



# **COMMONWEALTH GRANTS COMMISSION**

**DRAFT ASSESSMENT PAPER CGC 2003/56**

**GENERAL PUBLIC SERVICES**

Prepared for the Commission's 2003 Conferences on Draft Assessments

**AUGUST 2003**

## **NOTE**

Included in this paper are the results of preliminary calculations based on the methods proposed throughout the paper and using the data currently available. Those results are indicative only and should be seen as work in progress. Ongoing changes are being made to standards and factor calculations as new data come to hand. Moreover, the calculations have been done using a prototype assessment system and are subject to ongoing revision as checking processes proceed.

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## INTRODUCTION

1. This Draft Assessment Paper provides proposals for the assessment of General Public Services (GPS) for the 2004 Review. The main issues relating to this category arose from *Discussion Paper CGC 2001/12 Scope and Structure of the Standard Budget*. The paper proposed renaming the previous Other General Public Services (OGPS) category General Public Services (GPS) and characterising it as a residual category for State-wide general administration and governance services.

2. The paper also proposed eliminating the previous Regulatory and Other Services category (ROS). Its expenses were to be reallocated to relevant categories, including a proposed new category, Community Development. However, implementing that proposal has not been practicable. Most of the expenses are therefore included in the GPS category.

3. The new GPS category is thus an amalgamation of the previous OGPS and ROS categories.

## THE 1999 REVIEW ASSESSMENT

4. The OGPS category comprised expenditure on administration, operation and support of other general public services<sup>1</sup>. In the 2003 Update, the OGPS category was expanded to include expenses relating to the HIH collapse.

5. The ROS category comprised expenditure on administration, regulation, support and operation of government services not elsewhere classified in the Commission's functional classification<sup>2</sup>.

6. User charges were assessed for ROS. No user charges were assessed for OGPS.

7. Table 1 shows gross standard expenses that were attributable to OGPS and ROS in the 2003 Update.

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<sup>1</sup> This included expenses on legislative bodies, electoral offices, financial and fiscal affairs, human rights organisations, community relations; supervision and regulation of local government authorities, overall economic and social planning and statistical services not connected with a specific function; and other general services not connected with special functions.

<sup>2</sup> This included expenses on consumer interest and protection affairs; the ombudsmen; administrative appeals tribunals; administration and management of crown land; labour and employment issues; community development; plans for housing, health, education, culture and recreation; regulations and inspections relating to land use and building standards; environment protection programs; and planning, research, regulation and co-ordination of passenger and freight transport services.

**Table 1** GROSS STANDARD EXPENSES — 2003 UPDATE

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Other General Public Services						
\$pc	80.72	93.11	102.19	106.12	129.27	143.80
% of total gross standard expenses	2.19	2.41	2.24	2.29	2.66	2.87
Regulatory and Other Services						
\$pc	63.01	66.32	74.16	70.34	87.33	83.71
% of total gross standard expenses	1.71	1.72	1.63	1.52	1.80	1.67

Source: Update 2003, Working Papers Volume 4, pp. 31 and 223.

8. The assessment structure used for OGPS in the 1999 Review, as varied for the 2003 Update, is summarised in Table 2.

**Table 2** ASSESSMENT STRUCTURE — OTHER GENERAL PUBLIC SERVICES, 2003 UPDATE

Expenditure component	Component weight	Factors	Basis of calculation
	%		
Scale-affected expenditure	24.25	Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
		Administrative scale	General method.
Government services	64.24	Dispersion	General method.
		Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
HIH	10.51	None	Equal per capita.
Land rights	0.03	Land rights	The additional costs in the Northern Territory arising from the <i>Commonwealth Aboriginal Land Rights (Northern Territory) Act 1976</i> .
Isolation	0.68	Isolation	General method.
Native title administration	0.29	Native title administration	The additional costs incurred by the States attributable to the operation of the <i>Commonwealth Native Title Act 1993</i> .

9. The assessment structure used for ROS in the 2003 Update is summarised in Table 3.

**Table 3** ASSESSMENT STRUCTURE OF REGULATORY AND OTHER SERVICES, 1999 REVIEW METHOD

Expenditure component	Component weight	Factors	Basis of calculation
Scale-affected expenditure	19.44	Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
		Administrative scale	General method.
General regulatory services	69.01	Dispersion	General method.
		Economic environment	Based on an average of 10 years Total Factor Income and the number of business locations excluding general government and defence.
		Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
Job creation	10.00	Dispersion	General method.
		Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
		Socio-demographic composition	Number of recipients of unemployment benefits and CDEP <sup>(a)</sup> , with a cost weight of 1.2 for CDEP recipients.
Isolation	0.38	Isolation	General method.
Land rights	0.07	Land rights	The additional costs in the Northern Territory arising from the Commonwealth <i>Aboriginal Land Rights (Northern Territory) Act 1976</i> .
National capital	0.31	National capital	The additional costs of the Commonwealth's influence on planning and environment functions in the ACT, estimated as \$9.70 per capita. An extra allowance of \$400 000 was made for the integration of ACT services with those in contiguous areas of New South Wales.
Native title administration	0.79	Native title administration	The additional costs incurred by the States attributable to the operation of the <i>Commonwealth Native Title Act 1993</i> .

(a) Community Development Employment Program

10. Table 4 shows the category factors used for OGPS and ROS in the 2003 Update.

**Table 4** CATEGORY FACTORS FOR 2003 UPDATE

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Other General Public Services	0.90728	0.91034	0.92667	1.07007	1.06206	1.57054	2.01986	3.27341
Regulatory and Other Services	0.91322	0.93676	0.93647	1.13136	0.99641	1.40723	1.85395	3.00922

## 2004 REVIEW ASSESSMENT — STRUCTURE AND FACTORS

### PROPOSED CATEGORY DEFINITION AND STRUCTURE

11. **1999 Review.** The OGPS category comprised expenses on administration, operation and support of other general public services. It was expanded in the 2003 Update to include expenses relating to the HIH collapse. The ROS category included expenditure on administration, regulation, support and operation of government services not classified to other Commission categories.

12. **Staff proposals.** *Discussion Paper 2001/12 Scope and Structure of the Standard Budget* proposed that the GPS category would contain a range of expenses associated with the general governance and administrative activities of State governments. It would be essentially a residual category<sup>3</sup> and would help align Commission categories with those in GFS.

13. Discussion Paper 2001/12 proposed eliminating the ROS category and allocating its expenses to relevant categories where possible. A new category called Community Development was also proposed to cover community development and community amenities costs that were previously allocated to ROS<sup>4</sup>.

14. **State views.** New South Wales supported the proposals. South Australia asked that similar assessments to those used in the 1999 Review be continued wherever the expenses were classified. Tasmania said that the 1999 Review method appropriately measured the relative costs incurred by States. The Northern Territory supported the retention of the previous categories. It was concerned that the abolition of ROS would mean that disabilities associated with regulation would not be assessed.

15. New South Wales, Victoria and Queensland submitted that costs are incurred in providing a State-wide response to cultural and linguistically diverse (CALD) populations. New South Wales said that a whole-of-government response was more costly than a policy-specific response to a small CALD population. It cited the example of its Community Relations Commission (CRC), which provides a comprehensive interpreter and translation service throughout the State and whole-of-government policy and research. Its budget in 2000-01 was some \$13 million. Queensland said that it had an office within its Department of the Premier and Cabinet that provided funding to the Queensland multicultural community as a whole. Queensland provided data showing that total grants for community relations and development and whole-of-government research and policy in 2002-03 were \$2.53 million.

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<sup>3</sup> *Discussion Paper CGC 2001/12 Scope and Structure of the Standard Budget* proposed that the categories for the 2004 Review be defined in ways that better align with the purpose classification definitions in the GFS collections (see paragraph 66).

<sup>4</sup> General purpose classification (GPC) codes 2719 and 2799.

16. The ACT submitted that a national capital component should be included in the new category.

17. **Analysis — category definition.** Guidelines set out in *Discussion Paper CGC 2000/07 Simplicity* suggested that, where many of the disabilities likely to be applied to particular expenses are similar, the expenses should be combined in the same category.

18. Examination of the many different types of services included in the previous OGPS and ROS categories indicated that, while there were different purposes, they were all essentially administrative and general governance type services. This characteristic also applied to the expenses staff had envisaged classifying to the proposed Community Development category. (It was to include expenses on planning relating to housing, industry, and community wellbeing; the administration of zoning laws and concessions to decentralised industries; and research into community development<sup>5</sup>.)

19. Against this background, it seemed preferable to combine all the expenses into one category. To the extent that there are differences in the demand for some services, which could lead to differences in per capita costs across the States, they can be reflected in the assessments by sub-dividing the category into expense components.

20. Attachment A shows how Government Financial Statistics (GFS) general purpose classifications were used in the 1999 Review to derive the categories compared with how they will be used in the 2004 Review. Table 5 shows the relative contribution to GPS of expenses previously included in the former OGPS and ROS categories.

**Table 5** RELATIVE EXPENSE FOR GENERAL PUBLIC SERVICES  
CATEGORY FROM PREVIOUSLY EXISTENT CATEGORIES,  
UPDATE 2003

Category	Amount <sup>(a)</sup>	Proportion of total
	\$'000	%
Other General Public Services	2 818 257	63.2
Regulatory and Other Services	1 640 672	36.8
Total	4 458 929	100.00

21. **Commission decision.** The expenses included in the previous OGPS and ROS categories covered a range of administrative, planning and regulatory functions that were characterised by their underlying whole-of-government administrative and general governance features. The Commission has decided that it is appropriate to combine them in one GPS category<sup>6</sup>.

<sup>5</sup> It excluded expenses on the actual construction of facilities.

<sup>6</sup> The exceptions are expenses in GPC 2391, 'Control of domestic animals and livestock', previously in the OGPS category and now incorporated in the Public Safety category, and expenses in GPC 3310, 'Storage, saleyards and markets', which were not included in the definition adopted in the 1999 Review. Neither of these classifications hold much State expense because they are usually local government functions.

22. **Analysis — category structure.** While all expenses in the category have an underlying administrative nature, the size of the task can vary across States for reasons unrelated to State policy. The basic types of services in this category but which may be affected by different types of disabilities are as follows.

- (i) **Expenses on general governance and administrative activities of State governments.** State expenditure data indicates these activities constitute 60.77 per cent of expenses in this category in 2001-2002. Interstate differences in per capita costs stem primarily from unit cost influences (dispersion and inputs costs) but not demand disabilities.
- (ii) **Expenses on regulatory services, community development and labour affairs.** These services include administration, regulation, operations and research for labour and employment affairs, carriers and couriers, town and community planning, and communication affairs. State expenditure data shows that these expenses constituted 25.94 per cent of expenses in this category in 2001-2002. Interstate differences in per capita costs stem from unit cost influences but they may also be affected by the size of the task and the socio-demographic composition of the population.
- (iii) **Expenses on ethnic affairs administration.** The functions include whole-of-government administration and planning for CALD communities, multicultural programs, settlement assistance, community liaison, and translating and interpreting services that are not attached to the delivery of a particular service. All States have some form of central organisation that addresses whole-of-government issues<sup>7</sup> associated with CALD communities. Queensland data suggest that spending on multicultural whole-of-government expenses was 0.2 per cent of costs relating to regulatory and community development services. Data from other States suggest that across Australia the average proportion of expenses is slightly greater, equivalent to 0.3 per cent of expenses in this category. There is a conceptual case that States with large, overseas-born populations face increased whole-of-government administrative and policy costs relating to community planning and development. Accordingly, per capita expenses on these activities may differ across States as a result of unit cost influences and the relative size of the overseas born population.

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<sup>7</sup> In addition to the New South Wales CRC cited above, Victoria has a Multicultural Commission and an Office for Multicultural Affairs, Western Australia, South Australia and the ACT and have Offices of Multicultural Affairs, Queensland has Multicultural Affairs Queensland, Tasmania has an Advisory Council on Multicultural Affairs and the Northern Territory has an Office of Ethnic Affairs. All States have adopted the 1996 *Charter of Public Services in a Culturally Diverse Society* which represents a nationally consistent approach to government service delivery. The Charter places emphasis on building cultural diversity considerations into strategic planning, policy development, budgeting and reporting processes of all aspects of government service delivery (see *Australian Multiculturalism For A New Century: Towards Inclusiveness*, A Report by the National Multicultural Advisory Council, April 1999).

- (iv) **Expenses relating to HIH collapse.** These will be material in some years of the 2004 Review period. HIH expenses (\$309.424 million for all States) were 5.4 per cent of category expenses in 2001-02.
- (v) Expenses relating to fixed costs, land rights, native title, national capital and isolation. These expenses are relevant to this category in the same way as they are to other services. Their component weights were calculated using general methods<sup>8</sup>.

23. **Commission decisions.** Table 6 provides a summary of Commission decisions.

**Table 6** COMMISSION DECISIONS — CATEGORY DEFINITION AND STRUCTURE OF ASSESSMENT

Decision	Reason
The GPS category will combine most of the expenses of the OGPS and ROS categories in the 1999 Review, including expenses associated with the proposed Community Development category.	The expenses in the two previous categories are basically similar in that they focus on general governance and administrative activities of State governments.
The components of the assessment are: fixed costs (5.600%); government services (60.711%); regulatory and planning services (26.34%); ethnic affairs (0.300%); land rights (0.014%); native title (0.420%); isolation (0.180%); national capital (0.035%); and HIH collapse (5.400%).	There is a conceptual case and evidence supporting this structure. The components will allow the disabilities associated with the range of services in the category to be assessed.  States have central agencies to provide whole-of-government planning and policy services to their CALD populations.  HIH expenses will impact on State budgets in a material way for some years of the review period.  Fixed costs, land rights, native title, isolation and national capital expenses are included in the category and have been assessed using the general methods.

## FIXED COSTS

24. Consistent with the general assessment framework adopted for most expenditure categories, the fixed costs component recognises that in providing a full range of State type services to their populations, each State needs to establish a basic administrative structure. That structure needs to cover the costs of core head office

<sup>8</sup> See Draft Assessment Papers: *CGC 2003/60 Administrative Scale*, *CGC 2003/65 Isolation*, *CGC 2003/69 Land Rights Assessment* and *CGC 2003/70 Native Title Assessment*.

functions of departments and services that must be provided for the whole of the State, the costs of which tend to be greater in per capita terms to less populous States.

25. Because this category covers a range of services that are fundamental to the political, legal and administrative infrastructure of States, fixed costs are a significant proportion of expenses. Two factors have been assessed for this component: administrative scale and input costs.

***Administrative scale factor — fixed cost component***

26. **1999 Review.** The administrative scale factor was assessed to account for differences in per capita costs of providing central office functions and whole of State services. Scale-affected expenses for the OGPS and ROS categories totalled \$75.0 million, of which \$30 million was considered as fixed cost and \$45 million as variable cost. The scale-affected expenses represented about 22.4 per cent of expenses in the categories.

27. **2004 Review.** *Draft Assessment Paper CGC 2003/60 Administrative Scale* discusses the issues raised by the States regarding the assessment of this factor. The paper sets out the Commission’s decisions on the general method of assessment adopted for the 2004 Review and on the size of the fixed cost component in each category. The States did not raise issues specific to this category.

28. The Commission has decided that administrative scale will be assessed for this category to recognise the unavoidable costs each State would incur to have the policy and administrative infrastructure necessary to provide the service regardless of the size of the task.

29. The administrative scale factors for this category, shown in Table 7, have been calculated using the 2004 Review general method. Fixed costs for this category have been estimated to be \$6.25 million per State. Total fixed costs for the category are \$50.0 million which represents 6.9 per cent of the category standard.

**Table 7** ADMINISTRATIVE SCALE FACTORS — SCALE AFFECTED EXPENSES COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	0.36858	0.50382	0.68027	1.28668	1.56812	4.92560	7.52310	12.32319
1998-99	0.36853	0.50445	0.67767	1.28097	1.57795	4.99478	7.55742	12.25346
1999-2000	0.36854	0.50478	0.67478	1.27836	1.58830	5.05782	7.57230	12.19839
2000-01	0.36846	0.50489	0.67161	1.27768	1.60144	5.12202	7.57722	12.18130
2001-02	0.36891	0.50461	0.66745	1.27717	1.61320	5.17750	7.59249	12.25311

30. The factor, which is based on estimated resident population, and the component weight will be updated annually.

### *Input costs — fixed cost component*

31. **1999 Review.** The input costs factor was assessed to recognise differences between States in per capita costs of labour, office accommodation and electricity. A separate factor was calculated for each of these inputs. For the scale-affected costs component, these factors were applied to the following proportions of standard expenses:

- wages and salaries 80 per cent;
- accommodation 2 per cent; and
- electricity 1 per cent.

32. **2004 Review.** *Discussion Paper CGC 2003/04 Input Costs* sets out the issues raised by the States regarding the assessment of wages and salaries costs. The paper sets out the Commission's proposals for the general method of assessment to be adopted for the 2004 Review. *Draft Assessment Paper CGC 2003/79 Input Costs — Electricity and Accommodation* sets out the issues raised by the States regarding the assessment of input costs relating to accommodation and electricity. The paper sets out the Commission's decisions on the general method of assessment to be adopted for the 2004 Review and on the size of the standard expense proportions in each category for accommodation costs and electricity costs. The States did not raise issues specific to this category.

33. The Commission considered that the prices of labour, accommodation and electricity used in providing services differ across States for reasons beyond the control of individual States. It has therefore decided that input costs will be assessed for the fixed costs component.

34. The input costs factors for the fixed cost component of this category, shown in Table 8, have been calculated according to the 2004 Review general methods. The standard expense proportions applied were 80 per cent for wages and salaries, 2 per cent for accommodation and 1 per cent for electricity.

**Table 8** INPUT COSTS FACTOR — FIXED COSTS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.03302	0.98766	0.98151	0.98039	0.97094	0.93703	1.00802	1.09279
1998-99	1.03482	0.98866	0.97958	0.97693	0.96902	0.93459	1.01228	1.08820
1999-2000	1.03762	0.98781	0.97671	0.97892	0.96546	0.92795	1.01666	1.08353
2000-01	1.03819	0.98920	0.97482	0.97886	0.96427	0.92509	1.01589	1.08084
2001-02	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737

35. The factors will be updated annually. The proportions represented by wages and salaries, accommodation and electricity will not be re-examined until the next review.

36. The input cost disabilities shown in Table 7 were also applied in the government services and the regulatory and planning components in this category.

## GOVERNMENT SERVICES

37. The expenses assessed in this component include parliamentary services, premier, treasury and finance services.

38. It is unlikely that differences between States in the characteristics of their population would affect the use of these services. That is, per capita use would be comparable across States. Thus once fixed costs and other unit cost differences have been allowed for, States should be able to provide these services for much the same per capita cost. The Commission has decided to assess this component with two factors: input costs and dispersion.

### *Input costs factor – government services*

39. **1999 Review.** In the 1999 Review, the input costs factors assessed for the services delivery components in OGPS were the same as those for the scale-affected expenses components of OGPS.

40. **2004 Review.** The Commission considers that approach remains appropriate for the 2004 Review because the proportion of standard expenses affected by the input costs factors in the fixed costs and government services components would be similar. The input costs factors shown in Table 8 have been applied in the government services component.

### *Dispersion factor – government services*

41. **1999 Review.** The dispersion factor was assessed to account for differences in per capita costs of providing services arising from differences between States in the spread of their population. The factor reflects the effects of population dispersion on State expenses associated with telecommunication, freight, travel and staffing on-costs.

42. There were seven indexes within the dispersion factor, each reflecting the effect of interstate differences in population dispersion on a separate type of dispersion-affected cost. Each index was weighted by the proportion of standard expenses affected by each type of dispersion-affected cost. They were combined to form the dispersion factor. The proportions of standard expenses estimated for this component are shown in Table 9.

**Table 9** COST WEIGHTS FOR DISPERSION, GPS AND ROS, 2003 UPDATE

	Telephone	Freight	Air Travel	Road Travel		Remote Removals	Locality Allowances
				Inter Regional	Local		
OGPS	0.00544	0.00000	0.00211	0.00278	0.00177	0.00000	0.00000
ROS	0.01164	0.00000	0.00291	0.00000	0.00000	0.00000	0.00000

Source: 2003 Update Working Papers, Volume 4, p 433.

43. **2004 Review.** *Draft Assessment Paper CGC 2003/63 Dispersion* discusses the issues raised by the States regarding the assessment of the dispersion factor. The paper sets out the Commission's decisions on the general method of assessment for the 2004 Review and on the size of the standard expense proportions for each of the nine elements of dispersion-affected expenses. The States did not raise issues specific to this category.

44. The Commission noted that the expenses incurred in providing government services include costs that are affected by population dispersal. It has therefore decided that a dispersion disability will be assessed.

45. The dispersion factors for the government services component have been calculated according to the 2004 Review general method. There were nine indexes in the dispersion factor for the 2004 Review. Table 10 shows the proportions of standard expenses for each of the nine elements of dispersion-affected expenses for this component.

**Table 10** COST WEIGHTS FOR DISPERSION — GOVERNMENT SERVICES COMPONENT

Telecommunications		Freight	Air Travel	Road Travel		Building Maintenance	Remote Removals	Locality Allowances
Voice	Non Voice			Inter Regional	Local			
0.47	0.05	0.00	0.24	0.30	0.21	0.00	0.00	0.00

46. Table 11 shows the dispersion factors assessed for this component for the 2004 Review.

**Table 11** DISPERSION FACTORS — GOVERNMENT SERVICES COMPONENT<sup>(a)</sup>

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997	1.00022	0.99679	1.00389	1.00168	0.99745	0.99981	0.99119	1.02069
1998	1.00021	0.99678	1.00388	1.00167	0.99744	0.99980	0.99118	1.02068
1999	1.00020	0.99677	1.00387	1.00166	0.99743	0.99979	0.99118	1.02067
2000	1.00019	0.99677	1.00386	1.00165	0.99742	0.99978	0.99117	1.02066
2001	1.00019	0.99676	1.00386	1.00165	0.99742	0.99978	0.99116	1.02066
2002	1.00018	0.99676	1.00385	1.00164	0.99741	0.99977	0.99116	1.02065

(a) The factor is re-based to the mean resident population each year.

47. Neither the factor nor the dispersion cost weights will be updated before the next review.

48. The dispersion disabilities shown in Table 11 were also applied in the regulatory and planning services component in this category.

## REGULATORY AND PLANNING SERVICES

49. This component includes regulatory services, town and community planning and labour related expenses. The factors assessed in this component in the 1999 Review were socio-demographic composition, economic environment, input costs and dispersion.

### *Socio-demographic composition factor*

50. **1999 Review method.** In the 1999 Review, socio-demographic composition factors were assessed to recognise the disabilities associated with the provision of job creation programs. States had little control over the number of unemployed people to whom they need to provide services. The factor was calculated using annual data on the number of recipients of unemployment benefits and CDEP participants. An extra cost weight of 1.2 was applied to the number of Community Development Employment Project (CDEP) recipients on the basis of judgement to reflect the extra costs of providing services to Indigenous people in remote areas.

51. **State views.** Victoria said that the socio-demographic composition factor should be broadened to include an assessment of population characteristics such as skills, age and birthplace. This was because, for example, the probability of re-employment is much lower for people aged 50 and over and for people born in a non-English speaking country.

52. *Analysis.* The regulatory and planning component includes the costs incurred by States in a wide range of labour market and employment services, including schemes to promote employment, regulation of working conditions, industrial relations and anti-discrimination programs.

53. The expenses associated with regulation of working conditions and industrial relations would have many features in common with the other broad regulatory services in the component. As discussed in the next section, those expenses can be considered to be affected by the size and complexity of State economies. However, an examination of the GFS data on expenses classified to this component indicates that a significant part of them relates to employment generation programs, such as targeted programs for regions and sub-populations of unemployed, assistance for redundant workers to find new employment and employment initiatives for business. Those expenses account for about 15 per cent of expenses in the component — implying standard expenses of about \$15 per capita, which is a material amount.

54. There is a conceptual argument that the level of expenditure on employment generation and related activities is related to the level of unemployment in the population rather than the level of productive activity. That is, interstate variations in the level of unemployment more closely reflect the relative per capita costs of providing the services than the size of the economy indicators generally applied to the component. There is thus a strong conceptual case for applying a socio-demographic composition factor based on unemployment to employment generation expenses.

55. The conceptual case is supported by data that measure unemployment. Those data indicate there are material differences among the States in the number of unemployed people. There are also material differences between States in the pattern of unemployment relative to the size and complexity of their economies. Thus there is a strong case for a separate assessment for expenses on employment generation. The number of unemployment benefit recipients plus the number of CDEP recipients<sup>9</sup> is a readily available and reliable policy-neutral means of measuring the demand for employment-related services in each State.

56. Conceptually, there is a case for arguing that different skills, age profiles and birthplaces of the unemployed will influence expenses on labour market programs. However, we have no information on the likely impact of such groups on States expenses. We cannot judge whether the effects are likely to be material. Therefore, we have decided not to assess disabilities for these groups, unless States are able to provide data to support such an assessment.

57. The cost weight of 1.2 for CDEP recipients was used in the 1999 Review to reflect the greater costs incurred in delivering unemployment services to Indigenous people in remote areas. There is a conceptual case that providing employment services to Indigenous people in remote areas would incur increased costs. However, we have little information on the extent of extra costs incurred in providing State services to Indigenous

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<sup>9</sup> For practical purposes, CDEP participants are analogous to unemployment recipients. However, they are not included in the data on unemployment benefit recipients. The equivalent of their unemployment benefits is paid to the CDEP scheme and subsequently paid to participants in that scheme. Adding CDEP participants to unemployment benefit recipients provides a more complete picture of the number of unemployed people.

people. In addition, CDEP places are provided in all regions and are not a good measure of the extra costs incurred providing unemployment services in remote areas. In the absence of such information we cannot assess the extra cost weight with sufficient confidence in its accuracy.

58. **Commission decision.** There is a conceptual case for assessing a socio-demographic composition factor to reflect interstate differences in the use of State employment promotion and related activities. The expenses on those programs are material and there are material differences between States in the proportion of unemployed people. As good data are available, we propose to assess a socio-demographic composition factor based on the number of unemployment benefit recipients plus the number of CDEP participants. The factor will be applied to 15 per cent of standard expenses in the component.

59. There are conceptual cases for applying a cost weight for Indigenous people or for other demographic characteristics of the unemployed. However, there is no reliable information which can be used to measure those effects or to determine their materiality. Therefore, we do not intend to include such weights.

60. Table 12 shows Commission decisions regarding the socio-demographic composition factor for the regulatory and planning services component.

**Table 12** COMMISSION DECISION — SOCIO-DEMOGRAPHIC COMPOSITION FACTOR: REGULATORY AND PLANNING SERVICES COMPONENT

Decision	Reason
To retain a socio-demographic composition factor relating to the need for labour market and employment related services.	There is a conceptual case relating the need for State provided labour market and employment related services to the unemployed and CDEP participants in each State.
Not to include an additional weight for CDEP recipients or other population sub-groups.	There are insufficient data to justify such weights.

61. **Proposed method and results.** The socio-demographic composition factor was calculated by the following procedure:

- (i) an estimate was made of the number of recipients of New Start Allowance, Youth Allowance Unemployed and New Start Mature Age Allowance, and number of Indigenous people on CDEP supplied by ATSIC, by State;
- (ii) the sum of unemployed persons was divided by the State's mean resident population;
- (iii) the results for each State were divided by the Australian figures; and
- (iv) the factors were weighted by 0.15, because they apply to only 15 per cent of component expenses.

62. Table 13 shows the factors for socio-demographic composition.

**Table 13** REGULATORY AND PLANNING SERVICES COMPONENT —  
SOCIO-DEMOGRAPHIC COMPOSITION FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
1997-98	0.90435	0.94583	1.15433	0.91256	1.10765	1.33833	0.74664	2.28731	1.00000
1998-99	0.89728	0.93095	1.16578	0.97050	1.10442	1.34203	0.65653	2.28429	1.00000
1999-2000	0.87160	0.91179	1.16617	1.04100	1.13246	1.38270	0.60143	2.68798	1.00000
2000-01	0.85995	0.89746	1.18380	1.08413	1.11131	1.34377	0.58561	2.97026	1.00000
2001-02	0.70754	1.03609	1.25316	1.14612	1.14795	1.43947	0.44506	2.52004	1.00000

63. **Updateability.** The unemployment data will be updated each year and the factor will be recalculated.

#### ***Economic environment factor***

64. **1999 Review.** An economic environment factor was applied to expenses on general regulatory services. This was intended to allow for interstate differences in per capita costs arising from tasks associated with consumer interest and protection, regulation of weights and measures, State micro-economic reforms and the introduction of the National Competition Policy (NCP). States also incurred planning costs and were required to implement competitive reforms and regulate services not provided by the public sector.

65. The economic environment factor was aimed at reflecting differences in the size of the planning and regulation task and in State economies. It was calculated using per capita Gross State Product (GSP) data at factor cost (excluding Government and Defence), in combination with the number of business locations for each State.

66. **State views.** Victoria submitted that a factor should be included to reflect the greater complexity of service provision in States with large populations.

67. **Analysis.** This component includes expenses on regulation and planning, which represent about 85 per cent of expenses in the component. There is a conceptual case that the size of a State's regulatory and planning tasks will be affected by the size of its economy. Its costs of administering and regulating industry will also be influenced by the number of establishments that could be regulated. This is especially the case for costs related to inspections of individual establishments.

68. The expenses involved are substantial. Gross State Product (GSP) data includes the full range of industries that States regulate and control<sup>10</sup>, is readily available

<sup>10</sup> Elements included in GSP include agriculture, forestry, fishing, mining, manufacturing, electricity, gas, water, construction, wholesale trade, retail trade, accommodation, cafes and restaurants, transport and storage, finance and insurance, property and business services, education, health and community services, cultural and recreational services, and personal and other services.

and shows wide variety between States. It could also be expected to be linked to the size of the planning task. Business register data on the number of business locations also varies between States. Combining GSP data with business location data provides a measure of the size and complexity of each State's economy. It is not clear to us how large populations would increase the complexity of the regulation task beyond the level implied by the greater number of locations to be regulated. Using these data allows us to derive an economic environment factor with an acceptable margin of error. We therefore have decided to assess an economic environment factor.

69. **Commission decision.** Table 14 summarises the Commission's decision.

**Table 14** COMMISSION DECISION — ECONOMIC ENVIRONMENT FACTOR: REGULATORY AND PLANNING SERVICES COMPONENT

Decision	Reason
To assess an economic environment factor for the impact of the size of State economies on State regulation and planning costs. The factor will be based on annual GSP and Business Register data.	The cost of providing regulatory services is affected by the economic environment of States. Reliable data are available on the GSP and the number of business locations in each State.

70. **Proposed method and results.** In 2001, the ABS changed the basis of its data to reflect information obtained from business activity statements. The new data cover the number of single-State entities (business entities with locations within the State only — employing and non-employing combined) by industry sub-division, by State, for June 2001. These are the latest data available for single-State location business entities; multi-State location business (business entities with locations in more than one State) are not included in these data. They are not fully comprehensive but are considered sufficient for our purpose.

71. The factor will be calculated by the following procedure:

- (i) For the element relating to GSP:
  - each State's GSP at factor cost in a year, excluding the general government and defence sectors, is divided by its population; and
  - each State's GSP per capita is divided by the Australia average GSP per capita.
- (ii) For the element relating to the number of single-State location business entities:
  - the number of single-State entities at June 2001 supplied by ABS is calculated for each State and Australia and adjusted to exclude the general government sector;
  - the result for each State is divided by each State's population; and

- each State's average adjusted number of business locations is divided by the Australia per capita number of business locations.

(iii) The factors derived for the two elements are averaged to produce the economic environment factors.

(iv) The factor is weighted by 0.85 to reflect the proportion of this component's expenses that are associated with regulatory and planning services.

72. The resulting factors are shown in Table 15.

73. Unlike in the 1999 Review method, we propose to use GSP for each assessment year, rather than the average over 20 years. We consider the five year averaging process used in deriving the relativities provides adequate smoothing of the data. We have continued to average the factors because we consider that business location and GSP have an equal influence on the size and complexity of State economies. While we have no evidence to support this, no State objected to the continuation of this approach.

**Table 15** REGULATORY AND PLANNING SERVICES COMPONENT — ECONOMIC ENVIRONMENT FACTORS BY ELEMENT, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
GSP factor	1.04234	1.02942	0.89207	1.15536	0.86753	0.75047	0.91264	1.13292
Number of business locations factor	1.02616	0.99678	1.03025	1.07867	0.86241	0.74892	0.75220	0.93770
Combined factor: 2004 Review <sup>(a)</sup>	1.03412	1.01297	0.96104	1.11688	0.86486	0.74960	0.83232	1.03518
Combined factor: 2003 Update	1.01774	1.02753	0.95620	1.07880	0.91076	0.89621	0.85113	0.96668

(a) Factor has been rescaled.

74. **Updateability.** The Business Register and GSP data will be updated annually.

### **Urban influences factor**

75. **1999 Review.** No urban influences factor was assessed.

76. **State views.** Victoria submitted that an urbanisation disability should be included because regulatory functions (in terms of size and cost) increased significantly for large urban populations. It also stated that planning needs in urban areas were greater due to the need to deal with increased complexity, particularly in relation to environmental and other pressures arising from incompatible, but contiguous, land uses. Victoria asked that the costs faced by government in regulation of the environment, particularly in respect of urban areas, be included

77. New South Wales submitted that fluctuations in the annual rate of Sydney's population growth, caused by variations in immigration levels, make planning for public infrastructure more difficult and add to the cost, particularly if population growth

accelerates. It said that complexity of the urban transit system also increased costs of planning.

78. **Analysis.** Urban planning and planning and regulation costs associated with the building industry and zoning laws are all included in this category. *Discussion Paper CGC 2203/64 Assessing Urban Influences* concluded that there is a conceptual case for assessing disabilities to allow for the difference between States in the effect urban influences have on the use made of, and cost of providing, State services.

79. States have established a plausible conceptual case that urban characteristics, such as increased population density, larger scale, and population growth:

- (i) lead to a more complex built environment, more difficult issues, more stakeholders and a greater interaction between levels of planning;
- (ii) influence the costs relating to the planning of housing, industry, and community wellbeing; the administration of zoning laws; and research into community development;
- (iii) cause greater interaction between levels of planning and increased complexity of interactions between the built and natural environment; and
- (iv) mean that the planning process requires more resources.

80. However, many of the planning and land use activities undertaken by States are also relevant to smaller urban centres. At this stage, we do not have evidence identifying the level of extra planning expenses incurred in large urban areas or that demonstrates that planning expenditure does materially increase in per capita terms with the size or complexity of urban areas. We also note that to the extent that there is a positive link between the level of GSP and urban areas and between the number of business locations and urban areas, the urban influences would be, in part, reflected in the economic environment factor which is applied to the planning expenses.

81. **Commission decision.** There is a plausible conceptual case that town and community planning expenses are affected by the complexity of urban environments. However, we do not have evidence showing that urban influences increase per capita planning and associated costs materially. We do not propose to assess an urban influences factor in the absence of such information. Table 16 shows the Commission's decision regarding the urbanisation factor for this component.

**Table 16** COMMISSION DECISION — URBAN INFLUENCES FACTOR:  
REGULATORY AND PLANNING SERVICES COMPONENT

Decision	Reason
To not apply an urban influences factor to expenses associated with town and community planning services.	States have established a conceptual case that urban characteristics influence town and community planning costs. However, there is no evidence showing to what extent this results in increased costs per capita.

***Input costs factor***

82. **1999 Review.** The same input costs factors were applied to the scale-affected expenses and service delivery components of the categories.

83. **2004 Review.** The Commission considers that approach remains appropriate for the 2004 Review because the proportion of standard expenses affected by the input costs in the fixed costs, government services and regulatory and planning services components would be similar. The input costs factors shown in Table 8 have also been applied in the regulatory and planning services component.

***Dispersion factor***

84. **1999 Review.** The same dispersion factors were assessed in both categories.

85. **2004 Review.** The Commission considers that approach remains appropriate for the 2004 Review because the proportion of dispersion-affected costs in government services and regulatory and planning services components would be similar. The dispersion factors shown in Table 10 have also been applied in the regulatory and planning services component.

**ETHNIC AFFAIRS**

86. This component includes expenses allocated to whole-of-government policy and planning for culturally and linguistically diverse (CALD) populations in each State.

***Socio-demographic composition factor***

87. **1999 Review.** An ethnic affairs component was not included in the 1999 Review.

88. **State views.** News South Wales submitted that it and Victoria, which have large established CALD communities, require a State-wide response to issues raised by migration. It said that because of its contribution to population growth, migration adds further pressure to the demand for urban development and complicates community relations and planning. New South Wales said that the number of large established CALD communities was the major determinant of whether a State-wide policy response was needed.

89. Queensland said that it provided funding to the Queensland multicultural community as a whole. The purpose of the funding was to progress and promote multiculturalism.

90. **Analysis.** Examination of information on State services indicates that all States have a central agency or office to co-ordinate services to, and for, their CALD populations. Observation of the activities suggests that there is a conceptual case that the demand for these services increases with the size of the CALD population in a State.

91. We do not have data showing the relationship between the size of a CALD population and increased whole-of government planning for it. However, we consider that the conceptual case that a larger ethnic community increases whole-of-government planning costs is strong.

92. The readily observable level of expenses on these functions appears small (amounting to 0.3 per cent of standard per capita expenses in the GPS category), but it translates to about \$11 per capita, which is material to the category assessment. In addition, there are large differences between the States in the proportions of people in their populations with a CALD background. Taken together a disability assessment could have a material effect on the category assessment

93. Data are readily available to measure the relative importance of States' CALD populations — defined as people born in a non-English speaking country.

94. **Commission decision.** There is a conceptual case that interstate differences in the proportion of State populations born in non-English speaking countries would affect the relative levels of State expenses on ethnic affairs. Data are readily available to measure disabilities and the effect is likely to be material on the category assessment. We have therefore decided to assess an socio-demographic composition factor. Table 17 summarises the decision.

**Table 17** COMMISSION DECISION — ETHNIC AFFAIRS FACTOR

Decision	Reason
To base the ethnic affairs factor on the size of States' populations born in non English speaking countries.	There is a conceptual case that States with larger CALD populations need to spend more money on whole of government planning for them.

95. **Proposed method and results.** This factor was calculated by:

- (i) obtaining data on the number of residents of each State born in non-English speaking countries;
- (ii) dividing the number of residents born in non-English speaking countries by the mean resident population; and
- (iii) dividing the result for each State by the Australian result.

96. The resulting factors are shown in Table 18.

**Table 18** ETHNIC AFFAIRS COMPONENT — ETHNIC AFFAIRS FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Factors	1.27870	1.29458	0.48045	0.75645	0.73551	0.21190	0.92500	0.45955

97. **Updateability.** This factor is not updateable between Censuses.

***Input costs factor***

98. **1999 Review.** The same input costs factors were applied to the scale-affected expenses and service delivery components of the categories.

99. **2004 Review.** The Commission considers that approach remains appropriate for the 2004 Review because the proportion of standard expenses affected by the input costs in the fixed costs, government services, regulatory and planning services and ethnic affairs components would be similar. The input costs factors shown in Table 8 have also been applied in the ethnic affairs component.

**HIH COLLAPSE**

100. This component includes State expenses associated with the collapse of HIH.

101. **2003 Update.** In the 2003 Update, expenses associated with the collapse were assessed equal per capita. This was because the involvement of HIH in the insurance markets of each State varied widely for many reasons, including State policies. In addition, State responses to the collapse of the HIH group were different and policy influenced.

102. **State Views.** No States commented on the 2003 Update assessment expenses associated with the HIH collapse.

103. **Analysis.** Expenses relating to the HIH collapse are noticeably different in kind from other expenses in the category. They essentially represent compensation to

businesses and individuals adversely affected by the collapse of the HIH group of companies. The level of expenses incurred will be affected by very different influences from those applying to other expenses in the category. In addition, the HIH related expenses will be significant in some years of the 2004 Review period — about 5.4 per cent of the total GPS expense in 2001-02.

104. **Commission decision.** The Commission considers that because they are affected by influences different from other expenses in the category, there is a strong conceptual case for expenses associated with the collapse of the HIH companies to be separated and assessed differently.

105. A standard policy in relation to these expenses cannot be established because there was such a variety of State policies before and after the collapse. This suggests an equal per capita approach is the most appropriate form of assessment. In addition, no State commented on the existing equal per capita assessment. We have therefore decided to continue it. Table 19 summarises this decision.

**Table 19** COMMISSION DECISION — HIH COLLAPSE COMPONENT

Decision	Reason
To assess expenses associated with the collapse of HIH on an equal per capita basis.	The involvement of HIH in the insurance markets of each State varied widely for many reasons, including State policies. In addition, State responses to the collapse of the HIH group are different and are policy influenced.

## NATIONAL CAPITAL

106. The national capital component takes account of the additional costs incurred by the ACT in the provision of some services because of its status as the nation's capital.

107. **1999 Review.** A national capital allowance of \$3.4 million was assessed to reflect the additional costs incurred by the ACT mainly because of Commonwealth influence on planning and environment functions. The national capital factor was applied to 0.31 per cent of category standard expenditure.

108. **State views.** The ACT said it continued to incur extra costs associated with undertaking planning and land development as a result of national capital planning requirements. It said that the national capital allowance should be continued.

109. The ACT requested an allowance of \$33.4 million dollars, an increase of \$30 million dollars over the allowance granted in the 1999 Review. This figure reflected a number of causes:

- increased costs of the capital works program — \$1 million;
- planning and development costs (\$1.5 million) — the calculation of this cost included the employment of 12.4 full time employees at a total cost of \$0.86 million (including all employment related costs);
- the cost of maintaining the ACT leasehold system (\$3.6 million);
- foregone economic opportunities and associated costs (\$26.5 million) — the ACT said that over the last 5 years it has foregone net revenue of about \$132.5 million (the difference between \$190 million in land sales if South Belconnen had been developed rather than the \$57.6 million it received from the Gungahlin development); and
- the ACT’s role in the strategic planning of the local region (\$0.8 million).

110. *Analysis.* The ACT has argued and the National Capital Planning Authority agreed that the status of Canberra as the national capital results in some extra costs being incurred. In *Draft Assessment Paper CGC 2003/71 National Capital Factors* we said that national capital factors would be assessed for additional costs incurred by the ACT that are undeniably the result of mandated influences that arise because of Canberra’s status as the national capital and the seat of government.

111. *Capital works program.* The ACT provided evidence demonstrating that the National Capital Plan has resulted in an additional cost burden on the capital works program for some projects (including the development of City Hill and the ACT library). The costs stem from extra capital work required to meet conditions imposed by the National Capital Plan. We are convinced that those processes are mandated by the National Capital Plan and arise because of Canberra’s status as the national capital. We therefore propose to include an allowance of \$1 million to account for the extra costs imposed on the ACT’s capital works program. This amount is the equal to that sought by the ACT.

112. *Planning and development.* The ACT provided evidence to demonstrate that there is an additional cost burden on its planning and development activities. This was because complying with the National Capital Plan increased the level of negotiation, design and study it undertakes. These costs are the result of mandated influences that arise because of Canberra’s status as the national capital. An allowance of \$1.5 million will be included for them. This amount is the equal to that sought by the ACT.

113. *Leasehold system.* The ACT sought an allowance for the costs of the leasehold land tenure system. We accept that the leasehold system is mandated by Canberra’s status as the national capital and seat of government. Thus there is a conceptual case for assessing a national capital allowance provided the leasehold system does result in extra net costs over and above the costs of standard land tenure systems of the States. However, the ACT has not provided information comparing its estimated cost of maintaining the leasehold system with the cost of maintaining a freehold system. Nor has it provided any assessment of the impact of the leasehold system on its ability to raise

revenue in fees and charges. In the absence of evidence of above standard net costs arising from the leasehold system, we are not able to assess a national capital allowance.

114. *Foregone economic opportunities.* The ACT sought an allowance for revenue foregone because it has been constrained in its ability to develop and sell land. At self-government the ACT was provided with land by the Commonwealth. Some of this land, such as Gungahlin, was designated as urban areas by the National Capital Authority. The ACT has an advantage relative to the other States in being able to sell the land in the current market environment, but the development choices it can make are constrained by aspects of the National Capital Plan. Nevertheless, any impacts of the planning arrangements are in the nature of opportunity costs. They do not have a direct impact on the ACT budget and do not constitute grounds for assessing a national capital allowance. We are not convinced that there is a conceptual case for a national capital allowance in this instance.

115. *Strategic planning in the region.* The ACT argued for a national capital allowance because, as the largest urban centre in south East New South Wales, it participates in a range of strategic, regional planning activities. We are not convinced that there is a conceptual case for a national capital allowance in this case. It is not clear that participation in these planning activities is a direct result of mandated influences arising from the ACT's status as the national capital. Rather it is a consequence of its geographic location. Similar issues could be said to arise in the cases of other urban areas in border regions, such as in the Albury-Wodonga and Tweeds Heads-Gold Coast areas.

116. *Commission decision.* The total national capital allowance included in the assessment to account for extra costs incurred in capital works and planning and development will be \$2.5 million. The Commission's proposal is summarised in Table 20.

**Table 20** COMMISSION PROPOSAL — NATIONAL CAPITAL ALLOWANCE COMPONENT

Proposal	Reason
The Commission has estimated a national capital allowance of \$2.5 million made up of: capital works program (\$1 million); and planning and development (\$1.5 million).	The ACT incurs extra costs associated planning and development and the capital works program as a result of the National Capital Plan. These costs are a direct result of its status as the national's capital.

117. *Proposed method and results.* The factor was calculated by dividing the Australian mean resident population (19 598 999) by the ACT mean resident population (322 671). This gives a factor for the ACT of 60.73988. All other States have a factor of zero.

118. The component weight was calculated by dividing the assessed allowance by the Australian standard expenditure for the category. This gives the proportion of total standard expenditure to which the factor was applied.

119. Table 21 shows the national capital factors assessed for the 2004 Review.

**Table 21** NATIONAL CAPITAL FACTORS – 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Factors	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	60.95242	0.00000

120. *Updateability.* Population figures can be updated annually.

## LAND RIGHTS

121. *1999 Review.* The land rights factor was assessed to take account of the additional costs incurred by the Northern Territory arising from the operation of the *Commonwealth Aboriginal Land Rights (Northern Territory) Act 1976*.

122. *2004 Review.* *Draft Assessment Paper 2003/69 CGC Land Rights* discusses the issues raised by the States regarding the assessment of this factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and the categories in which the factor would be assessed.

123. Land rights-affected expenses for this category have been estimated to be \$0.8 million in 2001-02, which represents 0.014 per cent of the category standard. Table 22 shows the 2004 Review disability factors implied by those levels of costs.

**Table 22** LAND RIGHTS FACTORS — LAND RIGHTS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	98.58552
1998-1999	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	98.02771
1999-2000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	97.58712
2000-01	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	97.45037
2001-02	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	98.02489

124. *Updateability.* The factors and the component weight determined by the expense proportion will be updated annually.

## NATIVE TITLE

125. **1999 Review.** Native title factors were assessed to allow for the additional costs incurred by the States arising from the operation of the *Commonwealth Native Title Act 1993*.

126. **2004 Review.** *Draft Assessment Paper CGC 2003/70 Native Title Assessment* discusses the issues raised by the States regarding the assessment of this factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and the categories in which the factor has been assessed.

127. Native title-affected expenses for this category in 2001-02 have been estimated to be \$30.2 million in 2001-02, which represents 0.42 per cent of the category standard. Table 23 shows the 2004 Review calculation of the factor for 2001-02 implied by those expenses.

**Table 23** NATIVE TITLE EXPENSES, 2001-02, 2004 REVIEW,

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Administration expenses – actual (\$'000)	500	2 480	20 206	14 859	6 718	204	204	4 853	50 024
Compensation expenses – actual (\$'000)	765	0	0	34	0	0	0	4 650	5 449
<b>Total expenses (\$'000)</b>	<b>1 265</b>	<b>2480</b>	<b>20 206</b>	<b>14 893</b>	<b>6 718</b>	<b>204</b>	<b>203</b>	<b>9 503</b>	<b>55 473</b>
<b>Factors</b>	<b>0.06730</b>	<b>0.18047</b>	<b>1.94495</b>	<b>2.74309</b>	<b>1.56301</b>	<b>0.15232</b>	<b>0.22312</b>	<b>16.79242</b>	<b>1.00000</b>

128. **Updateability.** The factors and the component weight determined by the expense proportion will be updated annually.

## ISOLATION

129. **1999 Review.** The isolation factor was assessed to account for differences in per capita costs of service provision for some States because of their economic and geographical isolation from the main interstate sources of supply in South Eastern Australia. It reflected the combined effect of isolation on labour-related costs, interstate freight costs, professional infrastructure costs, commercial goods costs, airfares, travel allowances and other travel-related subsidies.

130. **2004 Review.** *Draft Assessment Paper CGC 2003/65 Isolation* discusses the issues raised by the States regarding the assessment of isolation. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review

and on the size of the isolation-affected expenses component for relevant categories. The States did not raise issues specific to this category.

131. The isolation factors for the isolation component, shown in Table 24 have been calculated according to the 2004 Review general method. Isolation-affected expenses for this category have been estimated to be 0.18 per cent of the category standard.

**Table 24** ISOLATION FACTORS — ISOLATION COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
All years	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218

132. **Updateability.** The factor and component weight will not be updated until the next review. This means that the effect of isolation-affected expenses will grow at the same rate as category expenses.

#### **PROPOSED ASSESSMENT FOR THE 2004 REVIEW - EXPENSES**

133. The table below summarises the category assessment structure for the 2004 Review and includes proposed weights for each component.

**Table 25** GENERAL PUBLIC SERVICES, PROPOSED ASSESSMENT STRUCTURE FOR THE 2004 REVIEW

Expenditure component	Component weight	Factors	Basis of calculation
	%		
Fixed Costs	5.600	Input costs	General method, with weights of 80 % for wages, 2 % for accommodation and 1 % for electricity.
		Administrative scale	General method.
Government Services	61.711	Dispersion	General method, based on Government Services employment distribution
		Input costs	General method, with weights of 80 % for wages, 2 % for accommodation and 1 % for electricity.
Regulatory and Planning Services	26.34	Economic environment	Gross State Product Data and number of business locations
		Socio-demographic composition	Based on number of recipients of unemployment benefits and number of CDEP participants
Ethnic Affairs	0.300	Socio-demographic composition	Based on number of people in each State born in a non-English speaking country.
National Capital	0.035	National capital	Based on additional costs incurred by the ACT as a result of its status as the national capital.
Land Rights	0.014	Land rights	Based on the additional costs incurred by the Northern Territory arising from the operation of the <i>Commonwealth Aboriginal Land Rights (Northern Territory) Act 1976</i> .
Isolation	0.180	Isolation	General method.
Native Title	0.420	Native title	Based costs incurred by States in the administration of, and compensation claims arising from the <i>Commonwealth Native Title Act 1993</i> (as amended).
HIH Collapse	5.400	None	Equal per capita

***Calculating the category factor***

134. Table 26 summarises the components, component weights and disability factors assessed for this category for 2001-02. It shows the calculation of the category factor.

**Table 26** GENERAL PUBLIC SERVICES — DERIVATION OF CATEGORY FACTOR, 2001-02

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Fixed costs (FC) (component weight = 5.600%)</b>								
Administrative scale factor (s)	0.36891	0.50461	0.66745	1.27717	1.61320	5.17750	7.59249	12.25311
Fixed costs input costs factor (fc_ic)	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737
Component factor	0.38432	0.50197	0.65271	1.25719	1.56897	4.80956	7.72502	13.26033
Cont. to category factor	0.02152	0.02811	0.03655	0.07040	0.08786	0.26934	0.43260	0.74258
<b>Government services (GS) (component weight = 61.711%)</b>								
Dispersion factor (d)	1.00018	0.99676	1.00385	1.00164	0.99741	0.99977	0.99116	1.02065
Input costs factor (ic)	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737
Component factor	1.03733	0.98709	0.97739	0.98160	0.96565	0.92456	1.00407	1.09802
Cont. to category factor	0.64014	0.60914	0.60316	0.60576	0.59591	0.57055	0.61962	0.67760
<b>Regulatory and planning (RP) (component weight = 26.340%)</b>								
Dispersion factor (d)	1.00018	0.99676	1.00385	1.00164	0.99741	0.99977	0.99116	1.02065
Input costs factor (ic)	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737
Socio-demographic composition factor (sdc)	0.70754	1.03609	1.25316	1.14612	1.14795	1.43947	0.44506	2.52004
Economic environment factor (e)	1.03412	1.01297	0.96104	1.11688	0.86486	0.74960	0.83232	1.03518
Component factor	1.02162	1.00304	0.98187	1.10033	0.87592	0.78851	0.77717	1.38083
Cont. to category factor	0.26910	0.26420	0.25862	0.28983	0.23072	0.20769	0.20471	0.36371
<b>Ethnic affairs (EA) (component weight = 0.300%)</b>								
Input costs (ic)	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737
Ethnic affairs factor (ea)	1.27870	1.29458	0.48045	0.75645	0.73551	0.21190	0.92500	0.45955
Component factor	1.31633	1.27253	0.46426	0.73577	0.70685	0.19450	0.92998	0.49142
Cont. to category factor	0.00395	0.00382	0.00139	0.00221	0.00212	0.00058	0.00279	0.00147
<b>HIH collapse (HIH) (component weight = 5.400%)</b>								
EPC Factor (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
Cont. to category factor	0.05400	0.05400	0.05400	0.05400	0.05400	0.05400	0.05400	0.05400
<b>National capital (NC) (component weight = 0.035%)0.000</b>								
National capital factor (nc)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	60.95242	0.00000
Component factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	60.73988	0.00000
Cont. to category factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02126	0.00000
<b>Land rights (LR) (component weight = 0.014%)</b>								
Land rights factor (lr)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	98.02489
Component factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	98.02489
Cont. to category factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01372
<b>Native title (NT) (component weight = 0.420%)</b>								
Native title factor (nt)	0.06730	0.18047	1.94495	2.74309	1.56301	0.15232	0.22312	16.79242
Component factor	0.06730	0.18047	1.94495	2.74309	1.56301	0.15232	0.22312	16.79242
Cont. to category factor	0.00028	0.00076	0.00817	0.01152	0.00656	0.00064	0.00094	0.07053
<b>Isolation (ISO) (component weight = 0.180%)</b>								
Isolation factor (iso)	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
Component factor	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
Cont. to category factor	0.00009	0.00019	0.00032	0.00135	0.00102	0.00629	0.00273	0.12289
<b>CATEGORY FACTOR</b>	<b>0.98909</b>	<b>0.96023</b>	<b>0.96222</b>	<b>1.03506</b>	<b>0.97819</b>	<b>1.10910</b>	<b>1.33865</b>	<b>2.04650</b>

135. The following formulas were used to calculate the contribution of each expenses component to the overall category factor. In each case, the contributions are calculated as the expenses 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 standardised equals the sum of actual expenses.

FC	= 0.0560 (fc_ic * s)
GS	= 0.6070 (d + ic-1)
RP	= 0.2630 (0.15 * sdc + 0.85 * e) (ic + d-1)
EA	= 0.0030 (ic * ea)
HIH	= 0.5400 (epc)
NC	= 0.0004 (nc)
LR	= 0.0001 (lr)
NT	= 0.0042 (nt)
ISO	= 0.0018 (iso)

$$\text{CATEGORY FACTOR} = \text{FC} + \text{GS} + \text{RP} + \text{EA} + \text{HIH} + \text{NC} + \text{LR} + \text{NT} + \text{ISO}$$

### *Comparison of category factors*

136. Table 27 shows the category factors calculated for the draft assessment for the 2004 Review compared with the category factors assessed for this category in the 2003 Update

**Table 27** COMPARISON OF CATEGORY FACTORS, 2003 UPDATE AND THE DRAFT ASSESSMENT FOR THE 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update (GPS)	0.90728	0.91034	0.92667	1.07007	1.06206	1.57054	2.01986	3.27341
2003 Update (ROS)	0.91322	0.93676	0.93647	1.13136	0.99641	1.40723	1.85395	3.00922
Draft Assessment - 2004 Review	0.98909	0.96023	0.96222	1.03506	0.97819	1.10910	1.33865	2.04650

### *Standardised expenses*

137. Table 28 shows the standardised expenses for this category for 2001-02 in the draft assessment compared with those assessed in the 2003 Update.

138. The standard for the GPS category in the 2004 Review is much larger than the combined standards for equivalent categories in the 2003 Update because as explained in Draft Assessment Paper CGC 2003/77, *Equalisation Budget for the 2004 Review*, the Commission has decided to cease making some adjustments to the data on State expenses

that were made during the 2002 and 2003 Updates to minimise the effects on the data of developments that coincided with the introduction of accrual accounting in 1998-99.

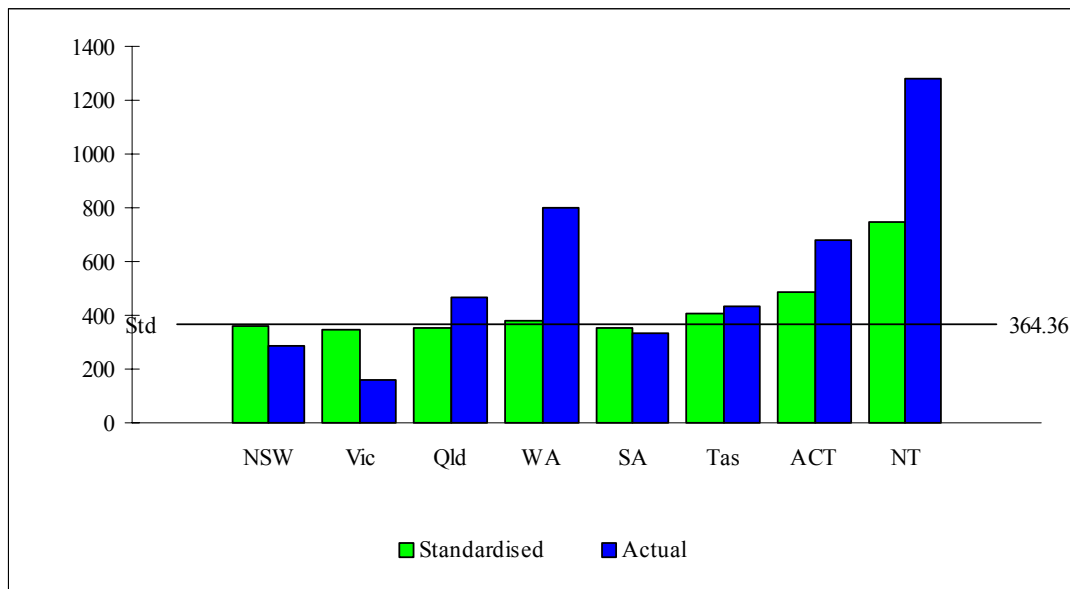
- (i) Since 1998-99 the OGPS category was adjusted by holding the category at its 1997-98 proportion of total expenditure and spreading any excess across all the other expenditure categories. This was because there was a large, unexplained increase in reported expenses classified to the OGPS category that coincided with the move to reporting on an accrual basis. The 2004 Review has ceased this adjustment.
- (ii) The data have been corrected to exclude the Local Government Financial Assistance grants for some States that were previously incorrectly classified to the OGPS category. The correction of this error alone accounts for about one-third of the observed increase in expenses for the category.

**Table 28** ACTUAL AND STANDARDISED AND EXPENSES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Actual expenses</b>									
\$ per capita	364.36	287.24	163.24	467.08	801.34	336.64	431.22	678.08	1279.02
<b>2003 Update - Standardised expenses: OGPS</b>									
\$'000		867 470	636 422	489 894	295 815	232 499	107 299	94 182	94 676
\$ per capita	143.80	130.63	131.09	133.47	154.22	153.10	226.76	291.88	473.53
<b>2003 Update - Standardised expenses: ROS</b>									
\$'000		507 682	380 721	287 743	181 669	126 672	55 741	50 078	50 366
\$ per capita	83.71	76.45	78.42	78.39	94.71	83.41	117.80	155.20	251.91
<b>2004 Review draft assessment – Standardised expenses</b>									
\$'000		2 393 246	1 698 587	1 286 831	723 410	541 261	191 214	157 381	149 086
\$ per capita	364.36	360.38	349.86	350.59	377.13	356.41	404.11	487.75	745.66

139. Figure 1 shows the gross expenses per capita for 2001-02 for the 2004 Review in terms of standardised, actual and standard expenses.

**Figure 1** GENERAL PUBLIC SERVICES — GROSS EXPENSES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2001-02



***Effect of assessment on grants***

140. Table 29 shows the redistribution of grants resulting from the assessment in the 2003 Update and in the draft assessment for the 2004 Review.

141. Compared with the 2003 Update, the draft assessment redistributed \$111.0 million away from Western Australia, South Australia, Tasmania, the ACT and the Northern Territory, and towards New South Wales, Victoria and Queensland.

142. The changes are mainly due to changes in the assessment methods, including:

- a reduction in the level of scale-affected expenses recognised for the less populous States;
- changes in the input costs factors which move grants towards New South Wales and the Northern Territory and away from Victoria and Western Australia;
- the deletion of the cost weight for CDEP participants in the socio-demographic composition factor applied for labour market and employment programs, together with the decrease in the level of expenditure on those programs, which moved grants away from the Northern Territory, Western Australia and Queensland;
- changes in the method of assessing the economic environment factors for the regulatory and planning expenses component and in the basis

of the data used to measure the number of business locations which move grants towards New South Wales and Queensland; and

- introduction of the ethnic affairs factors which moved grants towards New South Wales and Victoria.

**Table 29** TOTAL CHANGE IN GRANT SHARES

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Contribution to 2003 Update relativities<sup>(b)</sup></b>	-135.5	-94.0	-56.0	41.7	14.5	56.5	70.6	102.2	285.5
<b>Contribution to 2004 Review Draft Assessments relativities<sup>(c)</sup></b>	-41.0	-83.9	-49.6	22.0	-6.6	27.2	48.9	83.1	181.1
<b>Total Change</b>	94.4	10.2	6.4	-19.7	-21.1	-29.3	-21.8	-19.1	111.0

(a) Total redistribution.

(b) These figures are for the previous OGPS category. Assuming same pool and a constant population.

(c) This figure shows the change in the amount redistributed among the States between the 2003 Update and the 2004 Review Draft Assessment. It does not necessarily equal the difference in the total contributions to the relativities between the 2003 Update and the 2004 Review.

## USER CHARGES

143. User charges consist of the revenues from regulatory activities and many general government administrative functions. They include environment protection fees, agistment charges, fees for the registration of births, deaths and marriages, land fill levies, trade waste disposal levies and work cover fees.

### *1999 Review*

144. The 1999 Review structure for the User Charges assessment in the ROS category is summarised in Table 30.

**Table 30** USER CHARGES ASSESSMENT STRUCTURE, REGULATORY AND OTHER SERVICES

User Charges component	Component weight	Factors	Basis of calculation
	%		
Regulation	64.07	Economic environment	Based on average of 10 years Total Factor Income and number of business locations excluding general government and defence.
Other User Charges	35.93	User charges	Equal per capita.

145. Table 31 shows the standard user charges for the five years of the 2003 Update assessment period and for the previous year. In 2001-02, this category represented 7.57 per cent of total user charges and 38.63 per cent of ROS gross standard expenses.

**Table 31** REGULATORY AND OTHER SERVICES — STANDARD USER CHARGES, 2003 UPDATE

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
\$pc	17.90	21.58	23.86	23.48	29.63	32.34
% of total user charges	5.46	6.11	6.34	5.97	7.29	7.57
% of ROS gross standard expenses	28.41	32.54	32.17	33.38	33.93	38.63

### *2004 Review*

146. *State views.* No State commented on the method of assessing user charges.

147. *Analysis.* We propose to continue the previous method for assessing user charges in the new GPS category. States' requirements for regulatory activities and hence

their capacities to raise user charges are related to levels of activity in their economies. Consequently, we will assess the revenue raising capacity for the portion of user charges associated with regulatory services by reference to the measures of the size of State economies and the number of business locations used in measuring the economic environment factor for the regulatory and planning component of the expenses (see paragraph 64).

148. An examination of State budget user charges showed that user charges associated with the regulatory aspects of the GPS category made up about 39.58 per cent of total user charges in the category.

149. The remaining user charges will be assessed equal per capita.

150. **Commission decision.** The Commission considers that there is a conceptual case for applying the revenue raising capacity for the proportion of user charges that arise from regulatory services by reference to measures of the size and complexity of the economy. Data that measures the size and complexity of economies is available and can be used to calculate a factor.

151. Other user charges represent a variety of minor fees and charges where collections are primarily influenced by State policies on the range of fees and the level of them. Consequently an equal per capita assessment is appropriate.

152. Table 32 shows Commission proposals relating to User Charges.

**Table 32** COMMISSION DECISION — GENERAL PUBLIC SERVICES USER CHARGES

Decision	Reason
<p>We will continue the 1999 Review method of assessing User Charges. This consists of a:</p> <ul style="list-style-type: none"> <li>regulation component (39.58%) — a revenue raising capacity will be measured by reference to the size and complexity of State economies;</li> <li>other user charges component (60.42%) — assessed EPC.</li> </ul>	<p>The revenue capacity for regulatory user charges will be measured as the average of capacities based on per capita GSP and the number of business locations in each State. States' requirements for regulatory activities and hence their capacities to raise user charges are related to levels of activity in their economies.</p>

### PROPOSED ASSESSMENT FOR THE 2004 REVIEW — USER CHARGES

153. Table 33 summarises the assessment structure for the draft assessment for the 2004 Review.

**Table 33** GENERAL PUBLIC SERVICES: USER CHARGES: PROPOSED ASSESSMENT STRUCTURE FOR THE 2004 REVIEW

User charges component	Component weight	Basis of calculation
	%	
User charges	39.58	Equal per capita
Regulatory	60.42	Based on the average of separate calculations of revenue raising capacity based on GSP and Business Locations.

*Calculating the category factor*

154. Table 34 summarises the components, component weights and disability factors assessed for this category for 2001-02. It shows the calculation of the category factor.

**Table 34** GENERAL PUBLIC SERVICES USER CHARGES — DERIVATION OF CATEGORY FACTOR, 2001-02

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Regulatory (REG) (component weight = 39.60%)</b>								
Economic environment factor (e)	1.03412	1.01297	0.96104	1.11688	0.86486	0.74960	0.83232	1.03518
Component factor	1.03412	1.01297	0.96104	1.11688	0.86486	0.74960	0.83232	1.03518
Cont. to category factor	0.40930	0.40093	0.38038	0.44206	0.34231	0.29669	0.32943	0.40972
<b>User charges (UC) (component weight = 60.40%)</b>								
EPC Factor (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
Cont. to category factor	0.60420	0.60420	0.60420	0.60420	0.60420	0.60420	0.60420	0.60420
<b>CATEGORY FACTOR 2004</b>	1.01351	1.00513	0.98458	1.04626	0.94651	0.90089	0.93363	1.01393
<b>CATEGORY FACTOR 2003 (Regulatory and Other Services )</b>	1.01128	1.01755	0.97186	1.05040	0.94275	0.93343	0.90455	0.97857

155. The following formulas were used to calculate the contribution of each component to the overall category factor. In each case, the contributions are calculated as the component weight multiplied by the component factor (the bracketed terms in the formulas). Each contribution to category factor was rescaled to ensure that, for each of them, the sum of standardised equals the sum of actual expenses.

REG = 0.3960 (e)

UC = 0.6040 (epc)

CATEGORY FACTOR = REG + UC

***Standardised user charges***

156. Table 35 shows the standardised user charges assessed for this category for 2001-02 in the draft assessment compared with that assessed in the 2003 Update.

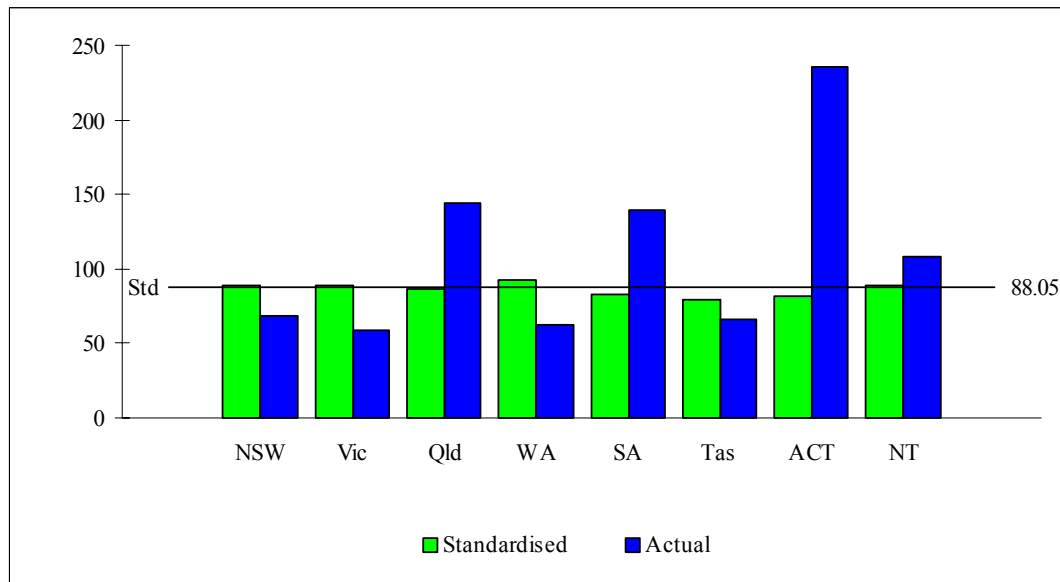
157. There is a sizeable difference between the standard for user charges for the ROS category in the 2003 Update and that for the GPS category in the 2004 Review. This is largely the result of ceasing to offset 75 per cent of any annual increase in user charges in excess of 20 per cent against category expenditure. This offset was included in the past because of the large increases in user charges that coincided with introduction of accrual accounting principles.

**Table 35** ACTUAL AND STANDARDISED AND USER CHARGES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Actual expenses</b>									
\$ per capita	88.05	68.17	58.32	144.42	62.38	139.13	66.18	235.40	107.89
<b>2003 Update - Standardised expenses (ROS)</b>									
\$'000		217 176	159 756	115 355	65 157	46 298	14 283	9 439	6 327
\$ per capita	32.34	32.70	32.91	31.43	33.97	30.49	30.19	29.25	31.64
<b>2004 Review draft assessment - Standardised Expenses</b>									
\$'000		592 630	429 678	318 202	176 711	126 565	37 534	26 526	17 850
\$ per capita	88.05	89.24	88.50	86.69	92.12	83.34	79.32	82.21	89.28

158. Figure 2 shows the gross revenues per capita for 2001-02 for the 2004 Review in terms of standardised, actual and standard revenues.

**Figure 2** GENERAL PUBLIC SERVICES — USER CHARGES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2001-02



**Effect of assessment on grants**

159. Table 36 shows the redistribution of grants resulting from the assessment in the 2003 Update and the new assessment. Compared with an equal per capita assessment, the draft assessment redistributed \$11.2 million away from New South Wales, Western Australia and the Northern Territory, and to Victoria, Queensland, South Australia, Tasmania and the ACT.

160. The main reason for the change in grants was that the updated data used to measure the business locations part of the revenue raising capacity for regulatory fees and charges was different from those previously used.

**Table 36** EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION — GENERAL PUBLIC SERVICES USER CHARGES

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Contribution to 2003 Update relativities<sup>(b)</sup></b>	-2.2	-2.5	2.8	-2.7	2.6	0.9	0.9	0.2	7.4
<b>Contribution to 2004 Review Draft Assessments relativities<sup>(c)</sup></b>	-7.8	-2.2	5.0	-7.9	7.1	4.1	1.8	-0.2	18.1
<b>Total Change</b>	-5.6	0.4	2.3	-5.2	4.5	3.2	0.9	-0.4	11.2

(a) Total redistribution.

(b) These figures are for the previous ROS category and assumes the same pool and a constant population.

(c) This figure shows the change in the amount redistributed among the States between the 2003 Update and the 2004 Review Draft Assessment. It does not necessarily equal the difference in the total contributions to the relativities between the 2003 Update and the 2004 Review.

## ATTACHMENT A

**Table 37** ALLOCATION OF GPCs TO COMMISSION CATEGORIES: 1999 REVIEW AND 2004 REVIEW

1999 Review	2004 Review
<i>Other General Public Services</i>	<i>General Public Services</i>
2191 General research	2191 General research
2199 General public services n.e.c.	2199 General public services n.e.c.
2391 Control of domestic animals and livestock	3390 Other economic affairs n.e.c.
3390 Other economic affairs n.e.c.	3420 General purpose inter-government transactions
3420 General purpose inter-government transactions	3290 Communications
<i>Regulatory and Other Services</i>	3339 Other labour and employment affairs
3290 Communications	3490 Other purposes n.e.c.
3339 Other labour and employment affairs	2719 Other community development
3490 Other purposes n.e.c.	2799 Other community amenities
2719 Other community development	3310 Storage, saleyards and markets <sup>(a)</sup>
2799 Other community amenities	<i>Public Safety and Emergency Services</i>
	2391 Control of domestic animals and livestock

(a) GPC classification not included in the 1999 Review

## ATTACHMENT B

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### SCOPE OF GPS CATEGORY

161. The following is a comprehensive list of outlays included in the General public Services category by General Purpose Classification (GPC):

- (i) 2191 General research — administration, support, operation, etc. of research not connected with a specific function (excludes applied research);
- (ii) 2199 General public services n.e.c. — administration, support, regulation, research, operation, etc. of general public services, including legislative and executive affairs (parliaments, ministerial departments, elections, legislative bodies not concerned with a specific function), financial and fiscal affairs (tax collection and fees and fines not connected with a specific function), external affairs (aid, passports and diplomacy), foreign economic aid, general research and general services (Overall economic and social planning and statistical services not connected with a specific function);
- (iii) 2719 Other community development — administration, provision, support, research, operation, etc. of overall community development mainly concerned with the planning of new or rehabilitated communities with the aim of improving the quality of life (excludes plan implementation);
- (iv) 2799 Other community amenities —administration, provision, operation, etc. of street lighting and other community amenities that cannot be assigned to one of the subgroups;
- (v) 3290 Communications — administration, provision, construction, regulation, operation, etc. of communication affairs and services including postal, telephone, telegraph, cable and wireless communication systems and communication satellites;
- (vi) 3310 Storage, saleyards and markets —administration, planning, licensing, support, regulation, inspection, construction, maintenance, operation, etc. of storage and warehousing;

- (vii) 3339 Other labour and employment affairs —administration, support, regulation, research, etc. of other labour and employment affairs, including regulation of employment conditions and services to the unemployed);
- (viii) 3390 Other economic affairs n.e.c. — administration, regulation, promotion, research, operation, etc. of distributive trades, such as consumer interest and protection affairs, licensing, sales practices and labelling;
- (ix) 3420 General purpose inter-government transactions — grants, advances or other inter-government transactions that cannot be allocated to purpose; and
- (x) 3490 Other purposes n.e.c. — outlays that cannot be assigned to other relevant groups such as transactions relating to plant and equipment which cannot be classified to specific purposes and residual items that cannot be classified to purpose.