

**COMMONWEALTH GRANTS COMMISSION**

**DISCUSSION PAPER CGC 2000/07**

**SIMPLICITY**

**OCTOBER 2000**

# TABLE OF CONTENTS

---

	Page
<b>Synopsis</b>	<b>1</b>
<b>Introduction</b>	<b>1</b>
Background	1
Aims of the Project	2
Effect of Simplification of Methods on Grant Shares	2
<b>Proposals</b>	<b>4</b>
Expenditure Assessments	5
Revenue Assessments	9
Standard Budget	10
Other Issues	11
<b>Conclusion</b>	<b>12</b>
Timetable	12
<b>SCOPING GUIDELINES</b>	<b>13</b>
<b>GRANT EFFECTS OF EXPENDITURE CATEGORIES AND FACTORS</b>	<b>14</b>
<b>Revenue Assessments</b>	<b>24</b>
Use Sub-global Measures	24
Some Implications of the Use of Sub-global Measures	24
Conclusion	29
<b>Uniform Presentation Framework Classifications</b>	<b>33</b>
Functional Analysis of Expenditures	33

## SYNOPSIS

This paper discusses ways of simplifying methods of assessing States' expenditure and revenue needs. It makes clear that simplifying the Commission's methods will result in potentially large changes in States' grant shares.

The Commission concludes that:

- (i) it may be possible to reduce the number of categories, disability factors and adjustments in the expenditure assessments;
- (ii) it may be possible to use broad measures of revenue bases and to reduce the number of adjustments made for some revenue categories;
- (iii) it is unlikely that the number of revenue assessments would be greatly reduced;
- (iv) the problems of obtaining adequate data from ABS's Government Finance Statistics (GFS) could mean a reduction of the number of expenditure assessments from 40 to perhaps 13; and
- (v) backcasting introduces some complexities and reduces equalisation over time, but is a way of making the relativities more applicable to the application year.

The Commission concludes that separate assessments (either category, factor, revenue base or adjustments) should not be undertaken unless they have a material effect on grant shares. The way they are undertaken should be decided on the basis of the confidence we have in the data available to undertake them. New guidelines are proposed to assist in these decisions.

## INTRODUCTION

### *Background*

1. Simplicity was on the agenda during the 1999 Review but, because of the systemic push for greater transparency and accuracy in the assessments, the scope to achieve greater simplification was limited. The 1999 Review Report proposed that, as a matter of priority, the Commission investigate whether it could simplify the assessment methods substantially to reduce the cost and effort of fiscal equalisation while having little effect on equalisation outcomes.

2. Since the release of the 1999 Review Report, the Chairman has held discussions with each of the heads of State Treasuries. It is clear that, while current

methods have a broad measure of acceptance, States do not want greater complexity and would welcome simpler methods if they helped better understanding of the assessments and gave greater confidence in the results.

3. In addition, States urged that the Commission should:

- (i) find simpler ways of explaining its work; and
- (ii) present the key drivers of redistribution in a more logical and simple manner.

4. We accept that our methods should be only as complex as they need to be. Complexity that does not improve the outcomes or increase confidence in the outcomes is not desirable. We also accept that relativities could change and still remain within a range of acceptable outcomes. However, some complexity results from what States do, and from the efforts to be as accurate and thorough as we can be.

5. Nonetheless, in our 2004 Review work program, we have made simplicity one of our major priorities.

### ***Aims of the Project***

6. The background to this project clearly suggests that both presentation and methods can and should be simplified. Simplifying presentation is an on-going objective and will follow from simplified methods and other projects in the 2004 Review work program. This project therefore concentrates on simplifying methods.

7. The paper concentrates on the simplification of the revenue and expenditure assessments available through possible reductions in the number of categories and disability factors. Some issues relating to the standard budget and backcasting are also covered.

### ***Effect of Simplification of Methods on Grant Shares***

8. We do not assume that the existing relativities (and grant distributions) are immutable. Given the number of conceptual and practical difficulties that cut across all the underlying work - from preparing the standard budget to calculating disabilities and revenue bases - and the numerous judgments that needed to be made, different relativities (and grant outcomes) could be said to be just as valid as those presented. Determining positions on fiscal equality is an art rather than a science, and the current results are simply the outcome of many judgemental decisions.

9. The Commission believes it should simplify methods at least where the effects on State grants are not material or significant.

10. Table 1 shows the dollar impact on grants of changing the grant share by between 0.1 per cent and 5 per cent, based on the 2000 Update GST distribution. For setting the work program, we proposed in Discussion Paper CGC 1999/3 that no work would be done for categories that contributed 2.5 per cent or less to any State's grant. To

simplify assessments, we propose that any assessment, factor or adjustment which moves less than a selected threshold should be reviewed to decide whether:

- (i) the assessment method should remain as is;
- (ii) a different (simpler) assessment method should be adopted; or
- (iii) an equal per capita (EPC) assessment should be adopted.

**Table 1** GRANT CHANGE THRESHOLDS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2000 Update GST distribution	9 283.7	6 529.1	5 731.0	2 942.0	2 786.8	1 109.1	543.4	1 294.6
0.1 per cent change (plus or minus)	9.3	6.5	5.7	2.9	2.8	1.1	0.5	1.3
0.5 per cent change	46.4	32.6	28.7	14.7	13.9	5.5	2.7	6.5
1.0 per cent change	92.8	65.3	57.3	29.4	27.9	11.1	5.4	12.9
1.5 per cent change	139.3	97.9	86.0	44.1	41.8	16.6	8.2	18.4
2.0 per cent change	185.7	130.6	114.6	58.8	55.7	22.2	10.9	25.9
2.5 per cent change	232.1	163.2	143.3	73.6	69.7	27.7	13.6	32.4
5.0 per cent change	464.2	326.5	286.6	147.1	139.3	55.5	27.2	64.7
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2000 Update GST distribution	1421.32	1360.91	1592.00	1537.81	1848.82	2362.23	1739.78	6509.94
0.1 per cent change	1.42	1.36	1.59	1.54	1.85	2.36	1.74	6.51
0.5 per cent change	7.11	6.80	7.96	7.69	9.24	11.81	8.70	32.55
1.0 per cent change	14.21	13.61	15.92	15.38	18.49	23.62	17.40	65.10
1.5 per cent change	21.32	20.41	23.88	23.07	27.73	35.43	26.10	97.65
2.0 per cent change	28.43	27.22	31.84	30.76	36.98	47.24	34.80	130.20
2.5 per cent change	35.53	34.02	39.80	38.45	46.22	59.06	43.49	162.75
5.0 per cent change	71.07	68.05	79.60	76.89	92.44	118.11	86.99	325.50

11. We think that different materiality thresholds should apply to the different level of assessments. We propose that the materiality thresholds be:

- (i) for categories – 1 per cent of any State’s grant;
- (ii) for expenditure disability assessments or revenue adjustments – 0.5 per cent; and
- (iii) for adjustments within expenditure disability assessments – 0.1 per cent.

12. Any changes to the Commission's methods will result in changes in States' grant shares. This has strong implications for the future of this project. What change in grant shares are the States ready to accept when methods of calculating those shares are simplified? We are interested in understanding the size of the change each party would accept, or would consider unimportant or immaterial.

## PROPOSALS

13. We think that the greatest simplicity gains can be made in the methods for assessing revenue and expenditure needs. Our main approach to simplification will be to:

- (i) reduce the number of categories and disability assessments; and
- (ii) reduce the complexity of the calculations used in expenditure disability assessments and revenue adjustments.

14. However, we do not think that a straight mechanical approach to simplification should be adopted. We think we should also use simplification to increase the confidence we have in the assessments. Therefore, we believe that the number of assessments should depend not only on their effect on grant share, but also on the reliability of the data and methods used in the assessments.

15. To help achieve a reduction in the number and complexity of assessments, and an increase in their robustness, we propose a process that will provide ways of dealing with disability assessments that have small effects on grant distribution, and with disability assessments that use poor quality data and unstable methods. The way we deal with disability assessments will influence the number of categories and the number of expenditure components.

16. Our approach has been to develop guidelines to help decide whether a disability should be assessed, and to provide criteria to determine how a disability should be assessed. It is, in part, an extension of the Scoping Guidelines we have had in place for some time, and which are presented again in Attachment A.

17. The use of guidelines will determine not only whether a separate function should continue to be assessed but also, if it is to be assessed, whether a separate expenditure component or category is required to allow the assessment to be undertaken. The approach has the potential to reduce the number of factor assessments and the number of expenditure components used in the assessment.

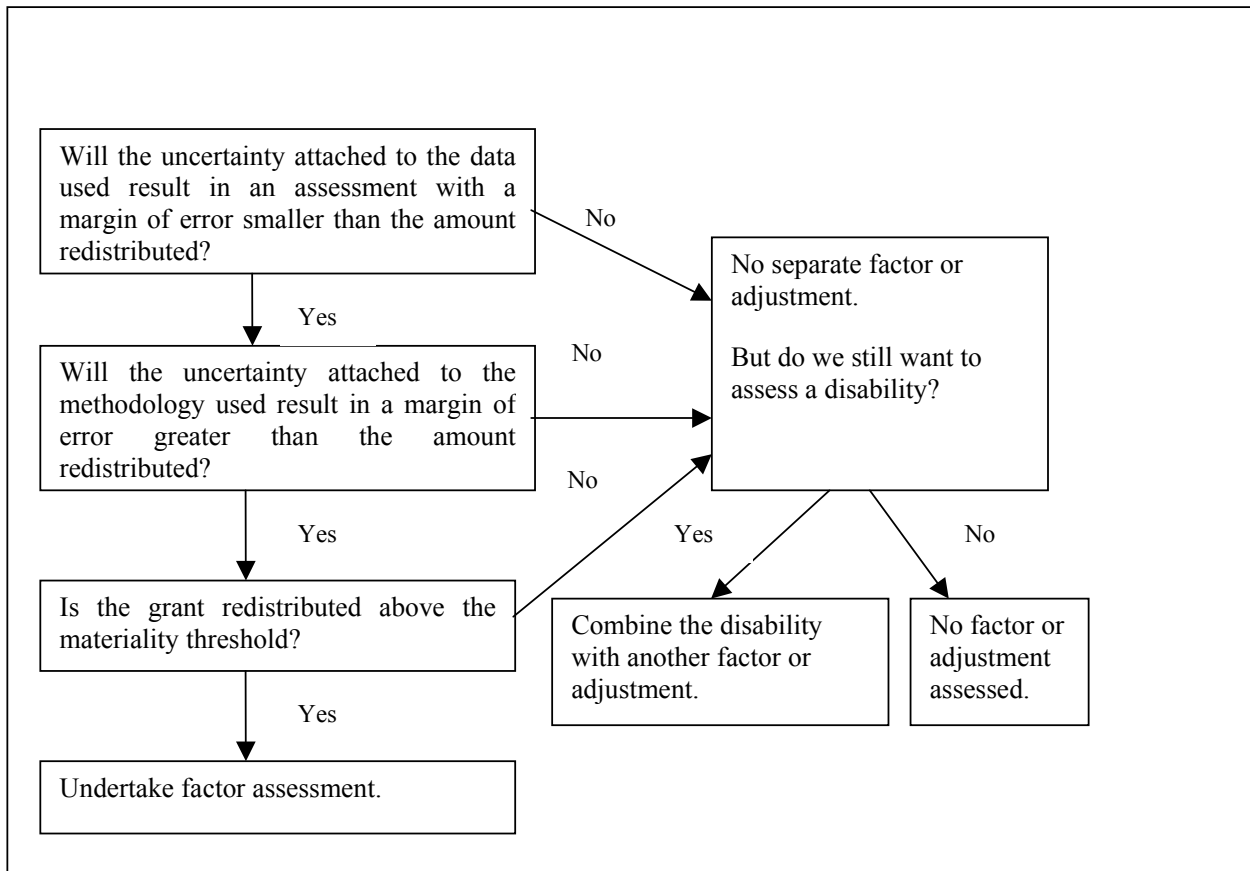
18. The proposed new guidelines suggest three ways of dealing with disabilities:

- (i) as a separate factor assessment;
- (ii) as part of another factor; or
- (iii) as an EPC (no differential) assessment.

19. How the disabilities will be assessed should depend on:
- (i) whether the uncertainty attached to the data used in the assessment results in a margin of error smaller than the amount redistributed;
  - (ii) whether the uncertainty attached to the methods used results in a margin of error smaller than the amount redistributed; and
  - (iii) whether the grant redistribution is greater than the materiality threshold?

20. Figure 1 shows a schematic presentation of the proposed process to help decide if and how disabilities should be assessed.

**Figure 1** SHOULD A SEPARATE FACTOR ASSESSMENT BE UNDERTAKEN?



21. The following sections explore which expenditure and revenue assessments could be simplified, and their likely grant share impacts.

***Expenditure Assessments***

22. The current level of detail in the assessments reflects the view that:

- (i) State expenditures need to be disaggregated to a particular level to allow for unique sets of disabilities to be taken into account; and
- (ii) disability assessments need to be as comprehensive and as accurate as possible to measure States' expenditure needs adequately.

This approach to measuring State needs has increased the complexity of the assessments.

23. We propose to explore three ways of achieving greater simplicity using the extended scoping guidelines. They are:

- (i) reducing the number of categories;
- (ii) reducing the number of factors; and
- (iii) reducing the complexity of factor calculation by removing small steps or adjustments.

24. **Reducing the number of categories.** Table B-1 in Attachment B shows the effect on grants of every expenditure category. While individual categories may have relatively small impacts on grant redistribution, the cumulative grant impact can be quite large. The table highlights the grant effects greater than the proposed 1 per cent threshold. There are 21 categories where the impact on every State's grant redistribution is 1 per cent. Many of these are user charges categories.

25. An EPC assessment for all of those twenty one categories would, in the 2000 Update, have redistributed the amounts shown in Table 2.

**Table 2** GRANT CHANGE IF EPC ASSESSMENT APPLIED TO THE 21 CATEGORIES WITH EVERY STATE BELOW THE THRESHOLD

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Grant effect	46.8	64.3	15.8	7.5	-57.3	-36.2	1.9	-42.8	136.3

26. A question to be considered is what to do with these small categories. Options are to:

- (i) assess them equal per capita and group the total expenditure into one category;
- (ii) merge them with others that are assessed using similar disabilities; or
- (iii) leave the number of categories as it is.

27. Because many user charges categories have small effects on grant shares, they could be merged into one category. Already, most user charges categories are assessed EPC and reported as one assessment. This approach could be expanded.

28. The Pre-school Education category could be merged with Primary Education and assessed as a separate component or simply have the Primary Education disabilities applied to it. Mental Health could be combined with the Hospitals category and a broader assessment applied to measure relevant disabilities.

29. These examples raise a number of issues for consideration.

- (i) Information and knowledge of specific State functions are likely to be lost with the merging of categories and changes in the importance of functions. For example, the increasing importance of user charges by States may not be evident. Is this loss of transparency and information important in developing appropriate assessment methods?
- (ii) If two categories are merged and an additional expenditure component results, do simplicity gains outweigh any greater complexity?
- (iii) Can broader assessments adequately recognise needs?

30. ***Reducing the number of factors.*** Many factors have little effect on grant distribution and, regardless of any approach to simplicity adopted, we should review whether separate assessments are justified.

31. Table B-2 at Attachment B provides the grant effect of every unique factor and the total effect for each common factor in the Commission's 2000 Update. Over 130 factors were assessed. Table 3 shows the cumulative grant effects of progressively removing factors with the smallest grant share effects from the assessments. This table is extended in Table B-3 by showing the per capita effects of these groupings.

**Table 3** CUMULATIVE EFFECT OF REMOVING FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Removing 10 smallest	2.5	2.2	-1.4	0.0	-0.2	-0.4	-1.3	-1.5	4.7
Removing 20 smallest	1.5	2.2	0.2	0.3	1.1	0.0	-0.5	-4.8	5.3
Removing 30 smallest	9.0	7.7	-5.5	0.5	-0.3	-1.4	-1.4	-8.5	17.1
Removing 40 smallest	10.4	13.8	-9.6	2.1	-3.4	-2.7	0.8	-11.4	27.1
Removing 50 smallest	16.2	29.4	-5.4	0.3	-4.1	-4.6	2.3	-34.1	48.2
Removing 60 smallest	7.0	67.5	-3.1	4.9	-7.3	-10.6	-1.8	-56.6	79.4
Removing 60 smallest	7.0	67.5	-3.1	4.9	-7.3	-10.6	-1.8	-56.6	79.4
Removing 70 smallest	13.9	90.9	-10.8	-4.2	3.4	-14.9	5.6	-83.8	113.8
Removing 80 smallest	17.3	135.6	-23.4	-25.9	1.8	-15.8	10.7	-100.3	165.4
Removing 90 smallest	69.0	153.9	-10.4	-32.4	-19.4	-30.0	2.8	-133.7	225.8
Removing 100 smallest	74.4	246.8	-29.3	-60.5	-16	-17.7	4.8	-202.6	326.1
Removing 110 smallest	81.6	364.9	-0.8	-124.6	-32.7	-5.0	9.4	-292.9	456.0
Removing 120 smallest	246.7	389.4	-10.9	-239.8	-18.2	-19.6	36.9	-384.5	673.0
Removing 130 smallest	-29.9	1152.0	90.4	-519.1	-11.8	-42.5	124.5	-763.7	1367.0
All Factors	219.6	1299.1	164.0	-559.3	-69.8	-152.2	9.5	-911.0	1692.4
Threshold — 0.5 per cent change in grant share	46.4	32.6	28.7	14.7	13.9	5.5	2.7	6.5	

32. The table clearly shows that, except for the Northern Territory, the first fifty factors have a very small cumulative effect on grants. It is smaller than the 0.5 per cent threshold.

33. This raises questions about the need for some of the factors. One of these questions is whether the same grant outcome could be achieved for the Northern Territory with fewer factor assessments.

34. A further question is whether the disabilities specific to the Northern Territory could be assessed in a block (although there would appear to be major problems with this option, in that it would reduce transparency and accountability).

35. We propose to review the inclusion of the current factors in light of the extended Scoping Guidelines.

36. ***Reducing the number of adjustments within factors.*** In the calculation of factors, many small adjustments are made either to reflect disabilities (for example, diplomatic children in the Education categories) or to make the calculation of disabilities more accurate (adjustment for under-recording of Aboriginals in the Hospitals category).

37. Whether such adjustments should be made in factor calculations could be tested by the guidelines proposed for factors. However, these adjustments are quite

numerous and their review may need to be targeted to those considered a priority by the States and the Commission.

### **Revenue Assessments**

38. We think that there are three main ways of simplifying our current assessments. They are:

- (i) greater use of sub-global bases (we could make greater use of broad measures of States' revenue raising capacity instead of the detailed tax bases used in many revenue categories);
- (ii) reducing the number of categories; and
- (iii) reducing the number of adjustments.

39. **Sub-global bases.** Sub-global bases are usually broad economic indicators. The Commission usually uses sub-global bases where policy differences are big and cannot be removed from tax bases. Often we have to adjust sub-global bases to allow for specific revenue raising disabilities.

40. The analysis in Attachment C suggests that there is scope to move towards simpler measures for some categories, possibly Payroll Tax and Insurance Taxation. There would be a technical reduction in precision, but no material effect on outcomes. Table 4 summarises the grant share effect of adopting sub-global bases for Payroll Tax and Mining Revenue. For most other categories, we do not see much scope for the introduction of simple sub-global measures.

**Table 4** GRANT CHANGE IF SUB-GLOBAL BASES WERE APPLIED

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Payroll Tax <sup>(a)</sup>	1.3	-13.0	26.4	-2.3	5.3	-1.0	-4.0	-12.6	33.0
Mining Revenue <sup>(b)</sup>	13.1	-139.9	180.5	-66.3	36.7	-0.1	0.2	-24.3	230.5

(a) Compensation of Employees in the Private Sector.

(b) Value Added.

Source: See Attachment C.

41. **Reducing the number of revenue categories.** The introduction of the GST has already seen a reduction in the number of categories. The possibility of further reductions depends on the extent to which revenues and revenue raising disabilities are similar for different heads of revenue. Attachment C shows how the widely divergent nature of the disabilities assessed for each source of revenue makes merging impractical. We think that there is little scope to reduce the number of assessment categories.

42. **Reducing the Number of Revenue Adjustments.** While the adjustments often mirror the complexity of State taxes in their application, some increase the apparent

precision of the assessments without improving underlying accuracy. If the adjustments have little material effect, it would be simpler not to make them.

43. Attachment C concludes that we could simplify some assessments by taking a more rigorous approach, such as that proposed in the extended guidelines, to the inclusion of minor adjustments. We suggest that those for Stamp Duty on Shares and Marketable Securities are clearly immaterial. However, those affecting Conveyances and Financial Transaction Taxes are material.

### ***Standard Budget***

44. Continuing financial management changes within Treasuries, and particularly devolution of greater financial management to agencies, means that the level of agency detail available through the ABS GFS systems is reducing. The consequence is that we have less raw information on which to base independent judgements about allocations of transactions to a function. This loss of detail compounds the problems with data quality that has occurred as the States and ABS move to an accrual accounting framework.

45. We are now faced with a situation where we are increasingly unable to maintain our series for standards, because we are receiving less of the data on which it is based<sup>1</sup>.

46. In the New Developments Discussion Paper for the 2001 Update, we proposed to address this issue by relying more directly on States' function/purpose codings in GFS, and to consult early with the States after our own exception-based analysis. This approach requires accurate data at the most detailed GFS classification levels. If the data being received now are any indication, the detailed data will be far from sufficiently accurate for our purposes. In this context, accuracy means comparable between years and between States. At a broad level, such as health or education, the data does seem generally accurate in this sense. It seems also to be accurate for major specific service delivery areas such as hospitals or police.

47. For immediate purposes, we propose to use the best available evidence, State advice or historical proportions, to estimate standards for the many categories that the detailed data is not accurate enough to support. In the longer term, we would hope that the States will radically improve this aspect of their GFS reporting<sup>2</sup>. Past experience suggests that we should not rely too much on this hope. If we cannot, we will need some other means of ensuring the accuracy of standards for smaller categories. In these circumstances, it might be unrealistic to expect that components within categories could be supported. It might also prove unrealistic to support the current number of categories.

---

<sup>1</sup> And not reaching State Treasuries either, in some States.

<sup>2</sup> We note that the method or timing of data delivery, whether through the ABS GFS collection or directly from the States, has no bearing on this issue. The quality of data is essentially a matter for States reporting systems, the detail they can support and the quality assurance that can be given.

48. The implications could be very significant. Methods would have to change to reflect the broader composition of categories, and grant shares could be substantially affected.

49. Such impacts are of course for consideration in the 2004 Review, and we will maintain the present assessment framework and standards to the best quality possible until then. For the 2004 Review, it seems likely that a central question will be whether the quality of the GFS data will be good enough to enable the Commission to support the present structure of 40 expenditure and 20 revenue categories. A reduction in the number of categories, perhaps to reflect the GFS broad coding more directly (implying perhaps 14 categories), could be a way to deal with persistent problems in the quantity and quality of detailed State data. Such an approach would be consistent with reforms in government reporting and budgeting, which increasingly focus on the bigger picture.

50. Which way do States think that it might be best to go in the longer term? Would they accept a reduction in the number of expenditure categories to 13 to match the uniform presentation framework? Attachment D provides the list of what these would be. What would this do to transparency and complexity? Would it be possible to markedly improve the accuracy and quantity of data at the more detailed levels? Are there other means than GFS of addressing data accuracy at the detailed level?

### ***Other Issues***

51. ***Backcasting.*** 'Backcasting' refers to changing past figures to reflect the circumstances of the application year. For example, for the 2000 Update, the Commission backcast the abolition of State bed taxes as part of the introduction of GST from 1 July 2000, as if the change were made on 1 July 1994.

52. The need to backcast arises because the Commission calculates relativities from historical data, but the Commonwealth applies the relativities prospectively. Backcasting aims to improve the match of the recommended relativities to the fiscal circumstances of the application year. Past circumstances may be different from the application year, for example, because of changes in economic conditions. This is one reason why the assessment period is made up of a number of years.

53. Backcasting aims to improve the achievement of equalisation in the year of application by providing States with the funds they need in the year of application. In the past, the Commission has limited backcasting to major changes in Commonwealth-State financial arrangements that have effect in the year of application. These have mostly related to changes in responsibilities or revenue powers. We do not attempt to backcast State policies or disabilities.

54. Backcasting may come at a cost to the achievement of equalisation over time as it introduces inconsistency into the assessments from one inquiry to the next. Which is more important — equalisation applicable to the application year or equalisation over time?

55. Backcasting adds considerable complexity to the Commission's processes. It can be arbitrary because it is, at best, partial. For example, the Commission backcast the

abolition of revenue from bed taxes on the revenue side of the budget (by excluding the revenues), but made no change to the expenditure side of the standard budget.

56. For simplicity, transparency and achievement of equalisation over time, the Commission might not backcast at all, except where clearly instructed to do so in terms of reference. The views of the parties are sought on this issue.

## **CONCLUSION**

57. In summary, we have highlighted in this paper, the following major issues for further discussion.

- (i) How much change in grants are the States and the Commonwealth ready to accept for simplified assessments?
- (ii) Can predetermined criteria be used to help decide whether and how disabilities should be assessed?
- (iii) What are the specific categories, disability factors and revenue adjustments that should be the focus of simplification?
- (iv) Will the ABS GFS data series be reliable enough to maintain the current structure of revenue and expenditure categories for the 2004 Review?
- (v) Whether the Commission should continue the use of backcasting.

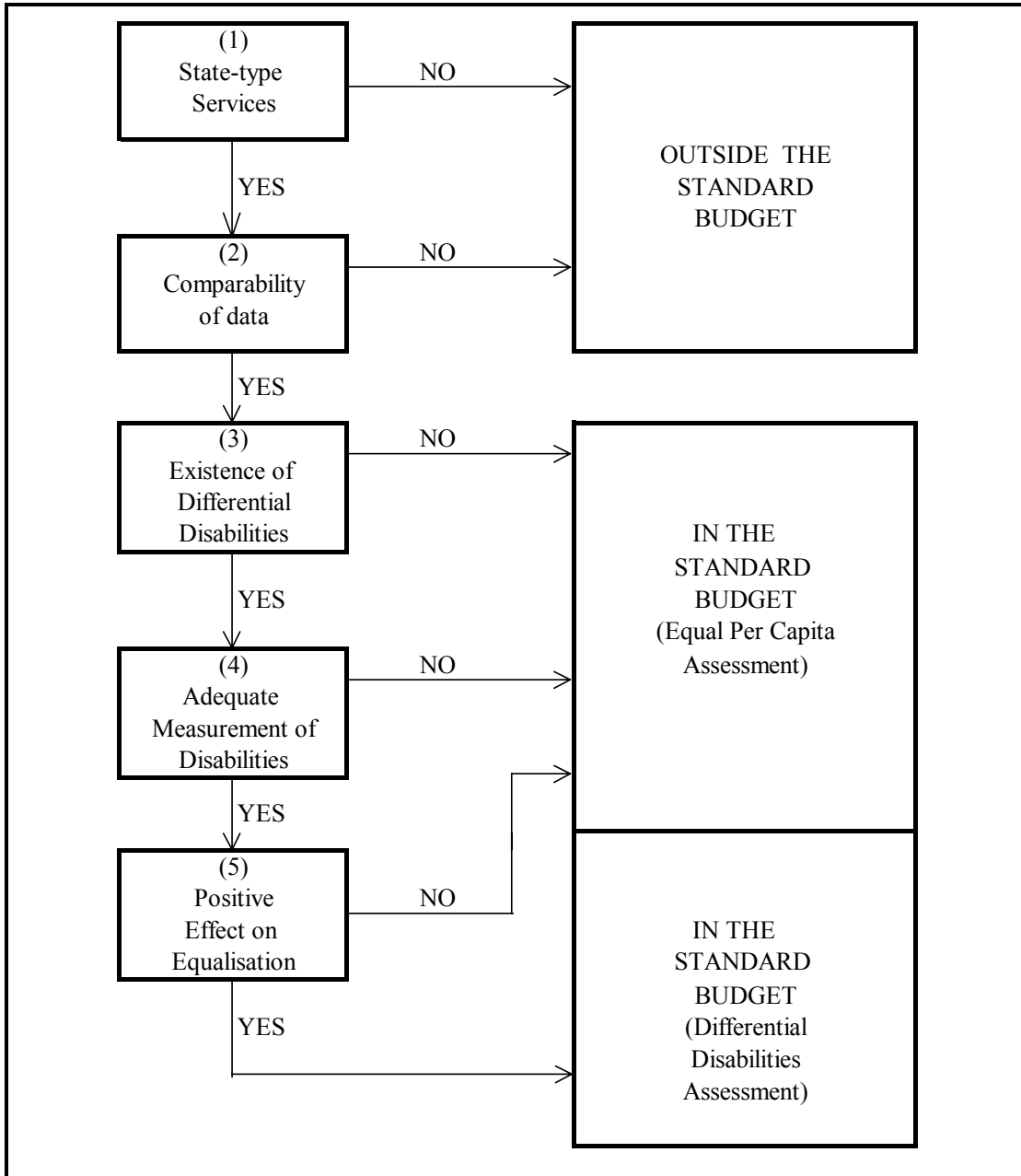
### ***Timetable***

58. As indicated in the 2004 Review Work Program, a Commission conference to discuss the priority issues of principle, of which the Simplicity project is one, is scheduled for June 2001.

### SCOPING GUIDELINES

1. Figure A-1 sets out the Scoping Guidelines.

**Figure A-1** APPLICATION OF SCOPING GUIDELINES



**GRANT EFFECTS OF EXPENDITURE CATEGORIES AND FACTORS**

1. Table B-1 shows the grant effect in ascending order of every expenditure category assessed in the 2000 Update. Grant effects greater than the 1.0 per cent threshold are bolded.

2. Table B-2 provides the cumulative effect of removing factors grouped in tens and ranked by their impact on grant share.

3. Table B-3 shows the grant effect in ascending order of every factor assessed by the Commission in the 2000 Update. Grant effects greater than the 0.5 per cent threshold are bolded.

**Table B-1** GRANT EFFECTS OF CATEGORY ASSESSMENTS IN ASCENDING ORDER

Category	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Law and Order Fees & Fines	-0.1	-0.3	0.1	-0.6	0.2	0.3	0.2	0.2	1.0
Vocational Education and Training User Charges	-1.4	-0.5	1.1	-0.2	0.3	0.3	-0.1	0.6	2.2
National Parks and Wildlife Services User Charges	1.0	1.3	0.0	-0.8	0.4	-0.5	-0.2	-1.3	2.8
Hospital Patient Fees	-0.7	-3.5	2.7	-0.2	-0.2	0.4	0.2	1.3	4.6
Regulatory and Other Services User Charges	-1.4	-1.9	1.6	-1.4	1.6	0.6	0.7	0.1	4.6
Aboriginal Community Services User Charges	1.5	3.2	-0.9	-0.9	0.2	0.1	0.2	-3.4	5.2
Pre-school Education	-0.9	-5.1	1.4	1.1	-1.3	1.2	-0.1	3.7	7.4
Manufacturing & Other Industry	-3.2	-1.8	-4.0	0.6	0.1	2.1	2.8	3.3	9.0
Nursing Homes	5.2	0.9	-4.2	-2.8	2.8	0.4	-1.4	-0.9	9.2
Other Concessions	1.6	-0.8	-0.2	-4.3	6.0	2.7	-3.0	-2.1	10.4
Mental Health	-0.3	-5.0	-5.2	2.5	0.7	0.6	0.3	6.4	10.5
Electricity and Gas	-3.1	-5.3	3.5	1.5	4.1	1.7	-2.7	0.4	11.2
Tourism	-7.9	-4.9	-2.8	1.6	1.1	3.1	3.3	6.4	15.6
Non Urban Passenger Transport	2.6	-8.4	11.5	-3.8	-2.4	2.7	-2.5	0.4	17.2
Public Health	3.4	-8.2	-8.5	1.6	-0.6	2.2	3.4	6.7	17.3
Subsidies – Alcohol Products	-11.3	-5.4	2.1	9.0	7.0	-0.9	-0.8	0.3	18.3
Property Titles	-7.3	16.9	-10.9	-5.4	3.6	1.3	1.1	0.7	23.6
Roads User Charges	-14.3	-10.5	9.1	4.8	3.8	3.4	2.3	1.4	24.7
Other Welfare	-8.9	-16.5	7.2	3.0	1.2	2.5	-1.0	12.5	26.4
Primary Industry User Charges	21.0	5.1	-10.0	-9.4	-10.1	-2.7	<b>5.5</b>	0.7	32.2
Public Safety & Emergency Services User Charges	-19.2	-9.9	8.7	-6.0	14.9	8.4	0.5	2.6	35.2
Aged & Disabled Welfare	17.9	1.3	-28.2	-6.8	13.7	3.6	-5.1	3.6	40.1
Housing Net	4.0	-39.7	-2.9	4.2	0.5	6.9	3.7	<b>23.2</b>	42.6
Public Safety & Emergency Services	32.8	4.3	-26.6	-1.4	-13.2	-1.9	0.8	5.3	43.1
Culture & Recreation	-19.8	-16.5	-9.5	7.0	3.4	8.5	<b>11.1</b>	<b>15.8</b>	45.9
Water Supply & Sewerage	-11.1	-19.3	-12.9	0.5	<b>47.9</b>	-0.3	-5.0	0.1	48.5
Family & Child Welfare	-11.9	-35.3	10.6	9.6	-5.6	4.6	-1.5	<b>29.7</b>	54.4
First Home Owners Scheme	-38.9	4.0	-5.4	<b>50.6</b>	-8.2	-5.1	3.2	-0.2	57.8
Urban Transit Net	-35.7	7.0	15.5	6.4	26.5	<b>-16.3</b>	<b>6.9</b>	-10.3	62.3
Transport Rural School Children	-29.5	-24.9	45.3	2.1	1.2	9.2	<b>-8.6</b>	5.1	63.0
Mining, Fuel & Energy	-32.0	-25.6	-1.4	<b>50.5</b>	-3.9	1.7	-1.7	12.3	64.4
Non-Government Primary	-2.6	53.7	-44.1	-4.7	-9.9	-2.3	<b>11.4</b>	-1.4	65.0

**Table B-1** GRANT EFFECTS OF CATEGORY ASSESSMENTS IN ASCENDING ORDER (Continued)

Category	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regulatory & Other Services	-31.5	-20.0	-14.7	11.4	-0.2	<b>12.3</b>	<b>16.8</b>	<b>25.8</b>	66.3
National Parks & Wildlife Services	-20.7	-38.3	-10.7	<b>31.7</b>	8.2	1.5	2.4	<b>25.8</b>	69.7
Corrective Services	16.1	-60.2	0.1	12.8	-10.9	2.0	0.6	<b>39.5</b>	71.1
Administration of Justice	-25.4	-40.8	6.8	16.1	-6.1	4.7	<b>7.1</b>	<b>37.6</b>	72.3
Vocational Education and Training	-43.5	-19.5	5.8	18.6	-11.7	2.9	<b>13.1</b>	<b>34.2</b>	74.7
Superannuation	-5.7	-64.4	-8.6	23.9	2.9	<b>11.9</b>	<b>-12.1</b>	<b>52.2</b>	90.8
Aboriginal Community Services	-43.0	-40.5	4.5	7.8	-6.8	-3.0	-2.8	<b>83.8</b>	96.1
Non-Government Secondary	-62.6	-16.7	<b>58.8</b>	29.1	-9.8	-7.7	<b>9.5</b>	-0.6	97.4
Police	-24.0	-54.1	-2.9	<b>31.2</b>	-21.5	1.3	<b>9.7</b>	<b>60.3</b>	102.5
Primary Industry	-70.0	-34.0	20.5	<b>43.0</b>	24.2	9.7	<b>-14.2</b>	<b>20.8</b>	118.2
Roads	16.7	<b>-88.9</b>	-27.8	<b>49.7</b>	-4.8	8.5	<b>-6.6</b>	<b>53.3</b>	128.3
Other General Public Services	-65.2	-46.5	-25.4	14.4	10.6	<b>29.2</b>	<b>33.3</b>	<b>49.6</b>	137.1
Hospitals	8.2	<b>-71.6</b>	<b>-57.8</b>	12.4	<b>55.3</b>	<b>20.0</b>	<b>-34.7</b>	<b>68.2</b>	164.1
Community Health	-59.5	<b>-90.5</b>	25.3	<b>36.0</b>	-9.1	4.7	<b>-9.1</b>	<b>102.3</b>	168.2
Depreciation	<b>136.0</b>	-32.7	<b>-75.6</b>	-23.7	-14.6	<b>-13.7</b>	<b>-8.0</b>	<b>32.4</b>	168.5
Government Primary	-9.8	<b>-147.8</b>	23.4	<b>48.9</b>	-19.4	<b>24.5</b>	2.1	<b>78.2</b>	177.1
Government Secondary	-59.6	<b>-179.5</b>	<b>79.7</b>	<b>107.7</b>	-19.9	<b>26.4</b>	<b>6.3</b>	<b>39.0</b>	259.0
Debt Charges	<b>258.4</b>	<b>-116.2</b>	<b>-158.4</b>	-21.6	-12.4	<b>-12.4</b>	<b>-41.8</b>	<b>104.4</b>	362.8

**Table B-2** CUMULATIVE EFFECT OF REMOVING FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Removing 10 smallest	2.5	2.2	-1.4	0.0	-0.2	-0.4	-1.3	-1.5	4.7
Removing 20 smallest	1.5	2.2	0.2	0.3	1.1	0.0	-0.5	-4.8	5.3
Removing 30 smallest	9.0	7.7	-5.5	0.5	-0.3	-1.4	-1.4	-8.5	17.1
Removing 40 smallest	10.4	13.8	-9.6	2.1	-3.4	-2.7	0.8	-11.4	27.1
Removing 50 smallest	16.2	29.4	-5.4	0.3	-4.1	-4.6	2.3	-34.1	48.2
Removing 60 smallest	7.0	67.5	-3.1	4.9	-7.3	-10.6	-1.8	-56.6	79.4
Removing 70 smallest	13.9	90.9	-10.8	-4.2	3.4	-14.9	5.6	-83.8	113.8
Removing 80 smallest	17.3	135.6	-23.4	-25.9	1.8	-15.8	10.7	-100.3	165.4
Removing 90 smallest	69.0	153.9	-10.4	-32.4	-19.4	-30.0	2.8	-133.7	225.8
Removing 100 smallest	74.4	246.8	-29.3	-60.5	-16	-17.7	4.8	-202.6	326.1
Removing 110 smallest	81.6	364.9	-0.8	-124.6	-32.7	-5.0	9.4	-292.9	456.0
Removing 120 smallest	246.7	389.4	-10.9	-239.8	-18.2	-19.6	36.9	-384.5	673.0
Removing 130 smallest	-29.9	1152.0	90.4	-519.1	-11.8	-42.5	124.5	-763.7	1367.0
All Factors	219.6	1299.1	164.0	-559.3	-69.8	-152.2	9.5	-911.0	1692.4
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Removing 10 smallest	0.39	0.48	-0.39	0.01	-0.18	-0.91	-4.00	-7.89	0.25
Removing 20 smallest	0.24	0.47	0.07	0.18	0.68	-0.08	-1.60	-25.00	0.28
Removing 30 smallest	1.40	1.65	-1.58	0.25	-0.24	-2.99	-4.37	-44.40	0.91
Removing 40 smallest	1.63	2.95	-2.76	1.13	-2.28	-5.72	2.79	-59.60	1.44
Removing 50 smallest	2.54	6.27	-1.53	0.16	-2.80	-9.74	7.45	-178.05	2.56
Removing 60 smallest	1.10	14.40	-0.89	2.65	-4.91	-22.41	-5.84	-295.70	4.21
Removing 70 smallest	2.18	19.41	-3.10	-2.28	2.24	-31.72	18.26	-438.03	6.04
Removing 80 smallest	2.71	28.94	-6.71	-14.05	1.18	-33.51	34.63	-524.01	8.77
Removing 90 smallest	10.82	32.85	-2.97	-17.54	-13.02	-63.68	9.19	-698.42	11.98
Removing 100 smallest	11.67	52.68	-8.41	-32.76	-10.78	-37.52	15.72	-1058.25	17.30
Removing 110 smallest	12.79	77.89	-0.21	-67.51	-21.98	-10.55	30.44	-1529.65	24.18
Removing 120 smallest	38.69	83.12	-3.11	-129.89	-12.26	-41.69	119.56	-2008.56	35.70
Removing 130 smallest	-4.69	245.90	25.95	-281.17	-7.92	-90.23	403.29	-3988.85	72.51
All Factors	34.44	277.31	47.09	-302.97	-46.88	-323.20	30.89	-4758.14	89.78

**Table B-3** GRANT EFFECTS OF FACTORS IN ASCENDING ORDER

Category	Component	Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
			\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Depreciation	Other Construction	socio-demographic composition	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water supply and sewerage	Non-urban Deficit Subsidies	Interest rate	-0.01	-0.01	-0.01	0.01	0.05	0.11	0.11	0.11	0.01
Non urban passenger	Pensioner Concessions	Interest rate	-0.01	-0.01	-0.01	0.01	0.05	0.11	0.11	0.11	0.01
Pre-school Education	Schools	Service delivery scale	-0.01	-0.14	-0.01	0.03	0.23	0.74	-0.53	0.94	0.05
Law and Order Fees and Fines	Fees	Economic environment	-0.02	-0.07	0.02	-0.31	0.17	0.53	0.73	1.09	0.05
Mental Health	Designated Psychiatric Wards	Hospital Costs	0.02	0.01	-0.21	0.23	0.05	-0.59	0.52	0.88	0.05
Depreciation	UT plant and equipment	Asset Life	-0.07	-0.07	0.21	-0.07	-0.07	-0.07	-0.07	1.52	0.05
Family and Child Services	Children's Services	socio-demographic composition	-0.03	-0.11	0.11	0.16	-0.22	0.16	0.11	1.29	0.06
Non-Gov't Secondary Education	Schools	Cross border - education	-0.17	0.01	0.01	0.01	0.01	0.01	3.11	0.01	0.06
Depreciation	UT construction	Asset Life	-0.09	-0.09	0.27	-0.09	-0.09	-0.08	-0.09	1.94	0.07
Depreciation	Housing	Physical environment	-0.07	-0.17	0.09	0.23	-0.11	0.34	-0.22	3.01	0.08
Mental Health	Designated Psychiatric Wards	Socio-demographic composition	-0.06	-0.22	0.07	0.12	-0.01	-0.10	-0.15	5.36	0.08
Administration of Justice	Civil Courts	Economic environment	0.04	0.08	-0.01	0.48	-0.27	-0.87	-1.12	-1.66	0.08
Roads	Road safety	Socio-demographic composition	-0.05	-0.26	0.07	-0.01	0.13	0.64	0.07	4.08	0.08
Public Health	Preventative health	Socio-demographic composition	0.14	0.17	-0.27	-0.24	0.00	-0.20	-0.24	-0.66	0.09
Mental Health	Community mental health	Socio-demographic composition	0.11	0.28	-0.38	-0.18	-0.02	-0.67	0.12	0.00	0.11
Culture and Recreation	Services	Socio-demographic composition	-0.06	-0.30	0.19	0.20	-0.12	0.19	-0.22	4.97	0.11
Vocational Educational and Training	User Charges	User charges	-0.21	-0.12	0.32	-0.11	0.19	0.58	-0.33	2.87	0.12
Roads	Arterial roads	Urbanisation	0.10	0.34	-0.21	-0.35	-0.34	-0.45	-0.02	-0.56	0.12
Roads	Other Transport	Urbanisation	0.21	0.21	-0.30	-0.31	-0.30	-0.29	-0.30	-0.31	0.13
Hospitals	Non-acute inpatient services	Hospital Costs	0.05	0.03	-0.55	0.62	0.13	-1.58	1.39	2.34	0.14
National Parks and Wildlife Services	User Charges	User charges	0.16	0.29	0.01	-0.44	0.29	-1.09	-0.67	-6.60	0.15
COP-water supply and sewerage	Pensioner Concessions	socio-demographic Composition	0.07	-0.05	-0.02	-0.63	1.10	1.55	-2.64	-3.01	0.15
Gov't Secondary Education	Schools	Cross border -educ	-0.52	0.03	0.03	0.03	0.03	0.03	<b>9.48</b>	0.03	0.17
Community Health	Emergency Departments	Socio-demographic composition	-0.11	-0.42	0.44	-0.09	0.26	0.88	-1.90	5.97	0.18
Housing	Housing rental services	Physical environment	-0.18	-0.46	0.23	0.61	-0.30	0.91	-0.59	8.19	0.21

**Table B-3** GRANT EFFECTS OF FACTORS IN ASCENDING ORDER (Continued)

Category	Component	Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
			\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Manufacturing and Other Industry	Regulation Training and Research	Economic environment	0.33	0.40	-0.51	-0.19	-0.69	-0.92	-0.46	-1.04	0.21
Roads	Bridges	Physical environment	-0.44	0.00	0.79	-0.40	0.10	1.75	-1.35	1.24	0.21
Community Health	Emergency Departments	Economic environment	-0.42	-0.23	0.47	0.55	0.10	0.50	-1.22	5.60	0.22
Hospital Patient Fees	User Charges	Hospital revenue	-0.11	-0.75	0.76	-0.12	-0.10	0.88	0.73	6.67	0.24
Regulatory and Other Services	User Charges	Economic environment	-0.22	-0.39	0.47	-0.74	1.07	1.29	2.10	0.58	0.24
Depreciation	Plant and equipment	Asset Life	-0.35	-0.35	1.01	-0.04	-0.34	-0.34	-0.34	6.16	0.25
Police	Police	Service delivery scale	-0.38	-0.47	0.56	0.35	0.44	0.09	-0.50	7.85	0.25
Pre-school Education	Schools	socio-demographic composition	-0.14	-0.60	0.72	-0.02	-0.64	1.33	-0.75	9.41	0.26
Depreciation	Housing	Construction cost	0.57	-0.40	-0.74	-0.02	-0.36	0.22	1.42	4.67	0.27
Aboriginal and Community Services	User Charges	User charges	0.23	0.68	-0.25	-0.49	0.11	0.24	0.67	-17.54	0.27
Primary Industry	Soil Conservation	Physical environment	-0.28	-0.57	0.38	2.25	-0.02	-0.42	-3.07	1.03	0.30
Regulatory and Other Services	Job Creation	Socio-demographic composition	-0.58	-0.21	0.74	-0.43	0.69	1.68	-1.87	8.62	0.32
Mental Health	Psychiatric institutions	socio-demographic composition	0.49	0.21	-0.72	-1.15	1.57	0.19	-3.96	-3.67	0.35
Gov't Secondary Education	Vandalism	Vandalism and security	0.44	0.81	-0.99	-0.59	-0.48	-1.56	-0.86	-1.90	0.35
Housing	Housing rental services	Building Maintenance	0.77	-0.54	-1.00	-0.02	-0.49	0.30	1.75	6.35	0.36
Gov't Secondary Education	Schools	Grade cost	0.39	0.81	-1.09	-1.36	-0.44	-0.26	2.68	0.02	0.38
Gov't Primary Education	Vandalism	Vandalism and security	0.52	0.95	-1.17	-0.70	-0.57	-1.83	-1.01	-2.24	0.41
Depreciation	Other construction	Asset Life	-0.58	-0.58	1.69	-0.07	-0.57	-0.57	-0.57	10.33	0.42
Culture and Recreation	Services	Economic environment	-0.54	-0.54	-0.55	1.42	1.39	3.26	3.31	3.39	0.42
National Parks and Wildlife Services	Aboriginal Involvement in Parks	Socio-demographic composition	-0.57	-0.96	0.41	1.29	-0.48	-0.52	-0.89	28.83	0.49
Land Rights	Common Factor	Land rights	-0.51	-0.51	-0.51	-0.51	-0.50	-0.49	-0.50	<b>49.31</b>	0.50
Mental Health	Community mental health	Economic environment	-0.96	-0.54	1.09	1.27	0.23	1.15	-2.80	12.88	0.50
Depreciation	Plant and equipment	Socio-demographic composition	-0.13	-1.75	0.85	1.32	-0.19	2.37	-1.65	17.15	0.52
COP-other concessions	Other concessions	Socio-demographic composition	0.26	-0.17	-0.05	-2.35	4.03	5.70	<b>-9.55</b>	-10.99	0.55
Public Safety and Emergency Services	Natural disaster relief	Physical environment	1.39	-0.69	-0.85	-1.21	-1.26	-1.42	-1.44	13.15	0.60
Other Welfare	Other Welfare	Socio-demographic composition	-0.55	-1.42	1.17	0.24	0.95	2.42	-4.85	23.78	0.62
Depreciation	Buildings	Asset Life	-0.87	-0.87	2.52	-0.11	-0.86	-0.85	-0.86	15.46	0.62

**Table B-3** GRANT EFFECTS OF FACTORS IN ASCENDING ORDER (Continued)

Category	Component	Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
			\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Aged and Disabled Welfare	Disability Services	Socio-demographic composition	-0.68	-1.03	0.81	1.67	-1.51	-0.72	2.10	27.31	0.63
Community Health	Outpatients	Socio-demographic composition	0.52	-0.83	-0.32	-1.83	2.78	2.00	<b>-11.39</b>	18.43	0.63
Depreciation	Other construction	Construction cost	1.37	-0.97	-1.79	-0.04	-0.88	0.53	3.43	11.28	0.65
Input Costs Scale Affected	Common Factor	Input costs scale Affected	1.52	-0.39	-2.07	0.68	-1.88	-0.74	2.40	2.76	0.65
National Capital	Common Factor	National capital	-0.66	-0.66	-0.66	-0.67	-0.65	-0.64	<b>39.59</b>	-0.67	0.65
Vocational Educational and Training	Institutes	Service delivery scale	-0.85	-1.11	0.60	1.12	1.38	6.38	-6.16	17.15	0.66
Other Welfare	Supported Accom Assistance	Socio-demographic composition	-0.68	-1.62	1.29	0.80	0.24	1.75	-2.66	29.11	0.68
Primary Industry	Brucellosis Eradication	Brucellosis	-0.98	-0.95	0.02	1.90	-0.87	-0.87	-1.02	<b>47.80</b>	0.68
National Parks and Wildlife Services	Visitor impact	Economic environment	-0.74	-1.35	-0.03	2.09	-1.38	5.14	3.14	31.15	0.70
Housing	Rent revenue	Public Housing Tenant Income	1.39	0.51	-2.28	-1.61	1.05	-0.47	1.48	-11.26	0.70
Aboriginal and Community Services	Non-Remote Community Gov't	Socio-demographic composition	-0.13	-1.71	3.24	-1.45	-0.34	-1.74	-1.76	11.09	0.71
Roads	Bridges	Bridge maintenance	0.35	-0.49	1.26	-2.46	-4.68	9.85	-0.37	13.94	0.74
Depreciation	Plant and equipment	Population concentration	0.80	1.92	-2.49	-1.04	-0.09	-2.93	-3.44	-4.97	0.75
COP-electricity and gas	Electricity and gas	Socio-demographic composition	-0.68	-1.50	1.35	1.29	3.33	4.35	<b>-11.02</b>	3.51	0.78
Native Title Administration	Common Factor	Native Title Administration	-1.13	-1.11	1.38	3.00	-0.88	-1.53	-1.51	23.82	0.79
Regulatory and Other Services	General regulatory services	Economic environment	0.71	1.31	-1.55	2.41	-3.53	-4.24	-6.94	-1.88	0.80
Nursing Homes	Nursing Home Residents	Socio-demographic composition	0.68	0.33	-0.95	-1.66	2.14	0.62	-4.97	-7.57	0.50
Public Health	Expenditure on HIV/AIDS	Socio-demographic composition	2.53	-0.71	-1.48	-1.60	-1.89	-2.77	-1.17	-1.26	0.86
COP-non urban passenger	Pensioner Concessions	Socio-demographic composition	0.21	-1.76	3.62	-2.13	-1.40	5.55	-8.44	1.40	0.89
Depreciation	Other construction	Population concentration	1.01	2.41	-3.13	-1.31	-0.11	-3.69	-4.34	-6.26	0.94
Depreciation	Buildings	Construction cost	2.04	-1.45	-2.68	-0.06	-1.32	0.80	5.14	16.87	0.97
Alcohol subsidies	Alcohol subsidies	Subsidy	-1.76	-1.13	0.60	4.88	4.63	-1.91	-2.59	1.57	0.97
COP-water supply and sewerage	Non-urban Deficit Subsidies	Socio-demographic composition	0.60	-2.63	2.88	-0.47	-0.70	7.48	<b>-13.34</b>	4.97	0.97
Non-Gov't Primary Education	Schools	Non-govt schools cost	-1.01	-2.05	1.96	5.47	-0.66	-2.83	0.49	6.77	0.98
Depreciation	Buildings	Socio-demographic composition	-0.24	-3.30	1.61	2.49	-0.35	4.46	-3.12	32.33	0.98
Roads	Local roads	Local road maint	-1.19	-2.06	0.49	4.47	2.22	-2.02	-2.05	29.07	1.00

**Table B-3 GRANT EFFECTS OF FACTORS IN ASCENDING ORDER (Continued)**

Category	Component	Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
			\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Vocational Educational and Training	Institutes	Cross border -vet	-2.74	3.15	-0.26	0.03	0.65	-3.27	<b>13.04</b>	0.50	1.05
Family and Child Services	Residential Care	Socio-demographic composition	-0.83	-2.64	2.23	1.30	-0.86	3.81	-5.76	<b>45.68</b>	1.10
Cross Border	Common Factor	Cross border	-3.27	0.04	0.04	0.04	0.04	0.04	<b>65.79</b>	0.05	1.11
Community Health	Community Health	Economic environment	-2.20	-1.24	2.50	2.91	0.54	2.63	-6.43	29.59	1.16
Gov't Secondary Education	Schools	Service delivery scale	-1.49	-1.95	1.05	1.98	2.43	11.26	<b>-10.85</b>	30.22	1.17
Depreciation	Buildings	Population concentration	1.04	3.23	-4.95	-1.69	0.30	-2.71	-2.00	-0.08	1.18
Hospitals	Non-acute inpatient services	Socio-demographic composition	-0.49	1.49	-1.58	-3.70	8.13	8.74	<b>-18.60</b>	-10.42	1.23
National Parks and Wildlife Services	Conservation	Urbanisation	3.38	-0.65	-4.24	0.63	0.43	-6.39	-4.23	-6.23	1.24
Property Titles	User Charges	User charges	-1.15	3.59	-3.11	-2.90	2.44	2.77	3.56	3.42	1.25
Roads	Toll revenue	Road toll factor	-2.23	-2.22	2.59	2.59	2.53	7.16	7.26	7.46	1.31
Family and Child Services	Juvenile Detention	Socio-demographic composition	-0.87	-3.57	1.72	2.33	-1.80	2.86	-3.30	<b>74.71</b>	1.38
Police	Police	Socio-demographic composition	1.60	-1.39	-1.31	-1.08	-9.12	-2.69	-7.19	<b>104.20</b>	1.60
Hospitals	Acute inpatient services	Hospital Costs	0.57	0.29	-6.28	7.08	1.53	<b>-18.17</b>	<b>15.93</b>	26.86	1.61
Non-Gov't Secondary Education	Schools	Non-govt schools cost	-0.24	-5.73	5.25	3.95	-0.69	-3.26	1.48	25.67	1.64
Aboriginal and Community Services	Remote Essential Services	Service delivery scale	-2.35	-2.71	0.06	4.77	-1.06	-2.22	-2.67	<b>115.61</b>	1.65
Primary Industry	User Charges	Economic environment	3.27	1.08	-2.86	-5.05	-6.77	-5.77	<b>17.85</b>	3.47	1.70
Depreciation	UT construction	Construction cost	2.06	3.17	-4.78	1.37	1.34	<b>-16.09</b>	<b>-16.33</b>	-16.76	1.72
Depreciation	Housing	Socio-demographic composition	1.41	-5.85	3.50	-2.49	4.29	3.32	-1.62	17.76	1.72
Community Health	Outpatients	Economic environment	-3.33	-1.88	3.79	4.41	0.81	3.98	<b>-9.74</b>	<b>44.81</b>	1.75
Hospitals	Cost of Patient Transport	Cost of Patient Transport	-0.83	-4.69	5.60	5.51	-2.54	-3.14	-5.97	24.75	1.83
Public Safety and Emergency Services	Fire insurance levy revenue	Unimproved Value of Land	-3.01	-2.11	2.49	-3.25	<b>9.97</b>	<b>17.86</b>	1.73	13.46	1.86
Gov't Primary Education	Schools	Service delivery scale	-2.06	-4.65	2.31	4.53	4.71	<b>12.66</b>	<b>-11.11</b>	<b>46.77</b>	2.03
Public Safety and Emergency Services	Fire Brigade Expenditure	Economic environment	4.02	2.76	-5.49	-0.76	-7.33	-6.77	-6.00	-10.75	2.05
Mining, Fuel and Energy	Regulation Training and Research	Economic environment	-3.12	-3.65	0.91	<b>20.24</b>	-2.65	-2.02	-6.37	17.45	2.33
National Parks and Wildlife Services	Conservation	Physical environment	-3.61	-4.58	1.37	<b>7.84</b>	4.87	6.30	6.28	<b>68.26</b>	2.36

**Table B-3** GRANT EFFECTS OF FACTORS IN ASCENDING ORDER (Continued)

Category	Component	Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
			\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Aboriginal and Community Services	Remote Community Government	Socio-demographic composition	-3.38	-3.88	1.46	3.86	-2.15	-3.43	-3.83	<b>174.80</b>	2.42
Depreciation	UT construction	Capital Requirement	<b>7.27</b>	0.15	-5.91	-6.58	-3.95	<b>-11.94</b>	0.39	-15.27	2.50
Administration of Justice	Criminal Courts	socio-demographic composition	-2.08	-6.27	3.81	5.20	-3.37	2.04	-0.13	<b>124.75</b>	2.53
Depreciation	UT plant and equipment	Capital Requirement	<b>7.61</b>	0.15	-6.19	-6.89	-4.14	<b>-12.50</b>	0.41	-15.99	2.62
Vocational Educational and Training	Institutes	socio-demographic composition	-3.30	-3.40	4.88	6.30	-7.81	-4.98	<b>18.97</b>	<b>86.10</b>	2.70
COP-water supply and sewerage	Non-urban Deficit Subsidies	Physical environment	-2.48	-1.84	-5.36	1.02	<b>33.03</b>	-6.33	<b>-13.33</b>	-4.73	2.71
Transport of Rural School Children	Schools	socio-demographic composition	-4.46	-1.45	<b>11.93</b>	-4.71	-1.98	<b>27.49</b>	<b>-26.56</b>	3.04	2.92
Aged and Disabled Welfare	Aged Services	socio-demographic composition	3.35	3.50	-7.42	<b>-7.98</b>	<b>12.39</b>	2.80	<b>-29.03</b>	<b>-41.71</b>	3.05
First Home Ownership Scheme	First Home Owners Scheme	First Home Buyers	-6.07	0.85	-1.55	<b>27.30</b>	-5.50	-10.83	<b>10.36</b>	-1.04	3.06
Corrective Services	Prisons	socio-demographic composition	3.66	<b>-10.58</b>	0.99	4.10	-6.06	-0.20	-4.99	<b>135.11</b>	3.20
Housing	Rent revenue	Socio-economic composition	-3.29	<b>11.43</b>	-6.74	6.37	<b>-10.25</b>	-5.26	2.31	-19.95	3.50
Community Health	Community Health	socio-demographic composition	-2.19	<b>-9.38</b>	4.42	<b>8.65</b>	-3.81	-0.93	<b>-12.22</b>	<b>190.25</b>	3.60
Primary Industry	Regulation Training and Research	Economic environment	<b>-7.89</b>	-2.53	6.70	<b>12.52</b>	<b>16.29</b>	<b>13.36</b>	<b>-42.86</b>	-8.45	4.08
Non-Gov't Secondary Education	Schools	socio-demographic composition	<b>-9.02</b>	2.67	<b>11.18</b>	<b>11.20</b>	-6.10	<b>-15.24</b>	<b>22.08</b>	-26.94	4.19
Non-Gov't Primary Education	Schools	socio-demographic composition	0.71	<b>13.78</b>	<b>-14.28</b>	<b>-7.84</b>	-6.43	-3.99	<b>32.79</b>	-18.41	4.20
Superannuation	Superannuation services	Expenditure relativities	-0.69	<b>-13.52</b>	-2.33	<b>12.77</b>	1.73	<b>23.95</b>	<b>-41.00</b>	<b>267.02</b>	4.70
Housing	Housing rental services	socio-demographic composition	3.50	<b>-17.40</b>	<b>10.51</b>	-5.53	<b>10.42</b>	11.45	-5.88	<b>71.40</b>	4.96
Roads	Arterial roads	Use, length and environment	4.97	<b>-12.16</b>	<b>-8.54</b>	<b>19.84</b>	2.72	-1.78	<b>-28.97</b>	<b>126.33</b>	5.12
Urban Transit	Public Transport Users	Demand	<b>-9.23</b>	2.65	7.59	5.93	<b>29.90</b>	<b>-57.99</b>	<b>29.40</b>	<b>-90.24</b>	5.49
Hospitals	Acute inpatient services	socio-demographic composition	-1.81	<b>-7.42</b>	-1.73	<b>-9.38</b>	<b>38.93</b>	<b>45.67</b>	<b>-131.52</b>	<b>160.58</b>	5.85
Gov't Primary Education	Schools	socio-demographic composition	0.61	<b>-21.32</b>	<b>10.12</b>	<b>11.49</b>	-9.04	<b>36.09</b>	1.83	<b>185.06</b>	6.01
Isolation	Common Factor	Isolation	<b>-9.08</b>	<b>-8.93</b>	<b>-8.57</b>	<b>14.41</b>	-7.04	<b>22.51</b>	-0.50	<b>538.32</b>	7.44
Gov't Secondary Education	Schools	socio-demographic composition	<b>-7.98</b>	<b>-32.81</b>	<b>27.54</b>	<b>47.74</b>	-8.37	<b>42.01</b>	3.59	<b>63.07</b>	11.51
Dispersion	Common Factor	Dispersion	<b>-11.54</b>	<b>-31.63</b>	<b>24.85</b>	<b>62.81</b>	<b>-12.35</b>	-5.82	<b>-68.77</b>	<b>321.72</b>	14.01
Input Costs Other	Common Factor	Input costs other	<b>33.59</b>	<b>-9.07</b>	<b>-45.53</b>	<b>15.60</b>	<b>-41.25</b>	<b>-17.40</b>	<b>51.85</b>	<b>61.36</b>	14.36

**Table B-3** GRANT EFFECTS OF FACTORS IN ASCENDING ORDER (Continued)

Category	Component	Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
			\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Debt Charges	Global factors	Expenditure relativities	<b>40.34</b>	<b>-24.68</b>	<b>-45.29</b>	<b>-11.64</b>	-8.26	<b>-26.19</b>	<b>-134.76</b>	<b>542.70</b>	19.16
Administrative Scale	Common Factor	Administrative scale	<b>-39.13</b>	<b>-31.41</b>	<b>-21.14</b>	<b>21.79</b>	<b>38.95</b>	<b>232.97</b>	<b>372.40</b>	<b>769.30</b>	24.95

Numbers calculated using U2000 GST Analysis of relativities without interactions.

## REVENUE ASSESSMENTS

*Use Sub-global Measures*

1. If we were to make greater use of sub-global measures, we would start from the sort of measures shown in Table C-1. The table shows a diversity of capacities. How well do these sorts of measures relate to the capacity of State governments to raise particular taxes?

**Table C-1** REVENUE CAPACITIES IMPLIED BY SUB-GLOBAL MEASURES<sup>(a)</sup>

Global revenue base	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Gross State Product	104.58	102.45	88.61	111.22	87.39	76.56	123.00	106.50	100.00
State Final Demand	101.57	96.97	95.33	105.87	88.74	85.40	190.59	127.59	100.00
Turnover of Retail Establishments	105.11	92.33	99.91	106.25	92.83	94.11	113.42	109.16	100.00
Compensation of Employees	105.72	102.54	89.24	97.25	87.94	78.72	163.20	112.26	100.00
Compensation Private	110.17	108.59	84.94	68.82	119.34	72.38	51.30	116.43	100.00
Persons Employed	98.69	100.41	100.65	104.87	96.90	91.40	110.65	104.05	100.00
HDI	105.23	101.90	89.86	98.51	93.84	84.07	139.26	99.80	100.00
Private Consumption	103.47	100.22	95.88	109.52	87.65	81.41	100.08	106.67	100.00
House Price Index <sup>(b)</sup>	104.62	92.99	113.25	90.80	92.70	102.41	160.03	103.39	100.00
Private Housing Investment	106.49	93.27	115.55	115.73	65.94	63.84	86.74	137.01	100.00
Mining Value Added	39.04	57.29	108.17	453.01	48.10	35.42	0.00	404.09	100.00
Mining Gross Operating Surplus <sup>(c)</sup>	28.43	65.79	92.86	494.14	53.03	26.89	0.00	416.21	100.00

(a) Average of the years 1994-95 to 1998-99.

(b) ABS *House Price Indexes*.

(c) Average of the years 1996-97 to 1998-99.

*Some Implications of the Use of Sub-global Measures*

2. **Payroll tax.** The existing assessment uses a proxy tax base with most assessment data sourced from the ABS. The calculation of the base is quite complex. It starts with a broad measure of payrolls — ‘compensation of employees’<sup>3</sup>. We narrow this

<sup>3</sup> Includes all forms of compensation to labour including wages and salaries, termination payments, sick and penalty pay, employers’ contributions to superannuation, and income in kind (fringe benefits.)

to compensation paid in the private sector and Government business enterprise sector and make adjustments to allow for the existence of a taxable threshold and for the size distribution of employers. There is added complexity because data on compensation of employees are not available by sector so data on gross earnings by sector are used. We rely on data from the States to estimate the size distribution. Such data can be difficult for some States to provide and there is a question mark over interstate comparability.

3. Would a tax base approach be simpler? No, because of the extent of policy differences in State payroll tax regimes — different thresholds and definitions of taxable wages, for example, the treatment of contract employees, superannuation, and non-cash benefits.

4. Could we use a broader sub-global base? The Constitution limits States' ability to impose payroll taxes on the general government sector of other levels of government. However, thresholds and progressive rate structures are a State policy choice. The Commission could stop making the threshold adjustment because States could tax small employers if they chose to. Indeed, the Productivity Commission has said that taxing them would improve the efficiency of the tax<sup>4</sup>. We could then also stop making the value distribution adjustment as it reflects the effect of the threshold on effective tax rates. But ceasing these adjustments is a retreat from the strict application of measuring disabilities in the context of State policies. Conceptually, this is an important step, though it may not be large materially.

- (i) **Option A.** A broad measure of the base accessed by the States would be *Compensation of Employees* in the private sector only, with no adjustments.
- (ii) **Option B.** A more relevant base would be the compensation paid by private employers and government businesses, with no adjustments. National competition policy requires that States tax the commercial activities of government as if they were private activities.

5. Table C-2 compares the effects of both options with the 2000 Update payroll tax assessment. They redistribute similar amounts, but the interstate impacts are different.

**Table C-2** SUB-GLOBAL PAYROLL TAX ASSESSMENTS EFFECT ON GRANTS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Option A	1.3	-13.0	26.4	-2.3	5.3	-1.0	-4.0	-12.6	33.0
Option B	-3.4	18.0	5.0	6.8	1.3	-2.0	-13.9	-11.8	31.1

6. **Land Revenue.** The current revenue base is the value of commercial and industrial land in each State, with an adjustment for the value distribution of such land. The Commission cannot use tax base data because the land values reported by each

<sup>4</sup> *Directions for State Tax Reform*, Staff Research Paper, Productivity Commission.

Valuer-General are based on differences in valuation dates, methods and scope of properties liable for payroll tax. However, with the help of Valuers-General and a consultant, the Commission excludes policy differences.

7. Can we simplify the assessment method? There is no obvious sub-global measure that would adequately capture differences in land values. We might adopt a broader income measure if we aimed to measure capacity to pay, but if so, should we also consider the wealth of the landowner? The effect of dropping the value distribution adjustment is shown later in the paper to be quite large.

8. We already make simplifying assumptions. One is to exclude the value of all residential land from the revenue base because most States exempt land used for the principal place of residence, or have relatively high taxable thresholds. However, New South Wales imposes land tax on premium residential properties. A purer but more complex approach would be to dissect land taxes into residential and commercial/industrial categories, and adopt a different revenue base for each. However, we think that the extra effort and complexity would not improve the overall accuracy of the results.

9. **Stamp Duty on Conveyances.** The Commission currently uses a tax base calculated from sample data on transactions provided by the States. We incorporate adjustments to rescale the sample data by the ratio of sample receipts to actual revenues' standard, otherwise differences in the coverage of the sample would distort results. We adjust for policy differences on the treatment of goodwill in the sale of businesses, chattels, the scope of dutiable transactions and unit trusts.

10. Could the revenue base be simpler? The revenue base for conveyances was the subject of a research report in 1995. The report found that no sub-global base would adequately capture differences between States in both the value and volume of dutiable transactions. State income has been suggested in the past. While conveyance duties may ultimately fall on income, overseas buyers pay a lot of duty. In addition, income measures do not capture the element of wealth tax in conveyance duties.

11. Under the program of national tax reform, States are to review conveyance duty on business property sometime before 2005. If it were to be abolished, most revenues will come from the sale of residential property. The policy adjustments mostly affect business conveyances and will not be necessary in the future. It may then be possible to look again at broader measures of capacity. For example, the moving annual median price of housing may give a simple guide to the capacity of governments to raise revenue, though it will not capture differences in property turnover.

12. **Financial Transaction Taxes.** This category includes a variety of taxes on financial transactions, including financial institutions duty (FID), debits tax, mortgages and loan security duty, lease duties and various duties on deeds of settlements, agreements, and others.

13. At the last review, the tax base approach was not practicable because of the extent of policy differences and missing data for some States. The Commission assessed the category using a simpler sub-global approach — the value of total private expenditure was used as a proxy for the flow of taxable financial transactions, with two adjustments:

- (i) the size of the capital markets; and
- (ii) the practice of centralising banking to minimise FID liabilities.

The assessment will be simplified over time with the abolition of FID from 1 July 2001, when debits tax is removed in the future.

14. ***Stamp Duty on Shares and Marketable Securities.*** Because of the virtually uniform tax provisions, this category is already a very simple tax base assessment. There are adjustments for the Western Australian policy on share buy backs and capital reductions. The abolition of duty on on-market share transactions from 1 July 2001 will obviate the need for these adjustments. The Commission can best assess remaining revenues from off-market transactions by the per capita difference method if States maintain uniform rates. There is no obvious sub-global measure to reflect the diverse distribution of taxable dealings in securities across the States.

15. ***Gambling Taxation.*** The Commission uses a sub-global base of gross household disposable income (HDI) (discounted by judgment), with revenue raising disabilities for the access of populations to gambling venues and lottery revenue sharing agreements. The latter is now questionable as Tasmania has recently negotiated a more favourable arrangement with Victoria.

16. We could simplify the assessment by excluding the population access adjustment. Technology is making gambling more accessible all the time. Adopting a tax base approach would not be simpler because State government policy choices (present and past) have had a great impact on gambling activity in each State.

17. There is a question as to how well the sub-global base reflects the level of gambling activity that would take place in each State assuming the same policies were being followed. The Commission has already raised Gambling as a category requiring further work closer to the 2004 Review.

18. ***Insurance Taxation.*** The Commission currently assesses the insurance taxation category against a proxy tax base of general insurance ‘earned premiums’ using data from the Australian Prudential Regulation Authority (APRA). This approach seems to be widely accepted. It is simpler and, we believe, more accurate than trying to calculate a tax base from data from each State.

19. The complexities in the assessment arise from efforts to match the total value of earned premiums to the revenue standard. Thus it is necessary to deduct earned premiums on compulsory third party insurance, employers’ liability, reinsurance and fire insurance levies. We have had data problems in making these adjustments, especially in the allocation of some data across State boundaries. These problems will increase with increasing national competition between insurers.

20. None of the sub-global measures in Table C-1 adequately reflect the value of assets insured in each State, and thus the stamp duty that could be raised by each State. However, a simpler sub-global revenue base might be to use the value of general premium revenue by direct insurers without trying to match it so closely to the revenues in the

category. Other potential sub-global bases would be the value of assets in each State but data on this are not yet readily available.

21. **Vehicle Registration Fees and Taxes.** These revenues are split into heavy vehicles, which are covered by a national uniform charging regime, and other vehicles, where State charges are less uniform.

22. The Commission currently uses a proxy tax base that takes into account the number of vehicles registered in each State using data from the ABS annual motor vehicle census. It excludes Commonwealth and diplomatic vehicles because these are generally exempt from State taxes. Because States impose different rates of fees and charges on different classes of vehicles, the Commission allows for differences in the structure of the vehicle fleet by weighting different classes of vehicles according to rates of fees.

23. The complexity in the assessment arises largely from data problems. The classes of vehicle census reported in the ABS census do not necessarily match the classes for which States have differential fees. Data to split States revenues into heavy and light vehicles is also problematic. If such data were better, revenues from heavy vehicles registration fees and charges could be assessed more simply from actual revenues, given uniform charges.

24. A sub-global base might simply be the total number of vehicles on the register with no weightings. It would have the following redistribution.

**Table C-3** GRANT SHARE EFFECT OF WEIGHTS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Vehicle Registrations with no weighting	5.8	18.9	-7.9	-8.3	-7.8	-2.1	1.2	0.2	26.1

25. **Stamp Duty on Motor Vehicle Registrations and Transfers.** The Commission uses a tax base of total value of vehicles sold in each year estimated indirectly from actual revenues and legislated tax rates. The complexity of the estimation is increasing as more States adopt progressive rate structures. Moreover, some States struggle to provide reliable data on revenues collected and values of vehicles sold by value range. We make an adjustment for whether a State levies stamp duty on the list price of new vehicles or the market price. There is a doubt as to how accurate this adjustment is.

26. A simpler sub-global base would be the number of new vehicle sales each year, using ABS data, but we should exclude sales of vehicles to government as these are non-taxable. New vehicle numbers does not capture differences in the values of new vehicle sales, or the differences in sales of used vehicles of second hand sales.

27. **Mining Revenue.** The current revenue base is a sub-global base but it is not a simple measure. The revenue base is a proxy for profitability — value added with adjustments to exclude some costs of production. Because the distribution of mineral resources across States is so dissimilar, and revenue capacities so different, the mining assessment has a large influence on overall relativities, especially on States which are well

endowed. In this case, simplicity is likely to need to take second place to getting as accurate an assessment as possible.

28. The calculation of the revenue base is complicated by a number of factors, including the necessity to adjust value added:

- (i) to exclude off-shore petroleum and gas (because of the revenue sharing arrangements between the Commonwealth and Victoria, Western Australia and the Northern Territory);
- (ii) to exclude uranium for the Northern Territory because of the effect of long-term Commonwealth agreements on royalties;
- (iii) to include an estimate of the quasi-royalties of Queensland’s rail revenue from the haulage of black coal (because Queensland has traded royalties for other forms of revenue); and
- (iv) to include value added for some mining activities (construction and mining nec (notably diamonds) not included in the usual ABS data series.

29. Further, we have to estimate missing data from published sources. We have not quantified the effect of these adjustments because they cannot be readily isolated.

30. Simpler sub-global bases for mining would be either the value added of the sector, or the gross operating surplus. We estimate these would have the effects<sup>5</sup> shown in Table C-4. However, they would overstate the capacities of Victoria, Western Australia and the Northern Territory by including value added (or gross operating surplus) of off-shore petroleum and gas in their measures of capacity. This category demonstrates better than any other that complexities in assessments are often the result of the diversity and complexity of State revenue policies and external factors such as agreements with the Commonwealth.

**Table C-4 GRANT SHARE EFFECT OF MINING SUB-GLOBAL BASES**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Value Added	13.1	-139.9	180.5	-66.3	36.7	-0.1	0.2	-24.3	230.5
Gross Operating Surplus	58.6	-166.4	217.5	-118.7	31.9	2.5	0.2	-25.7	310.8

### ***Conclusion***

31. We have concluded that there is scope to move towards simpler measures for some categories, possibly payroll tax and insurance taxation. There would be a technical

---

<sup>5</sup> We would also need to review the treatment of Western Australian grants in lieu of royalties if capacity was being assessed in the mining assessment. Currently such payments, which average \$90.50 per capita, are treated by inclusion to the detriment of Western Australia’s grant share.

reduction in precision, but no material effects on outcomes. For many other categories, we do not see that there is much scope for simpler assessments.

32. We could simplify some assessments by taking a more rigorous approach to the inclusion of minor adjustments. We suggest that those for Stamp Duty on Shares and Marketable Securities are clearly immaterial. However, those affecting Conveyances and Financial Transaction Taxes are material.

33. A list of the impact of adjustments on revenue bases is in Tables C-5 and C-6

**Table C-5 DATA/POLICY/DISABILITY ADJUSTMENTS**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Payroll Tax</b>								
Embassies and consulates (data)	1.0001	1.0001	1.0001	1.0001	1.0001	1.0001	0.9916	1.0001
Defence forces (data)	0.9999	1.0049	0.9949	1.0028	1.0028	1.0093	0.9530	0.9493
Branch offices (data)	0.9969	0.9921	1.0059	1.0087	1.0009	1.0061	1.0871	1.0453
Agriculture, forestry & fisheries (data)	1.0008	1.0019	0.9979	0.9981	0.9984	0.9903	1.0034	0.9943
Threshold deduction (disability)	1.0041	1.0176	0.9767	0.9953	1.0076	0.9560	0.9222	0.9127
Value distribution (disability)	0.9957	0.9870	1.0307	1.0075	0.9902	1.0124	1.0191	0.9826
<b>Land Revenue</b>								
Value distribution (disability)	1.1305	0.9548	0.9337	0.9183	0.6673	0.4697	1.1171	0.6775
<b>Stamp Duty on Conveyances</b>								
Untaxed goodwill (policy)	1.0000	1.0400	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Classes of transactions (policy)	1.0000	1.0400	1.0000	1.0000	1.0000	1.0000	1.0400	1.0000
Unit trusts (policy)	1.0000	1.0000	0.9700	0.9700	0.9700	1.0000	1.0000	1.0000
Value distribution (disability)	1.0278	0.9234	1.0422	0.9940	0.9765	0.8139	0.9346	0.9242
<b>Financial Transaction Taxes</b>								
Capital market (disability)	1.0379	1.0151	0.9603	0.9537	0.9629	0.9181	0.9784	0.9312
Central banking (disability)	1.0690	1.0009	0.9495	0.9517	0.9318	0.8934	0.9878	0.8699
<b>Stamp Duty on Shares and Marketable Securities</b>								
Share reductions (policy)	1.0000	1.0000	1.0000	0.9819	1.0000	1.0000	1.0000	1.0000
Share buy back (policy)	1.0000	1.0000	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900
<b>Gambling Taxation</b>								
Lotteries agreements (disability)	1.0000	1.0000	1.0000	1.0000	1.0000	0.9800	0.9800	0.9800
Population access (disability)	1.0060	1.0059	0.9933	0.9874	1.0018	1.0034	1.0076	0.8779
<b>Insurance Taxation</b>								
Compulsory third party (data)	0.9653	1.0707	0.9648	1.0584	1.0803	1.0379	0.8304	1.0291
Employers' liability (data)	1.0745	0.8580	1.0802	1.0014	1.0842	0.9417	1.0588	0.9929
Reinsurance (data)	0.9382	1.0469	1.0440	1.0592	1.0605	0.9706	1.0619	1.0618
Fire insurance levy (data)	0.9958	0.9837	1.0517	0.9909	0.9826	1.0005	1.0517	1.0517
<b>Stamp Duty on Motor Vehicle Registrations and Transfers</b>								
List Price/Market price (policy)	1.0000	1.0000	0.9700	1.0000	0.9700	1.0000	1.0000	0.9700
<b>Mining Revenue</b>								
Elasticity (disability)	1.1209	0.7392	1.1215	0.9243	0.8772	0.9616	0.7777	1.1331

**Table C-6 GRANT SHARE EFFECT OF ADJUSTMENTS**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Payroll Tax</b>									
Embassies and consulates	-0.3	-0.3	-0.2	-0.1	0.0	0.0	0.9	0.0	0.9
Defence forces	0.3	-11.3	7.3	-2.3	-1.6	-1.4	5.3	3.7	16.5
Wages of branch offices	9.9	18.5	-8.2	-7.2	-0.5	-0.8	-8.7	-3.0	28.4
Agriculture, forestry etc	2.5	4.4	-3.0	-1.6	-0.9	-1.4	0.4	-0.4	7.3
Threshold deduction	-13.3	-41.4	33.3	3.3	-4.45	6.7	9.1	6.7	59.2
Value distribution	14.0	30.7	-41.7	-6.3	5.8	-1.7	-2.0	1.3	51.7
	3.4	-18.0	-5.0	-6.8	-1.3	2.0	13.9	11.8	31.1
<b>Land Revenue</b>									
Value distribution	-110.3	25.4	19.1	14.1	35.9	12.8	-3.0	6.0	113.3
<b>Stamp Duty on Conveyances</b>									
Untaxed goodwill	11.5	-22.6	5.7	3.0	1.5	0.3	0.4	0.2	22.6
Classes of transactions	12.4	-22.2	6.2	3.2	1.6	0.3	-1.6	0.2	23.9
Unit trusts	-18.4	-8.1	15.7	8.2	4.0	-0.5	-0.6	-0.4	27.9
Value distribution	-46.2	57.5	-33.7	1.2	5.1	10.1	3.4	2.5	79.9
	-39.5	2.2	-6.0	16.4	12.5	10.3	1.5	2.6	45.5
<b>Financial Transaction Taxes</b>									
Capital market adjustment	-40.4	-12.4	21.6	15.1	7.8	5.0	1.1	2.2	52.8
Central banking adjustment	-71.4	0.7	28.3	16.5	14.4	6.4	0.7	4.4	71.4
	-111.9	-11.8	50.0	31.6	22.2	11.4	1.8	6.6	123.7
<b>Stamp Duty on Shares and Marketable Securities</b>									
Share reductions	-0.3	-0.1	0.0	0.5	0.0	0.0	0.0	0.0	0.5
Share buy back	-0.4	-0.3	0.2	0.2	0.1	0.0	0.1	0.0	0.7
	-0.7	-0.4	0.2	0.7	0.1	0.0	0.1	0.0	1.2
<b>Gambling Taxation</b>									
Lotteries agreements	-1.1	-0.8	-0.6	-0.3	-0.2	1.3	1.2	0.5	3.0
Population access	-6.2	-4.4	3.8	4.0	-0.4	-0.2	-0.4	3.9	11.7
	-7.3	-5.2	3.2	3.7	-0.6	1.1	0.7	4.5	13.2
<b>Insurance Taxation</b>									
Compulsory third party	17.9	-16.8	5.9	-4.4	-4.6	-0.6	2.6	-0.1	26.5
Employers' liability	-29.1	43.6	-11.2	1.2	-5.1	1.0	-0.5	0.1	45.9
Reinsurance	28.0	-11.9	-6.6	-5.1	-3.8	0.4	-0.7	-0.4	28.5
Fire insurance levy	1.8	4.4	-7.4	0.9	1.2	0.0	-0.5	-0.3	8.3
	5.1	19.2	-12.4	-4.4	-8.5	0.7	0.7	-0.4	25.7
<b>Stamp Duty on Motor Vehicle Registrations and Transfers</b>									
List Price/Market	-3.4	-2.8	5.5	-1.2	1.9	-0.2	-0.1	0.3	7.7
<b>Mining</b>									
Elasticity	-19.4	14.3	-48.4	43.1	12.1	0.9	0.1	-2.7	70.5
TOTAL	-284.2	22.9	6.2	97.2	74.4	39.0	15.7	28.7	284.2
As % of U2000 GST grant	-3.06	0.35	0.11	3.30	2.67	3.53	2.89	2.22	0.94

**UNIFORM PRESENTATION FRAMEWORK CLASSIFICATIONS**

***Functional Analysis of Expenditures***

General Public Services  
(Defence Commonwealth Function)  
Public Order and Safety  
Education  
Health  
Social Security and Welfare  
Housing and Community Amenities  
Recreation and Culture  
Fuel and Energy  
Agriculture, Forestry, Fishing and Hunting  
Mining and Mineral Resources other than fuels; Manufacturing; and  
Construction  
Transport and Communications  
Other Economic Affairs  
Other Purposes