0.7	0.2	-1.7	0.2	0.0	0.0	-0.5	2.2
Category factors	0.3	-2.2	0.2	3.3	0.2	0.1	0.0	-1.9	4.2
Interactions	0.0	0.2	0.0	-0.2	0.0	0.0	0.0	0.1	0.3
Total	1.3	-1.4	0.4	1.4	0.4	0.1	0.0	-2.3	3.7
<b>Redistribution from EPC resulting from the 2008 Update assessment (a)</b>	-66.2	-49.9	-15.1	117.7	-9.0	0.0	-2.5	25.0	142.7
<b>Total effect of revisions and updating (b)</b>	-4.0	-1.5	-12.8	18.6	0.2	0.0	-0.3	-0.2	18.8

(a) Using the same pool and populations that were used to calculate the 2007 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.

23 Compared with an equal per capita (EPC) assessment, the 2008 Update redistributed \$142.7 million away from New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory to Western Australia and the Northern Territory. The total redistribution was higher than in the 2007 Update. The amount redistributed between the States differed by \$18.8 million between the updates.

24 Table 7 shows the changes in GST revenue attributable to changes in each factor arising from both revisions over the period 2001-02 to 2005-06 and replacing 2001-02 data with 2006-07 data. The economic environment factor, reflecting the level of mining, fuel and energy activity in each State, makes the largest contribution to the redistribution between this update and the 2007 Update (\$19.0 million).

**Table 7 Mining, Fuel and Energy, 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
<b>Fixed costs</b>									
Administrative scale	0.5	0.1	0.0	-0.1	-0.1	-0.2	0.0	-0.2	0.6
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<b>Regulation</b>									
Economic environment	-3.8	-1.7	-13.2	18.2	0.1	0.2	-0.3	0.6	19.0
Dispersion	-1.0	-1.8	1.9	1.7	-0.7	-0.3	0.0	0.1	3.8
Input costs	0.0	0.0	0.2	-0.1	0.0	0.0	0.0	0.0	0.2
<b>Economic development</b>									
EPC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Land rights</b>									
Land rights	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1
<b>Native title</b>									
Native title	0.1	0.2	-0.1	-0.1	0.0	0.0	0.0	-0.2	0.4
<b>Isolation</b>									
Isolation	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1

25 The main reasons for the changes in GST revenue distribution between the two updates are explained in more detail in the following sections.

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

26 *Revising average expenses.* In Table 8 the average expenses are shown for the six financial years of this update and those of the previous update. Overall, upward revisions were made to average expenses for 2001-02 to 2005-06 in this category. These revisions included a reclassification of \$60 million from General Public Services to Mining, Fuel and Energy for New South Wales for 2004-05. Other revisions were due to the replacement of estimates for category expenses in 2005-06 with ABS GFS data for State expenses on services to the mining, fuel and energy industries. The upward revisions increased the importance of the category to GST distribution and thereby increased the amount of GST revenue redistributed for that period (\$11.9 million). The revisions increased the GST revenue shares of States assessed to have above average service provision costs (Western Australia and the Northern Territory, with a small effect for Tasmania).

**Table 8 Mining, Fuel and Energy, Average expenses used in the 2007 and 2008 Updates**

	2000-2001	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2008 Update		16.72	12.55	21.93	17.28	19.32	20.95
2007 Update	20.40	15.91	11.69	21.06	12.63	18.93	
Difference	-	0.81	0.86	0.87	4.65	0.39	-

- 27 *Revising category factors.* ABS revisions to its current price estimates of gross state product (GSP) by industry made the largest impact on the redistribution in this update (\$12.2 million). Mining, fuel and energy industry factor incomes were revised upwards in all States for almost all years of the assessment except in Queensland, where downward revisions were made in all years. This revision resulted in a relatively large redistribution of GST revenue share away from Queensland (\$11.7 million).
- 28 A reduced influence of administrative scale on the redistribution also contributed to the revision effect. The significance of administrative scale expenses in this category has fallen since the last Update. States with above average administrative scale expenses (Western Australia, South Australia, Tasmania, the ACT and the Northern Territory) need a relatively smaller share of GST revenue to cover these costs. Conversely, States with below average administrative scale disabilities (New South Wales, Victoria and Queensland) gained a greater share of GST revenue in this update.
- 29 The combined effect of revisions to data on economic activity, a reduced influence of administrative scale, and minor contributions from other factors was to reduce the GST distribution to Queensland, Tasmania, the ACT and the Northern Territory. The below average revision to data on economic activity data for New South Wales was more than offset by its gain from administrative scale. Western Australia gained the most from the upward revisions to factor income data, which indicate greater expenses associated with higher levels of mining industry activity. Victoria and South Australia gained to a lesser extent from upward revision of industry factor incomes.

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

- 30 Table 9 shows the actual expenses and implied costs of service provision for 2001-02, the year that drops out of the assessment period, and 2006-07, the year that comes in for the 2008 Update assessment.
- 31 *Replacing average expenses.* Since 2001-02, State spending on this function has grown by 31.8 per cent, lower than growth in the GST pool (43.9 per cent). When growth of the category expense is lower than growth in the pool the category's importance in determining GST shares diminishes. States whose service provision costs are above average will gain a smaller share of GST revenue than in the previous update. Therefore, in this update replacing the 2001-02 average expenses with 2006-07 average expenses has led to a small redistribution (\$2.2 million) away from Western Australia and the Northern Territory (whose assessed

service provision costs are above the average) to New South Wales, Victoria, Queensland and South Australia (which are assessed as having below average service provision costs). Tasmania and the ACT also have below average assessed cost of providing services but the redistribution was near zero for these States.

**Table 9 Mining, fuel and energy, actual expenses and assessed cost of providing services, 2001-02 and 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT(a)	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	17.4	5.6	12.7	50.1	15.0	11.1	0.0	70.0	16.7
2006-07	8.4	16.5	18.6	71.3	23.7	23.1	0.0	93.5	20.9
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07(b)	48.5	295.4	145.7	142.2	157.9	207.9	-	133.6	125.3
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	9.0	10.4	14.3	57.0	11.7	16.3	11.1	131.3	16.7
2006-07	11.3	10.9	18.0	78.3	15.2	21.6	13.4	124.7	20.9
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	54	62	86	341	70	98	66	785	100
2006-07	54	52	86	374	72	103	64	595	100

(a) ACT expenses may include municipal transactions.

32 *Replacing category factors.* In this update the assessed costs of service provision increased in Western Australia, South Australia and Tasmania and decreased in most other States (Table 9). The increase is attributable to an above average increase in the level of mining industry activity in the affected States and increasing wage levels in Western Australia. As a result, replacing the 2001-02 factors with 2006-07 factors increased the redistribution to Western Australia, South Australia and Tasmania away from Victoria and the Northern Territory (whose assessed costs have declined markedly in this update). The assessed cost of service provision changed little in New South Wales and Queensland resulting in commensurate small changes in their distributions.

This working paper was prepared by the Transport and Other Services section of the Commonwealth Grants Commission. If you have any questions about its content please contact Glenn Pure on (02) 6229 8816 or glenn.pure@cgc.gov.au



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**Table 10 Assessment of expenses, Mining, Fuel and Energy**

	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 Expenses</b>		12.55		21.93		17.28		19.32		20.95
New South Wales										
Assessed difference	- 37.866	- 5.69	- 64.863	- 9.69	- 52.471	- 7.79	- 59.458	- 8.76	- 66.063	- 9.64
Expenses - Assessed	45.612	6.86	81.915	12.24	63.895	9.49	71.718	10.56	77.534	11.31
Actual	67.206	10.10	141.722	21.18	71.530	10.62	31.780	4.68	57.834	8.44
Victoria										
Assessed difference	- 27.179	- 5.55	- 44.280	- 8.93	- 39.962	- 7.96	- 46.129	- 9.06	- 51.723	- 10.01
Expenses - Assessed	34.246	7.00	64.415	13.00	46.792	9.32	52.239	10.26	56.512	10.94
Actual	11.000	2.25	110.000	22.19	36.000	7.17	133.000	26.12	85.227	16.49
Queensland										
Assessed difference	- 9.934	- 2.64	- 16.292	- 4.22	- 12.677	- 3.20	- 8.143	- 2.01	- 12.308	- 2.98
Expenses - Assessed	37.338	9.91	68.423	17.71	55.705	14.08	70.088	17.31	74.314	17.97
Actual	46.695	12.39	52.726	13.65	60.913	15.40	56.478	13.95	76.752	18.56
Western Australia										
Assessed difference	62.140	32.06	114.376	58.11	93.603	46.80	104.116	51.07	119.347	57.32
Expenses - Assessed	86.464	44.60	157.542	80.04	128.171	64.09	143.506	70.39	162.955	78.27
Actual	83.000	42.82	98.649	50.12	110.500	55.25	110.354	54.13	148.489	71.32
South Australia										
Assessed difference	- 4.109	- 2.69	- 9.804	- 6.38	- 6.949	- 4.49	- 8.097	- 5.19	- 9.109	- 5.78
Expenses - Assessed	15.042	9.86	23.889	15.55	19.783	12.79	22.054	14.13	23.914	15.17
Actual	17.821	11.68	10.779	7.02	42.116	27.23	39.087	25.05	37.347	23.69
Tasmania										
Assessed difference	0.668	1.41	- 0.671	- 1.40	0.273	0.56	- 0.146	- 0.30	0.316	0.64
Expenses - Assessed	6.629	13.95	9.871	20.54	8.653	17.85	9.292	19.02	10.614	21.59
Actual	4.832	10.17	6.924	14.40	11.000	22.69	6.000	12.28	11.346	23.08
Australian Capital Territory(a)										
Assessed difference	- 1.086	- 3.35	- 2.748	- 8.42	- 1.904	- 5.79	- 2.244	- 6.76	- 2.545	- 7.56
Expenses - Assessed	2.982	9.20	4.406	13.51	3.775	11.49	4.175	12.57	4.507	13.39
Actual	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Northern Territory										
Assessed difference	17.366	87.08	24.282	120.86	20.085	98.33	20.103	96.32	22.085	103.78
Expenses - Assessed	19.869	99.62	28.688	142.79	23.616	115.61	24.136	115.64	26.542	124.73
Actual	17.629	88.39	18.350	91.34	18.329	89.73	20.509	98.26	19.898	93.50

(a) ACT expenses may include municipal transactions.

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