



***ARCHITECTURE OF
HORIZONTAL FISCAL EQUALISATION:
PRINCIPLES AND INTERPRETATION***

***SUBMISSION BY SOUTH AUSTRALIAN
DEPARTMENT OF TREASURY AND FINANCE***

JUNE 2006

SOUTH AUSTRALIAN SUBMISSION ON ARCHITECTURE OF HORIZONTAL FISCAL EQUALISATION

South Australia has the following comments on issues raised in the Commission's Issues Papers 2006/03 on the so-called 'architecture' of horizontal fiscal equalisation and 2006/04 on contemporaneity.

It is noted that many of these issues have been discussed previously at length, most recently at the meeting with Heads of Treasuries in November 2005, where it seemed clear that there was no agreement that a change to the current definition or scope of HFE was needed.

It is also noted that the terms of reference for the 2010 Review are mostly silent on these matters and that, as acknowledged by the CGC in the architecture Issues Paper, some of the issues raised (such as the objectives of GST distribution, the use of performance equalisation and various accountability requirements on States) go beyond the terms of reference and are matters for government to decide.

Objectives for revenue distribution

- Notwithstanding the previous comment, we reiterate South Australia's support for the HFE principle, which ensures equity among the Australian States and provides them with equal capacity to provide services.
- HFE as developed by the Grants Commission and practised over recent decades has served this country well, and we see no value in departing from present practice.
- As has been made clear on numerous previous occasions, there is no credible evidence of any efficiency costs.
- The alternatives raised in the Issues Paper of an allocation based on where GST is (estimated to be) collected or equal per capita are strongly opposed. The first is not followed by any government – services are provided where and to whom the need arises, with due allowance for costs, not constrained by where and from whom revenue is raised. The same principle means that an allocation based EPC is unacceptable also. It would also mean that States with relative fiscal needs would be unable to provide a comparable level of service without above average increases in taxation.
- It follows that we continue to support fully equalising the (net of own source revenue) capacity of State governments to provide services as an objective, while recognising the practical limitations faced by the Commission in implementing this – and the trade-off at the margin between absolute accuracy and simplicity. It is noted that simplification ought not to mean greater or lesser equalisation transfers unless there is a bias introduced as a part of simplification.

The definition of equalisation

- South Australia sees no need to change the present definition, which as the CGC says has evolved over time to accommodate emerging issues and changes in Commonwealth–State relations.
 - It is instructive that those advocating a change do so in order ‘to reduce the extent of equalisation sought’ (CGC Issues Paper paragraph 21). In our view, equalisation should remain the paramount concern of the CGC and we note that both the Intergovernmental Agreement and the 2010 Review terms of reference refer to a distribution of GST revenues in accordance with HFE principles.
 - It follows that we support the present definition of HFE incorporating the words ‘same standard’ rather than any of the alternative formulations which seek to weaken the application of equalisation.
 - Those advocating change make much of the restricted definition of equalisation adopted internationally, in particular in Canada and Germany. We fail to see why the practices of other countries should be seen as intrinsically superior or why Australian practice should be changed because it attempts a more complete equalisation than others. We do not accept that “international best practice” automatically means the most common practice or the practice elsewhere.
- We oppose any suggestion that equalisation should be about equalising ‘performance’. This would seriously encroach on State autonomy, as well as raising measurement problems which in our view would be incapable of satisfactory resolution. This proposal simply demonstrates that its proponents do not understand that HFE is about equality of capacity, not outcomes *per se*. Each jurisdiction needs the capacity to achieve similar outcomes to other jurisdictions but it is each jurisdiction’s policy decision to implement potentially different community preferences than the average. Similarly, any change to the definition to bring in considerations of the efficient allocation of resources would potentially add substantial complication to the process and to the likelihood of dispute about the assessments. While efficiency is not inconsistent with horizontal equity, the essential rationale for fiscal equalisation in Australia is indeed horizontal equity. It is the interstate dimension of like treatment of like individuals practised intra State and intra nation.
- As well, we strongly dispute any suggestion that the HFE system provides disincentives for States to improve the efficiency of their government services or that it provides disincentives for States to promote economic growth, or that it provides incentives for States to engage in ‘grant-seeking behaviour’ through their revenue or expenditure policies. These assertions have been debated at length before the Commission on numerous occasions, with no credible evidence ever being produced in support of them.
- The assertion that the CGC’s processes run counter to efficiency in government, or even that they penalise it, was effectively refuted in the CGC’s 2006 Update

report. It included the example of a 10% reduction in Victoria's hospitals expenditures (\$456 million) in 2004-05 producing a grants redistribution of just \$1.9 million (with Victoria gaining \$0.9 million).¹ That is, any State cutting its expenditure through greater efficiency (Victoria in this example) keeps all of the benefit.

- We also wish to comment on the notion sometimes floated that equalisation should be restricted to those transferee States 'with small economies'. We do not support this partial application of HFE. To be sure that appropriate HFE transfers are made in respect of each and every State, a comprehensive system is needed, assessing the relative capacities of all jurisdictions.

Interpreting the equalisation principle

- **The 'three pillars of equalisation'**. The CGC has over the years developed the 'three pillars of equalisation' as the defining elements of HFE as practised in this country. We think all three are essential for the maintenance of an equitable funding system.
- As indicated above, any move away from the **first pillar of capacity equalisation** is strongly opposed. It is an essential element of a true federation that States should be given the freedom to determine their own policy priorities as far as possible. In the few instances when national priorities need to be precisely expressed in State spending decisions, the appropriate instrument is a specific purpose payment quarantined from CGC equalisation.
 - We are not convinced of the case for departing from using the per capita net financial requirement (ie per capita deficit after allowing for an average budget result) of State governments as the basis of the assessments. Broadening to include the capacity of 'communities' is not supported.
 - With respect to the voluntary purchase of State type services from the private sector, we think the Commission should continue to be conservative in recognising direct or indirect effects on State budgets. The few instances where such effects are currently assessed are already at the boundary of what we would consider to be appropriate, and any widening would be opposed.
 - There may be merit in assessing the capacity of State and local governments on a combined basis – in that certain differences in the scope of local government (eg Brisbane City Council) as between States are made moot. Local government FAGs could be treated as a quarantined SPP. However, in the absence of an intention of the Commonwealth to equalise the interstate distribution of local government FAGs, the pragmatic approach seems to be to continue to restrict scope to State governments only.
 - The average per capita budget impact of functional categories remains the best way of determining the weight to be given to each function in the

¹ CGC Relative Fiscal Capacities of the States 2006, page 30.

assessments. However, it may still be necessary for the Commission, in assessing cost disabilities, to be cognisant of the gross expenditures and revenues (and the influences on them) lying behind the net impact figures. This occurs now – for example, user charges are generally separately assessed even if hypothecated to particular expenditures – although see later discussion re PTEs.

- This point is illustrated by the hypothetical example of a situation where the average expenditures for a function are matched by hypothecated ‘user’ revenue. Unless a gross assessment is made, relevant disabilities would not be recognised.
- The Commission notes that it equalises the per capita deficit on the ‘operating accounts of State governments’ and also queries whether it would be possible to equalise on the basis of other concepts such as net debt or net wealth.
- In fact the standard budget comprises items that appear in the GFS Operating Statement ie income and expense items arising from GFS defined ‘transactions’. This accounting methodology does not include certain items, notably realised capital gains, that appear in a GAAP operating account. Under GFS, unlike GAAP, there is a systematic treatment given to asset revaluation – with one result being that there are no realised capital gains recorded to contribute to the Operating Statement.
- It can be noted that net worth of State governments arises from an accumulated net operating surplus (on an accrual basis), and Other Economic Flows not defined as transactions (primarily valuation items). Under harmonised GAAP/GFS, Other Economic Flows will appear on the face of the operating statement with the bottom line representing comprehensive net income or change in net worth.
- In the absence of inflation, Other Economic Flows may not give rise to a significant contribution to Net Worth. In the presence of inflation, however, there will be some impact including on the relative contribution of transactions *vis-à-vis* Other Economic Flows, to net worth. Transactions expenses may be boosted, offset by boosted gains recorded as Other Economic Flows. For example, depreciation expense at replacement value (including the effect of inflation) will enter the calculation of net operating balance whereas the corresponding asset revaluation gain will be an Other Economic Flow.
- Land revaluation gains in nominal and real terms will also contribute to Net Worth.
- Aside from the effect, if any, of lack of equalisation of Other Economic Flows, if full equalisation in respect of all items in the Net Operating Statement has always applied, any differences in net worth per capita at any point in time would be attributable to policy differences in fiscal settings (save for errors).
- It is important to note that there would be no differences in net worth per capita attributable to the time pattern of population growth of a State, including capital expenditure requirements in so far as depreciation, net

interest and capital grants etc are subject to annual equalisation. The need for the usage of a stock of capital asset services, in any year, other things equal (eg age composition), is no greater for a stock of population more rapidly expanded in recent years, than the same stock of population less rapidly expanded in recent years.

- In practice, differences in net worth per capita will also reflect the extent to which all expenses and revenues from transactions were not in fact subject to equalisation in the past or were equalised but on a cash basis not on an accrual basis.
- This gives rise to some transitional issues which it is appropriate to recognise in the Commission methodology if long term timing differences between cash and accrual can be clearly specified in respect of current flow items, as now occurs for superannuation expense.
- In respect of the lack of equalisation for capital (depreciation and net interest) expense and capital grants, for the period pre-1999, there might be considered to be a consequential adverse effect on net worth per capita of jurisdictions which tend to have expenditure side needs eg from dispersion, small scale etc; or which would have had expenditure demand needs at the time. (Note that needs for the usage of capital asset services then and now derive from the stock and composition of population and are not positively correlated with prevailing population growth rates *per se*.)
- However, effects from this source and others would be very difficult to unravel. Most of all it would be impossible to identify the counterfactual when jurisdictions' fiscal policy settings themselves, albeit with adverse effects on horizontal equity, would have responded to past deficiencies in scope, coverage and methodology of the Commission. To literally attempt to equalise the stock of net worth rather than the ongoing flows now contributing to net worth would break with a very pragmatic and simplifying approach of 'let bygones be bygones'.
- Similarly, **the second pillar of internal standards** is strongly supported. The present use of an average standard has the considerable advantage that it does not require the CGC to exercise judgement about the type and level of services, and the type and rate of taxes, which States actually employ. This advantage (particularly from the point of view of maintaining simplicity) is lost if the standard is interpreted as an 'ideal' level of services/taxes or is based on the 'most efficient' service providers or revenue collectors, however that may be determined.
 - The level of service provided by each State, and the tax effort made, is best left to be judged by its community, and we would say there is no better test.
 - We would also maintain, while acknowledging the push for simpler assessments, that 'what States actually do' is best captured by a detailed examination of discrete expenditures and tax bases, that is, what is done by the Commission now. Certainly, to go too far down the aggregation track is to run the risk of losing sight of what States actually do.

- We do not support interpreting what States do in terms of the ‘policy objectives’ States seek to achieve. This would entail the CGC making many more judgements than at present, and would raise significant measurement problems. However, see comments below on the scope of HFE.
- The question is asked if ‘the same effort to raise revenue’ should be interpreted to encompass the same policies for creating or growing the tax base. Aside from the current practice of determining whether all States make the same effort in terms of coverage of particular taxes, we would not support a broadening here. It is axiomatic that all governments strive to maximise living standards and promote an optimal allocation of resources, and grow their economies to the greatest extent possible – and if they don’t, their electorates offer their judgement of performance every electoral cycle. Further, it is very difficult to see how the CGC, in order to assure no grant design effects, could be expected to judge whether some economic and growth policies (and expenditures) are justified or effective and some are not. The Commission’s present principle of neutrality in regard to industry attraction and development expenditures (through an equal per capita assessment) is a sound one and it should not be varied lightly. In terms of the question asked in the Issues Paper, such an assessment could not be done in a simple and robust way.
- We note also that any examination of policies for ‘creating’ or growing tax bases presumably would first start with the reconsideration of elasticity effects on tax bases of differential tax rates themselves. Even this less ambitious step would potentially significantly increase the complexity of the assessments.
- Considering the expenditure side, all States undertake some form of expenditure that is intended to encourage or support economic development. Economic development activity is inextricably linked with State government policy and any quantification would have to involve significant judgement by the CGC. Even assuming economic development expenses could be defined and quantified, assessing disabilities would also require judgement by the CGC as to what was strictly necessary expenditure by State governments, and what expenditure was due to State policy attitude.
- It is not clear where economic development activities finish and social and cultural development starts. As well, any definition that attempts to narrowly define specific projects as an economic development activity will be biased towards those States whose comparative advantage is in industries which favour large projects, such as mining. Other States may have a comparative advantage in an industry that is primarily made up of small businesses, where the State government will have significant expenditure in areas such as environmental protection, infrastructure development, business networking and export assistance, but it will not be identified towards one project, or even one industry.
- To ask the Commission to identify what proportion of economic activity and of a tax base is directly attributable to State development policies, and wouldn’t

have occurred otherwise, is in our view untenable. The Commission would be required to use its judgement to determine which economic development expenditure or policy settings were necessary for some subsequent taxable activity, which would be tantamount to providing a critique of each State's economic development program.

- Similarly, bringing in any concept of national benefit (as suggested in the past) is not supported and in any case is not capable of satisfactory definition. As well, it is not the role of the CGC to identify projects of national benefit. If such projects require national support, it should be provided by the Commonwealth Government, not by skewing fiscal equalisation.
- **The third pillar of policy neutrality** is also central to an equitable outcome. We do not accept that a change is justified – it is reasonable that more populous States have a greater effect on the average per capita revenues and expenses and that, for example, States with high mineral production have a greater effect on average royalty rates; to do otherwise (eg by the use of a simple average) may invite grant design inefficiencies.
 - Also, as previously stated, the arguments about disincentives are greatly overstated and have been repeatedly disputed by Heads of Treasuries. As has been shown before, the opportunities for States to influence their GST revenue share (with lags) by their own policies are of very limited and incidental effect.
 - Similarly, we oppose the use of CGC recommended grant shares to introduce incentives for States to act in a particular way – this is not the role of the Commission or of equalisation.
 - In our view, no more equalisation pillars are needed or justified. HFE is about horizontal equity – the other suggestions for pillars made to date eg efficiency may be a desirable characteristic associated with, or consequence of, HFE, but do not qualify as pillars of equalisation.
- **The scope of HFE.** South Australia supports the current scope of equalisation, which fully equalises capacities to provide services. Self-evidently, as the CGC says in paragraph 49 of the Issues Paper, this aim is less likely to be achieved if there are major omissions from the scope of the assessments.
 - The question is asked if equalisation should be 'confined' to merit goods – the (possibly incorrect) implication being that this might be a smaller class of expenditure than currently assessed. We would take the view that the combination of public goods (ie goods which exhibit strong characteristics of jointness in consumption) and merit goods matches what States do. That is, State governments presumably only provide goods and services where they see a need for them to do so. 'Core functions' might be a smaller class but aside from definitional issues it is not apparent what the point of this would be – given that simplification is already being addressed.
 - The question is put whether equalisation should cover all activities of State governments in providing services and raising taxes and charges. By and

large this is the current situation – activities of policy dominated trading enterprises reflecting the public or merit good character of their services are covered by equalisation viz. public housing, urban transport, water supply. CSO payments for concessions/country CSOs in respect of electricity utilities are also assessed.

- As noted previously, it is important to a proper assessment of needs in these areas to consider underlying gross expense and revenue flows where possible and for that assessment not to be ‘scaled down’ by consideration only of impacts on the consolidated revenue account.
- The urban transit assessment, we believe, needs to take account of factors affecting ability to raise ticket revenue rather than just looking at influences on the levels of CSOs.
- A related issue is where certain services are funded by hypothecated revenues which are classified as residing in the private sector – the main example being BOOT type ‘privately operated’ toll roads. Clearly this often constitutes Government controlled provision of a public infrastructure service of a normal State type, relying on instruments of State Government management and enforcement eg Citylink. That said, so long as roads needs assessments are rigorously cleansed of private toll road aspects, leaving such relatively minor off-budget arrangements out of scope (if they continue to remain minor), seems a pragmatic approach. In passing it is noted that more explicit attention may need to be given to the appropriate treatment in the standard budget of income in the form of gradual recognition of road assets eventually transferred to government in lieu of gross flows of on-budget roads expenditure and toll revenue.
- The question is asked if disabilities assessed should be confined to demand type factors (eg proportion of aged in the population), and unit cost disabilities (eg arising from small scale, dispersion, remoteness, wage input costs) omitted.
- Lying behind this question is perhaps a line of thought that HFE may be encouraging people to stay living in parts of the country where it is more expensive to deliver services to them eg Sydney (wage input costs), Hobart (small scale), Townsville (dispersion).
- If Australia had a unitary system of government, the national government, on the evidence of both Commonwealth and State government behaviour, would seek to provide a minimum level of services to all areas of Australia and access to superior or specialist services on a nodal basis. HFE is consistent with a similar outcome in the current federal system.

- But HFE itself doesn't cause services to be delivered to higher cost locations. This is the policy followed by all individual States – we don't hear NSW or Victoria arguing that revenue raised in Sydney or Melbourne can't be used to support services in regional areas of their States. Similarly if it is good enough for the Victorian Government to be concerned for its non-Melbourne citizens, it is not surprising that the Australian Government is also concerned about non-Victorian citizens. Without conceding an efficiency case against (say) maintaining education service standards for higher cost populations, it is in any event not an HFE contingent issue.
- The assessments of unit cost disabilities tend, other than for diseconomies of small scale, to be more conceptually and empirically challenging than assessments of revenue and demand disabilities. However, if the case of a cost disability is proven it seems illogical to omit it. That said, and while South Australia has argued in the past that a more sophisticated and fuller treatment of diseconomies of small and medium scale could be undertaken, an approach to unit cost disabilities which requires a very clear conceptual argument, guarding against potential double counting, and cautious quantification as occurs now for diseconomies of small scale, seems called for.
- In SA's view, the current assessment of wages input costs may not measure up against requirements for clear conceptual argument and cautious quantification.
- **Use of broad indicators.** This issue has been addressed in our previous submission on disaggregation of assessments. The essential point made was in respect of the revenue assessments: global and subglobal revenue indicators measure a tax base that in theory could/should be accessed by the States, rather than the base that is actually used by them. Such methods are moving away from the ideal of reflecting what States actually do and focusing on what States could do. They would in effect provide a measure of capacity to raise revenue from a tax base that bears little resemblance to the one actually used by the States.
 - One crucial aspect of the present tax-by-tax assessments is the recognition given that it is not only the total size of revenue base which differs across States and leads to differences in capacity to raise revenue from a tax but also the value distribution of the tax base. Differences in value distributions of taxable transactions etc in the presence of progressive tax structures (which all States typically apply) are a very important element of need for the smaller States.
 - Any method which removed this element of difference from the assessments would only partially be achieving equalisation.
 - We suggested that omitting this element would, alone, make the conceptual case the Commission requires that broader indicators of capacity 'do not adequately and reliably capture the main differences between States in their

capacity to raise revenue or that they are inconsistent with the equalisation principle as it is to be interpreted in the 2010 Review².

- **Averaging relativities and their application.** None of the alternative options to the present practice canvassed in paragraph 59 of the Issues Paper are supported, largely for the reasons provided in the ensuing paragraph 60, namely that there would be justified concern about the reliability and accuracy of projections of fiscal capacities, the use of advance and completion grants would be an unnecessary added complexity, and using the absolute value of historically derived needs does not fully reflect needs in the future.
 - Applying historically derived relativities to the future remains in our view the best available option as recent historical data on expenses, revenues, disabilities and revenue bases remain the most reliable means available to measure fiscal capacities.
 - See further comments below on issues raised in the CGC's issues paper on Contemporaneity.
- **The treatment of SPPs.** To achieve equalisation of the financial capacities of the States, it is necessary to have all revenues (including SPPs) in the assessments and generally treated by inclusion. Any change from this position is therefore opposed. Generally SPPs should be treated by the inclusion approach but in some instances as per current processes it is appropriate to exclude them or to quarantine certain SPPs. We believe that is the correct treatment for most capital SPPs, which are classified as operating revenue under GFS and GAAP accounting standards. (We also consider this should be done transparently in the normal fashion for roads capital grants. The current treatment of roads capital grants which is alleged to produce the same result is unnecessarily obscure and complex.)

Is equalisation being asked to do too much?

- We agree with the comments made by the CGC in the Issues Paper that HFE is not designed to enable States to provide the same services to all groups of people or to people in all locations, nor is it intended to fund States to directly address the underlying causes of disabilities should that hypothetically be possible.
 - It is therefore not appropriate that a set of relativities should be produced on that basis, even assuming that such a calculation could be made with any confidence.

² CGC Issues Paper 2006/02 Approach to Disaggregation, paragraph 64.

ISSUES RAISED IN CGC ISSUES PAPER CGC 2006/04 CONTEMPORANEITY

The paper raises six options for giving greater weight to contemporaneity in the assessments. Each is considered below.

South Australia has previously expressed concern at the lack of contemporaneity, observing that States with a long-term rising trend in relativities will never be fully equalised as was reflected in the difference between general revenue grants actually received each year and the CGC's later assessed general revenue grant requirements for that year.

Changing the treatment of SPPs

Proposal: include application period SPPs in pool (as for HCGs)

- We see some merit in this proposal as it would improve the accuracy of SPP information, by using the application year actuals rather than reflecting the relative distribution in the assessment years which may be different in the application year. The pool would then reflect the latest SPPs determined (in June) of the application year, just as distribution of HCGs is now.
- The proposal raises the question of why HCGs should be treated differently to other SPPs – it would seem to make sense to either treat both by absorption (as HCGs are now) or both by inclusion (as most other SPPs are now).
- This method may not be presentationally simpler, however. Some complexity is in fact already introduced by the current treatment of HCGs.
- We note that the CGC paper says (paragraph 19) 'The Commission could assess relativities to be applied to a total pool of GST revenue, Health Care Grants and **all** SPPs.' (emphasis added). We assume this should refer to 'all **included** SPPs'.

Shortening the assessment period

Proposal: move from a five-year assessment period to three years or one year

- A shortening of the assessment period would address concerns that a five-year period runs a greater risk of being pro-cyclical, in that a State just entering a cyclical downturn in, say, conveyances revenue may be facing a simultaneous reduction in GST grants revenue reflecting the buoyant revenues in the early years of the assessment period.
- However, as the CGC notes, while it may increase stability in a State's total revenues, it would reduce stability in GST grants shares.
- The use of a one-year period does not seem practical, because of data limitations particularly given that the Update is currently required in February, and may not be desirable in that one-off variations in financial or other data would not be diluted as they are with some period of averaging.

- If agreement were required for a change from five years to three years, a proposal would need to be taken to MinCo well in advance of the switchover date. Alternatively, the CGC could recommend its preferred position from the point of view of achieving equalisation.

Giving more weight to the most recent years

Proposal: rather than giving equal weight to each of the five years in the assessment period, give greater weight to later years

- This seems somewhat arbitrary and complex compared with adopting a shorter assessment period.
- We note the analysis described in paragraphs 15 and 16 whereby the expense and revenue weights for 2004-05 (ie the last year of the five-year assessment period) are used in the 2006 Update calculations in place of the historical weights. This seems a less arbitrary way of getting more up-to-date assessments, allowing the latest data on revenues and expenses to be reflected in the assessments while retaining an average of needs assessment data.

Using forward estimates

Proposal: use published forward estimates (partially) historical data

- This proposal has practical problems because of the data issues involved. Development of forward estimates requires an element of judgement and may not usually be available on a GPC basis in all jurisdictions, and allowing them to be used in calculating relativities would provide opportunities for gaming.

Moving from a relative to an absolute assessment of fiscal capacities

Proposal: allocate difference between application year pool and historical assessments by EPC, rather than indexing by pool growth as now

- We oppose any change to the present practice. The assumption now is that needs are relative needs³ which are used to determine per capita relativities. The procedures then assume that those relativities will apply in the future – that is, needs are proportional to the available financial assistance. This process is simple and aligns well with reality in circumstances where the available financial assistance maintains its value in economic terms. In effect it would detract from contemporaneity to depart from current practice.
- Some method of keeping pace with budget growth is clearly necessary. The CGC suggested alternatives including CPI, the long term bond rate and annual average growth in State expenses and revenue seem an unnecessary complication on the existing practice.

³ Each State's needs are assessed relative to the Australian average revenues and expenditures, using disability factors that are also measured as proportions of the average position.

- Implicitly using pool growth by applying the assessment period calculated relativities seems to us to be logical and intuitive. It is clear that GST growth has not been so high (particularly allowing for spurious growth measurement in the first years after its introduction, in part arising from an 11 months collection in the base year also affected by elevated transitional motor vehicle input tax credits) to justify a change. Any change would not be a step towards simplification or ease of explanation.

Full contemporary equalisation

Proposal: drawing on projections of revenues, expenses and economic and demographic conditions to make assessment

- This option is complex and data intensive, and would require more judgement by the CGC than at present. We do not support it.

**South Australian Department of Treasury and Finance
June 2006**

Contact Officers:

Robert Schwarz
Assistant Under Treasurer
Revenue and Economics
08-82269433
Schwarz.rob@saugov.sa.gov.au

John Henderson
Director, Commonwealth–State Finances
08-82269698
Henderson.john@saugov.sa.gov.au