

GENERAL PUBLIC SERVICES — ASSESSMENT RESULTS

- 1 This working paper describes the expenses assessment for General Public Services and provides information on its impact on GST revenue distribution for the 2007 Update. The assessment method is discussed in detail in Volume 6 of the 2004 Review Working Papers.

DESCRIPTION OF THE CATEGORY

- 2 The General Public Services category comprised residual expenses for State-wide general administration and governance services. More specifically, the category included expenses on:
- legislative bodies, electoral offices, financial affairs;
 - community relations, supervision and regulation of local government authorities;
 - overall economic and social planning and statistical services, administration and management of crown land;
 - labour and employment affairs, community development, town and community planning; and
 - communication affairs and other administration and regulation of services not connected with a special function.
- 3 No specific purpose payments were associated with the General Public Services category.
- 4 Table 1 shows the average expenses and user charges for the last six financial years. In 2005-06, the category average of \$257.99 per capita represented 4.27 per cent of total average expenses. In 2005-06, user charges accounted for about 43.45 per cent of category average expenses.

Table 1 General Public Services, average expenses and user charges, 2000-01 to 2005-06

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Average expenses (\$pc)	269.22	218.67	212.30	229.76	242.95	257.99
% of total State average expenses	5.51	4.24	3.98	4.22	4.27	4.27
Average user charges (\$pc)	95.11	84.18	88.12	89.25	107.87	112.09
% of category average expenses	35.33	38.50	41.51	38.85	44.40	43.45

ASSESSMENT METHOD

Description of the assessment

- 5 The General Public Services assessment for the 2007 Update was undertaken using nine components: fixed costs, government services, regulatory and planning services, ethnic affairs, HIH related expenses, national capital, land rights, native title and isolation.
- 6 The 2007 Update expenses assessment method is the same as the 2006 Update:
 - the expenses for fixed costs, isolation, national capital, land rights and native title were assessed using general methods;
 - the expenses for government services were assessed using the general methods for input costs and dispersion;
 - the expenses for regulatory and planning services were assessed using Gross State Product, the proportion of the population receiving unemployment benefits or Community Development Employment Projects (CDEP) payments and general methods for input costs and dispersion;
 - the expenses for ethnic affairs were assessed using the proportion of the population born in a non-English speaking country and the general method for input costs; and
 - HIH related expenses were assessed equal per capita.

Assessment structure

- 7 Table 2 summarises the assessment structure for the 2007 Update.
- 8 The proportions of expenses affected by fixed costs, government services and isolation were estimated using general methods.
- 9 The proportion of expenses relating to government services, regulatory and planning services, ethnic affairs, HIH, national capital, and native title related expenses reflected actual expenses were based on GFS data and data provided by States. Information used to calculate these weights was derived from many sources including 4-digit level data from the Australian Bureau of Statistics Government Finance Statistics.

Table 2 General Public Services, assessment structure for the 2007 Update, 2005-06

Component	Component weight	Factors	Basis of calculation
	%		
Fixed costs	10.02	Administrative scale Input costs	General method. General method, with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
Government services	61.23	Dispersion Input costs	General method, based on government services employment distribution. General method, with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
Regulatory and planning services	26.10	Economic environment Socio-demographic composition Dispersion Input costs	Gross State Product data. Based on the proportion of the population receiving unemployment benefits or Community Development Employment Projects payments. General method, based on Government Services employment distribution. General method, with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
Ethnic affairs	0.26	Socio-demographic composition Input costs	Based on the proportion of the population born in a non-English speaking country. General method, with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
HIH related expenses	1.54	None	Equal per capita.
National capital	0.10	National capital	Based on additional costs incurred by the ACT as a result of its status as the national capital.
Land rights	0.02	Land rights	Based on the additional costs incurred by the Northern Territory arising from the operation of the Australian Government <i>Aboriginal Land Rights (Northern Territory) Act 1976</i> .
Native title	0.33	Native title	Based on costs incurred by States in the administration of, and compensation claims arising from the Australian Government <i>Native Title Act 1993</i> (as amended).
Isolation	0.39	Isolation	General method.

Calculating the category factor

10 Table 3 summarises the components, component weights and factors assessed for this category for the last year of the 2007 Update. It shows the calculation of the category factor for 2005-06.

Table 3 General Public Services, derivation of category factor, 2007 Update, 2005-06

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed costs (component weight = 10.02 %)								
Administrative scale	0.37633	0.50595	0.63736	1.25990	1.65290	5.24912	7.81806	12.47610
Input costs	1.02885	0.99514	0.97511	0.98495	0.97832	0.96027	1.02142	1.02379
Component factor	0.38718	0.50349	0.62150	1.24094	1.61707	5.04058	7.98555	12.77287
A Wgtd comp factor	0.03895	0.05065	0.06252	0.12483	0.16266	0.50704	0.80328	1.28485
Government services (component weight = 61.23 %)								
Dispersion	1.00027	0.99717	1.00308	1.00053	0.99870	0.99981	0.99184	1.01852
Input costs	1.02885	0.99514	0.97511	0.98495	0.97832	0.96027	1.02142	1.02379
Component factor	1.02912	0.99231	0.97819	0.98548	0.97702	0.96008	1.01326	1.04231
B Wgtd comp factor	0.63013	0.60759	0.59895	0.60342	0.59823	0.58786	0.62042	0.63821
Regulatory and planning services (component weight = 26.1 %)								
Socio-demographic composition	0.99370	0.98736	1.00089	0.98963	1.01750	1.05997	0.93413	1.43628
Economic environment	0.99304	0.98138	0.97122	1.25818	0.87552	0.77672	0.95303	1.24200
Dispersion	1.00027	0.99717	1.00308	1.00053	0.99870	0.99981	0.99184	1.01852
Input costs	1.02885	0.99514	0.97511	0.98495	0.97832	0.96027	1.02142	1.02379
Component factor	1.01548	0.96128	0.95090	1.22969	0.87250	0.80330	0.89892	1.74929
C Wgtd comp factor	0.26500	0.25086	0.24815	0.32090	0.22769	0.20963	0.23458	0.45650
Ethnic affairs (component weight = 0.26 %)								
Socio-demographic composition	1.28637	1.29015	0.49764	0.76499	0.73399	0.20978	0.93066	0.50857
Input costs	1.02885	0.99514	0.97511	0.98495	0.97832	0.96027	1.02142	1.02379
Component factor	1.32348	1.28387	0.48526	0.75348	0.71808	0.20144	0.95060	0.52067
D Wgtd comp factor	0.00346	0.00335	0.00127	0.00197	0.00188	0.00053	0.00248	0.00136
HHH related expenses (component weight = 1.54 %)								
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	0.01537	0.01537	0.01537	0.01537	0.01537	0.01537	0.01537	0.01537
National capital (component weight = 0.1 %)								
National capital	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	62.54449	0.00000
Component factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	62.54449	0.00000
F Wgtd comp factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.06406	0.00000

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Table 3 General Public Services, derivation of category factor, 2007 Update, 2005-06 (continued)

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Land rights (component weight = 0.02 %)								
Land rights	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	99.80879
Component factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	99.80879
G Wgtd comp factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01876
Native title (component weight = 0.33 %)								
Native title	0.20373	0.45765	2.75887	1.87837	0.74480	0.00000	0.00000	3.54353
Component factor	0.20373	0.45765	2.75887	1.87837	0.74480	0.00000	0.00000	3.54353
H Wgtd comp factor	0.00068	0.00153	0.00924	0.00629	0.00249	0.00000	0.00000	0.01187
Isolation (component weight = 0.39 %)								
Isolation	0.04030	0.07374	0.11575	1.86107	1.08664	2.90754	1.21355	58.91048
Component factor	0.04030	0.07374	0.11575	1.86107	1.08664	2.90754	1.21355	58.91048
I Wgtd comp factor	0.00016	0.00029	0.00045	0.00727	0.00425	0.01136	0.00474	0.23024
Category factor	0.95375	0.92964	0.93594	1.08005	1.01257	1.33179	1.74494	2.65715

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.

(b) Category factor is the sum of the weighted component factors. It equals A + B + C + D + E + F + G + H + I.

12 The category factor was calculated as follows:

category factor	=	fixed costs + government services + regulatory and planning services + ethnic affairs + HIH related expenses + national capital + land rights + native title + isolation
fixed costs	=	0.1002 [fixed costs input costs * administrative scale]
government services	=	0.6123 [dispersion + input costs - 1]
regulatory and planning services	=	0.2610 [(socio-demographic composition + economic environment - 1) * (input costs + dispersion - 1)]
ethnic affairs	=	0.0026 [input costs * ethnic affairs]
HIH related expenses	=	0.0154 [equal per capita]
national capital	=	0.0010 [national capital]
land rights	=	0.0002 [land rights]
native title	=	0.0033 [native title]
isolation	=	0.0039 [isolation]

13 In each case, the contribution to the category factor was calculated as the component weight (the percentages in the table) multiplied by the component factor (the bracketed terms in the

formulas). Each component's contribution to the category factor was scaled to ensure that the sum of assessed expenses equalled average expenses.

RESULTS FOR 2005-06

14 Table 4 shows, for 2005-06, the actual, average and assessed gross expenses per capita and cost of service provision ratio. The assessed cost of providing service ratio is equivalent to the category factor shown in Table 3.

Table 4 General Public Services, assessment results, 2005-06

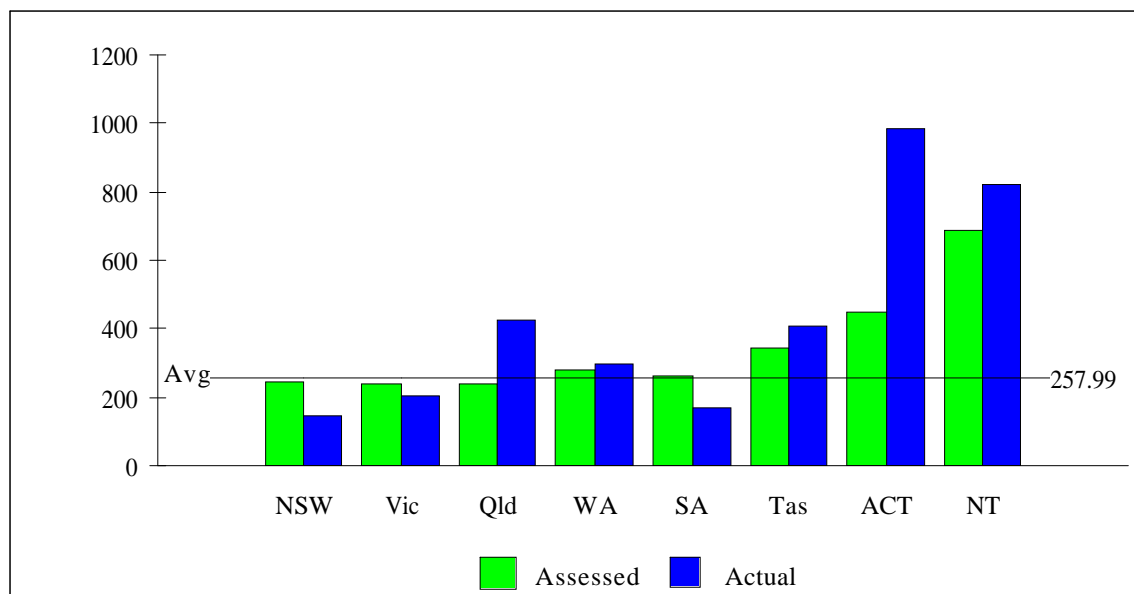
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	144.32	205.14	426.32	295.20	168.62	407.75	986.35	822.68	257.99
Assessed expenses	246.06	239.84	241.47	278.64	261.24	343.59	450.18	685.52	257.99
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	95.37	92.96	93.59	108.01	101.26	133.18	174.49	265.71	100.00

(a) The assessed cost of providing services ratio is the ratio of assessed to average expenses per capita.

15 Table 9 at the end of this working paper summarises the results of the assessment. It shows the average, actual and assessed expenses for each State for all years of the 2007 Update.

16 Figure 1 illustrates the actual, average and assessed expenses per capita for General Public Services for 2005-06.

Figure 1 General Public Services, expenses per capita – assessed, actual and average, 2005-06



CONTRIBUTION TO GST REVENUE DISTRIBUTION

17 Table 5 shows the category’s contribution to the distribution of GST revenue and health care grants (hereafter GST revenue) implied by the 2007 Update. It also shows the contribution of each factor and component.

Differences from an equal per capita assessment

18 Table 5 indicates that the main drivers of this assessment were:

- the administrative scale factor — which recognised the differences in the costs of operating the minimum administrative structures required to provide State services;
- the input costs factor — which recognised the interstate differences in the costs of inputs used to provide services (labour, office accommodation and electricity); and
- the economic environment factor — which recognised the effects of differences in the relative size of States economies.

19 This category includes many whole of State services (such as those provided by Treasuries and legislative bodies). These expenses are invariably greater in per capita terms for the less populous States. Administrative scale factors, therefore, result in higher GST revenues for less populous States and reduced GST revenues for New South Wales, Victoria and Queensland.

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

- *New South Wales* — its negative GST revenue distribution was primarily due to its economies of scale and low unemployment. This negative effect was partially offset by

disabilities stemming from its relatively higher labour costs and higher costs of regulating its economy.

- *Victoria* — had the largest negative GST revenue distribution. This was due to its economies of scale and its lower labour costs. This negative effect was partially offset by disabilities stemming from the higher cost of regulating its economy.
- *Queensland* — its negative GST revenue redistribution was primarily due to its economies of scale, lower labour costs and lower costs of regulating its economy. These negative influences were offset by higher than average unemployment and higher native title costs.
- *Western Australia* — had a positive GST revenue distribution, due to its diseconomies of scale and higher costs of regulating its economy. These positive effects were partially offset by lower labour costs.
- *South Australia* — its positive distribution was primarily due to its diseconomies of scale and its higher isolation costs being offset by the negative effects of lower costs of regulating its economy and lower labour costs.
- *Tasmania* — its positive distribution was primarily due to its diseconomies of scale and higher than average unemployment. These influences were offset by lower costs associated with regulating its economy and lower labour costs.
- *ACT* — its positive distribution was primarily due to its higher per capita costs associated with diseconomies of small scale and its additional costs as a national capital.
- *Northern Territory* — this State had the largest positive GST revenue distribution. This was due to higher costs because of diseconomies of small scale, its isolation from sources of supply and higher than average unemployment.

Table 5 General Public Services, contribution of assessment to GST revenue distribution, 2007 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	-122.2	-71.6	-40.3	16.1	28.1	58.8	63.1	68.1	234.1
Input costs	6.5	-0.5	-3.6	-1.0	-1.2	-0.6	0.2	0.2	6.9
Component factor	-119.4	-71.5	-42.3	15.1	26.4	56.2	65.1	70.4	233.1
Government services									
Dispersion	0.3	-2.4	2.1	0.2	-0.3	0.0	-0.4	0.6	3.2
Input costs	35.2	-2.5	-19.3	-5.6	-6.6	-3.1	1.2	0.8	37.2
Component factor	35.5	-4.9	-17.2	-5.4	-6.9	-3.1	0.7	1.5	37.6
Regulatory and planning services									
Socio-demographic composition	-9.1	-3.6	4.5	1.0	1.6	2.0	-1.5	5.1	14.3
Economic environment	10.0	2.3	-19.6	23.6	-10.5	-7.5	-0.7	2.4	38.3
Dispersion	0.1	-1.0	0.9	0.1	-0.1	0.0	-0.2	0.3	1.4
Input costs	15.0	-1.1	-8.2	-2.4	-2.8	-1.3	0.5	0.4	15.8
Component factor	15.8	-3.6	-22.2	21.8	-11.7	-6.6	-2.0	8.4	45.9
HHH related expenses									
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
Ethnic affairs									
Socio-demographic composition	1.3	1.0	-1.4	-0.3	-0.3	-0.3	0.0	-0.1	2.3
Input costs	0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.2
Component factor	1.5	0.9	-1.4	-0.3	-0.3	-0.3	0.0	-0.1	2.4
National capital									
National capital	-2.0	-1.5	-1.2	-0.6	-0.5	-0.1	6.0	-0.1	6.0
Component factor	-2.0	-1.5	-1.2	-0.6	-0.5	-0.1	6.0	-0.1	6.0
Land rights									
Land rights	-0.3	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.9	0.9
Component factor	-0.3	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.9	0.9
Native title									
Native title	-6.9	-1.6	7.4	2.1	-1.6	-0.5	-0.3	1.3	10.8
Component factor	-6.9	-1.6	7.4	2.1	-1.6	-0.5	-0.3	1.3	10.8
Isolation									
Isolation	-7.3	-5.2	-4.0	2.0	0.2	1.0	0.1	13.2	16.4
Component factor	-7.3	-5.2	-4.0	2.0	0.2	1.0	0.1	13.2	16.4
Redistribution from EPC resulting from the 2007 Update assessment									
	-83.1	-87.6	-81.0	34.5	5.7	46.6	69.5	95.5	251.7

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.

CHANGES SINCE 2006 UPDATE

Effect of assessment on distribution of GST revenue

21 Table 6 shows the redistribution of GST revenue resulting from the assessments in the 2006 Update and the 2007 Update. It also shows the sources of the changes.

Table 6 General Public Services, effect of assessment on GST revenue distribution, 2006 Update to 2007 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 2006 Update assessment (a)	-69.3	-88.7	-98.0	35.5	0.1	46.5	72.4	101.5	256.1
Effect of revising category averages and factors for 2000-01 to 2004-05									
Category average	5.6	7.4	8.2	-3.0	0.0	-3.9	-6.0	-8.4	21.2
Category factors	-19.5	-8.3	0.5	1.9	4.6	5.7	7.0	8.1	27.8
Interactions	2.4	0.9	-0.2	-0.2	-0.6	-0.7	-0.8	-0.9	3.4
Total	-11.4	0.0	8.4	-1.3	4.1	1.2	0.2	-1.2	13.9
Effect of replacing 2000-01 category averages and factors with those for 2005-06									
Category average	4.2	5.9	6.5	-2.5	0.1	-2.8	-4.7	-6.7	16.7
Category factors	-9.2	-6.6	2.8	3.8	1.9	2.4	2.2	2.7	15.9
Interactions	2.7	1.9	-0.8	-1.1	-0.6	-0.7	-0.6	-0.8	4.6
Total	-2.3	1.2	8.5	0.2	1.5	-1.2	-3.1	-4.8	11.4
Redistribution from EPC resulting from the 2007 Update assessment (a)	-83.1	-87.6	-81.0	34.5	5.7	46.6	69.5	95.5	251.7
Total effect of revisions and updating (b)	-13.8	1.2	16.9	-1.0	5.6	0.0	-2.9	-6.0	23.7

(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 2006 Update and the 2007 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

22 Changes in the distribution of GST revenue between the 2006 Update and the 2007 Update were brought about because the Commission:

- used revised average expenses data and other revised data in updating factor calculations for the years 2000-01 to 2004-05; and

- replaced 2000-01 average expenses and factors with those of 2005-06 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 the services.

23 Compared with an equal per capita assessment, the 2007 Update redistributed \$251.7 million away from New South Wales, Victoria and Queensland and to the other States.

Table 7 General Public Services, , effect of assessment on GST revenue distribution by factor, 2006 Update to 2007 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	7.0	3.4	0.2	-1.1	-1.0	-2.8	-2.9	-2.9	10.6
Input costs	-0.4	-0.1	0.4	0.1	0.5	0.1	-0.2	-0.5	1.1
Government services									
Dispersion	-0.1	0.4	-0.4	0.0	0.1	0.0	0.1	-0.1	0.6
Input costs	-11.6	-0.1	7.1	1.4	3.2	0.6	-0.3	-0.4	12.4
Regulatory and planning services									
Socio-demographic composition	3.7	0.8	-2.7	-0.9	-0.4	-0.4	0.3	-0.4	4.8
Economic environment	-8.4	-3.8	9.4	-0.4	1.4	1.9	0.3	-0.4	13.0
Dispersion	0.0	0.2	-0.1	0.0	0.0	0.0	0.0	-0.1	0.2
Input costs	-4.9	0.1	2.8	0.7	1.3	0.2	-0.1	-0.2	5.2
HHH related expenses									
EPC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ethnic affairs									
Socio-demographic composition	-0.3	-0.2	0.3	0.1	0.1	0.1	0.0	0.0	0.5
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National capital									
National capital	0.1	0.1	0.1	0.0	0.0	0.0	-0.3	0.0	0.3
Land rights									
Land rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Native title									
Native title	1.5	0.4	-1.7	-0.7	0.5	0.1	0.0	-0.2	2.5
Isolation									
Isolation	0.2	0.2	0.0	-0.1	0.0	0.0	0.0	-0.3	0.4

24 Table 7 shows the changes in GST revenue distribution attributable to changes in each factor arising from both revising data for 2000-01 to 2004-05 and replacing 2000-01 data with 2005-06 data.

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

Changes due to revising average expenses and factors for years 2000-01 to 2004-05

26 **Revising average expenses.** Average expenses were revised downward for all years. The downward revisions decreased the redistribution of GST revenue between the States (\$21.2 million). This change increased the GST revenue shares of the States assessed to have category factors below one (New South Wales, Victoria and Queensland).

27 **Revising category factors.** The category factor changed as a result revising the economic environment factor and input costs factor. These changes benefited Queensland, Western Australia, South Australia, Tasmania, the ACT and the Northern Territory.

Table 8 General Public Services, actual expenses, assessed expenses and assessed cost of providing services ratios, 2000-01 and 2005-06

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2000-01	103.30	165.05	419.92	535.78	276.41	389.40	1 157.51	1 219.05	269.22
2005-06	144.32	205.14	426.32	295.20	168.62	407.75	986.35	822.68	257.99
	%	%	%	%	%	%	%	%	%
Change between 2000-01 and 2005-06	39.71	24.29	1.52	-44.90	-39.00	4.71	-14.79	-32.52	-4.17
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2000-01	261.29	254.62	249.19	283.79	267.91	340.77	445.25	668.19	269.22
2005-06	246.06	239.84	241.47	278.64	261.24	343.59	450.18	685.52	257.99
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2000-01	97.05	94.58	92.56	105.41	99.51	126.58	165.39	248.19	100.00
2005-06	95.37	92.96	93.59	108.01	101.26	133.18	174.49	265.71	100.00

Changes in State circumstances – replacing 2000-01 with 2005-06 data

28 **Replacing average expenses.** Between 2000-01 and 2005-06, per capita average expenses decreased by 4.17 per cent, much less than the increase in the per capita GST pool (43.3 per cent). The category became less important to the calculation of relativities, resulting in a lower redistribution of GST revenue. This change increased the GST revenue shares of the States assessed to have category factors below one (New South Wales, Victoria and Queensland).

- 29 **Replacing category factors.** Table 8 shows the actual expenses and implied assessed cost of providing services for 2000-01, the year that drops out of the assessment period, and 2005-06, the year that comes into the assessment period. It shows that the costs of providing services in 2005-06 for New South Wales and Victoria were lower than the 2000-01 costs. Replacing the category factors for these States decreased their shares of GST revenue (\$15.9 million). The shares of the other States increased when their factors were replaced.
- 30 The observed changes were largely driven by changes to input costs and the regulation and planning services component socio-demographic composition and economic environment factors.
- 31 The change to input costs was due to the updating of wages data. This had the largest negative impact on New South Wales, and the most positive impacts on Queensland and South Australia. An explanation of the Input Costs change is provided in Volume 4 of these working papers.
- 32 The change to the regulatory and planning component socio-demographic factor reflected the general decrease in State unemployment rates. States where unemployment decreased less than the average (New South Wales, Victoria and the ACT) had increased GST shares.
- 33 The change to the economic environment factor was due to changes in the State economic environments. The ABS revised its Gross State Product data in line with changes made to the System of National Accounts. This reduced GST revenue distribution to New South Wales and Victoria. Between 2000-01 and 2005-06 Gross State Product increased for all States but at the greatest rates for Queensland and Western Australia.
- 34 The combined effects of changes to wages, States economies and levels of unemployment increased GST revenue distribution to Victoria, Queensland, South Australia and Tasmania.

This working paper was prepared by the Expense — Transport section of the Commonwealth Grants Commission. If you have any questions about its content please contact Stephen Tregea-Collett on (02) 6229 8838 or stephen.tregea-collett@cgc.gov.au.



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Table 9 Assessment of expenses, General Public Services

	2001-02		2002-03		2003-04		2004-05		2005-06	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Average Expenses		218.67		212.30		229.76		242.95		257.99
New South Wales										
Assessed difference	- 72.843	- 11.02	- 66.499	- 9.99	- 63.930	- 9.54	- 69.882	- 10.36	- 81.148	- 11.93
Expenses - Assessed	1 372.192	207.65	1 347.336	202.32	1 476.064	220.22	1 568.858	232.59	1 673.389	246.06
Actual	851.839	128.91	1 015.039	152.42	997.841	148.87	1 179.009	174.80	981.491	144.32
Victoria										
Assessed difference	- 66.323	- 13.73	- 64.936	- 13.29	- 69.706	- 14.11	- 78.869	- 15.79	- 91.819	- 18.15
Expenses - Assessed	990.327	204.95	972.204	199.01	1 065.003	215.64	1 134.597	227.16	1 213.213	239.84
Actual	679.559	140.63	540.059	110.55	740.030	149.84	857.767	171.74	1 037.679	205.14
Queensland										
Assessed difference	- 56.294	- 15.34	- 68.548	- 18.24	- 71.410	- 18.57	- 69.614	- 17.71	- 66.360	- 16.53
Expenses - Assessed	746.027	203.33	729.234	194.06	812.194	211.19	885.610	225.25	969.595	241.47
Actual	1 291.385	351.97	1 191.193	317.00	1 249.954	325.02	1 289.832	328.06	1 711.857	426.32
Western Australia										
Assessed difference	22.485	11.75	25.820	13.33	23.780	12.10	29.768	14.92	41.952	20.65
Expenses - Assessed	440.966	230.42	436.937	225.64	475.146	241.86	514.345	257.88	566.024	278.64
Actual	440.068	229.95	605.959	312.92	547.054	278.46	518.501	259.96	599.660	295.20
South Australia										
Assessed difference	5.284	3.49	4.601	3.02	4.197	2.74	4.085	2.66	5.022	3.24
Expenses - Assessed	336.630	222.16	327.841	215.32	355.680	232.50	377.594	245.61	404.489	261.24
Actual	310.036	204.61	182.294	119.73	340.024	222.27	276.231	179.68	261.089	168.62
Tasmania										
Assessed difference	38.267	81.04	37.658	79.32	38.938	81.09	40.361	83.37	41.736	85.60
Expenses - Assessed	141.520	299.72	138.446	291.63	149.262	310.85	157.973	326.33	167.524	343.59
Actual	191.742	406.08	194.285	409.25	230.646	480.34	250.016	516.46	198.803	407.75
Australian Capital Territory										
Assessed difference	56.200	175.42	56.533	175.26	58.835	181.85	61.130	188.24	62.915	192.19
Expenses - Assessed	126.257	394.09	125.012	387.57	133.167	411.61	140.028	431.19	147.370	450.18
Actual	273.893	854.91	270.446	838.44	271.046	837.78	331.821	1 021.79	322.890	986.35
Northern Territory										
Assessed difference	73.223	369.56	75.370	380.17	79.296	398.63	83.021	412.02	87.702	427.53
Expenses - Assessed	116.551	588.23	117.460	592.47	124.999	628.39	131.976	654.98	140.626	685.52
Actual	231.947	1 170.63	195.195	984.57	214.921	1 080.44	207.803	1 031.29	168.761	822.68

Note: ACT expenses may include municipal expenses. Refer to Attachment A of the 2007 Update, *Relative Fiscal Capacity of States* for how these figures are compiled.