



# **COMMONWEALTH GRANTS COMMISSION**

**DRAFT ASSESSMENT PAPER CGC 2003/40**

## **PUBLIC SAFETY**

Prepared for the Commission's 2003 Conferences on Draft Assessments

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## **NOTE**

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

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## INTRODUCTION

1. This paper presents a draft assessment for the Public Safety category for the 2004 Review. It builds on staff proposals set out in *Discussion Paper CGC 2002/41 Public Safety*, and State comments on them provided in the 2003 Rejoinder Submissions.

2. For the 2004 Review, the name of this category has been changed to Public Safety from Public Safety and Emergency Services.

3. The proposed assessment structure for this category in the 2004 Review is set out in Table 26 on page 31.

## THE 1999 REVIEW ASSESSMENT

### *Scope of the expenses category*

4. In the 1999 Review, the Public Safety and Emergency Services category comprised expenses on administration, planning, support and operation of public safety and emergency services. More specifically, the category included expenditure on:

- (i) fire protection services (for example, contributions to volunteer fire brigades and operations of fire brigade boards);
- (ii) immediate relief of victims of fires, floods, droughts, cyclones, other natural disasters and restoration of community service facilities;
- (iii) laying of mesh or netting in coastal and estuarine water to provide protection from sharks and crocodiles; and
- (iv) public order and safety services such as beach inspectors, life saving and beach patrols, emergency services and control of explosives.

5. In addition, the Commission included expenses funded by specific purpose payments (SPPs) from the Australian Emergency Management Institute for emergency services, because such payments related to a function for which needs were assessed. It excluded expenses funded by SPPs associated with:

- (i) the Natural Disaster Relief Arrangements (NDRA) between the Commonwealth and the States because the allocation of such payments reflected needs; and
- (ii) the Victorian Gas Emergency Assistance Fund because the allocation reflected needs.

### *Importance of current assessment*

6. Table 1 shows the gross standard expenses for the last six financial years. In 2001-02, this category represented 1.28 per cent of total gross standard expenses. In 2001-02, user charges accounted for about 74 per cent of total expenses associated with this category.

**Table 1** PUBLIC SAFETY AND EMERGENCY SERVICES — GROSS STANDARD EXPENSES AND USER CHARGES, 1996-97 TO 2001-02

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Gross standard expenses (\$pc)	40.70	50.19	50.77	54.04	59.65	63.87
% of total gross standard expenses	1.11	1.30	1.12	1.17	1.23	1.28
Gross standard user charges (\$pc)	40.80	46.32	40.57	46.21	46.52	47.55
% of gross standard expenses	100.2	92.3	79.9	85.5	77.9	74.4

7. Table 2 shows that compared with an equal per capita assessment, the 2003 Update Public Safety and Emergency Services expenses assessment redistributed about \$63.5 million from Queensland, Western Australia, South Australia and Tasmania, to the other States. In the 2003 Update, the user charges assessment redistributed about \$57 million from New South Wales, Victoria and Western Australia to the other States.

**Table 2** EFFECT OF EXPENSES AND USER CHARGES ASSESSMENTS ON GRANT DISTRIBUTION — PUBLIC SAFETY AND EMERGENCY SERVICES

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Expenses — Contribution to 2003 Update relativities<sup>(b)</sup></b>	50.8	8.1	-31.6	-4.9	-21.6	-5.4	0.0	4.7	63.5
<b>User charges — Contribution to 2003 Update relativities<sup>(b)</sup></b>	-30.7	-20.5	20.5	-5.8	20.9	11.2	1.2	3.1	57.0
<b>Difference</b>	20.1	-12.4	-11.1	-10.7	-0.7	5.8	1.2	7.8	34.9

(a) Total redistribution.

(b) Assuming same pool and a constant population.

8. Of the factors assessed in this category, the most important was the economic environment factor assessed in the fire brigade expenses component. Compared with an equal per capita assessment, the 2003 Update assessment of that factor redistributed about \$66.4 million to New South Wales and Victoria, away from the other States.

### *Expenses assessment*

9. In the 1999 Review, the Public Safety and Emergency Services category had six components — scale-affected expenses, natural disaster relief, natural disaster prevention, fire brigade, national capital and isolation.

10. The proportions of expenses related to the scale-affected expenses and isolation components were estimated using the general assessment approaches. The national capital component was based on an assessed national capital allowance of \$2 per capita (about \$0.615 million based on 1999 Review populations). The expenditure weights for the fire brigade and natural disaster relief components reflected the contribution of the relevant expenses to the category. The weight for the natural disaster prevention component was calculated as the balance of the category expenses.

11. The 1999 Review assessment structure is shown in Table 3.

**Table 3** PUBLIC SAFETY AND EMERGENCY SERVICES, ASSESSMENT STRUCTURE, 1999 REVIEW

Expenses component	Component weight	Factors	Basis of calculation
Scale-affected expenses	4.28	Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
Natural disaster relief	3.02	Administrative scale Physical environment	General method. Based on actual expenditure on natural disasters in each assessment year.
Natural disaster prevention	7.12	Dispersion	General method.
Fire brigade	85.20	Input costs Dispersion Economic environment	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity. General method. Average of two separate factors calculated by reference to (i) data from Insurance Statistics Australia on the net value of fire insurance claims paid in each State; and (ii) the unimproved value of commercial and residential property.
National capital	0.07	Input costs National capital	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity. A national capital allowance of \$2 per capita was assessed for the ACT.
Isolation	0.31	Isolation	General method.

### *User charges assessment*

12. In the 1999 Review, Public Safety and Emergency Services user charges consisted of fire insurance levies and other user charges. Fire insurance levies comprised statutory contributions for fire brigades from insurance companies and local government authorities. Other user charges included installation of smoke alarms, false alarm charges and fines.

13. Fire insurance levies were assessed differentially by reference to the value of unimproved residential and commercial property. Other user charges were assessed by the equal per capita method. The 1999 Review assessment structure is shown in Table 4.

**Table 4** PUBLIC SAFETY AND EMERGENCY SERVICES USER CHARGES, ASSESSMENT STRUCTURE, 1999 REVIEW

User charges component	Component weight	Factors	Basis of calculation
	%		
Fire insurance levies	82.00	Unimproved value of land factor	Based on the unimproved value of residential and commercial property.
Other user charges	18.00	None	Equal per capita.

### **PROPOSED CATEGORY DEFINITION AND ASSESSMENT STRUCTURE 2004 REVIEW**

#### *Overview*

14. ***Preliminary State views.*** In the main submissions, States indicated their discontent with the 1999 Review approach. For example, South Australia argued that the economic environment factor for fire brigade expenditures should be abandoned because costs incurred by fire brigades are unaffected by the value of building, and the present measure is policy affected. The ACT argued for either the removal of the economic environment sub-component from the assessment, as it did not reflect the cost of, or demand for, a fire protection service; or, to assess the economic environment component without the fire insurance claims sub-component, as fire insurance claims did not reflect the demand for, or cost of, providing a fire protection service. The Northern Territory argued that a physical environment factor should be introduced to account for the higher incidence of fire in the Northern Territory. It also said that a remote factor should be included to allow for the higher costs associated with providing the services to remote communities.

15. ***Staff proposals.*** In *Discussion Paper CGC 2002/41 Public Safety*, staff proposed to disaggregate the assessment into expenses on natural disaster relief, natural disaster prevention and response and other emergency prevention and response. Staff also proposed risk and capacity factors.

16. **Further State views.** States generally reacted negatively to the proposed assessment structure and methods, pointing to a need for further conceptual and empirical analysis.

17. The proposed approaches to assessing needs were questioned on conceptual and technical grounds. States questioned whether the best approach was one which recognised actual expenses, one that predicted expenses, or one based on risk. A common theme was that measures of risk based on the value of past losses could be misleading if States gave different priorities to preventative measures and there were differences in the effectiveness of those measures. It was also frequently noted that adequately measuring needs relating to natural disasters was very difficult because they are volatile over time.

18. States generally questioned whether the proposal to distinguish between risk and capacity adequately reflected ‘what States do’. It was argued that ‘what States do’ is build and maintain a capacity to respond to natural and other disasters, and then respond if required. The disabilities should better reflect the drivers of those costs.

19. **Analysis.** Establishing an approach for the assessment of this category continues to be difficult. The direction set out in *Discussion Paper CGC 2002/41 Public Safety*, was an attempt by staff to address States’ concerns with the 1999 Review assessment method. However, in the rejoinder submissions there was a general lack of support from States for the assessment options proposed by staff (discussed in detail in the relevant sections in this paper). Consequently, this paper extensively reconsiders the assessment options that were originally presented in *Discussion Paper CGC 2002/41 Public Safety*.

20. A major hurdle for improving the assessment was the lack of availability of data. For example, data are scarce on State emergency management expenses apportioned to various output groups. Furthermore, the assessment of a risk factor has been difficult because the few available risk indices have their shortcomings and are not well-supported by States.

21. Upon further reconsideration, we identified two major and distinct groups of services — ‘Emergency Management’ and ‘Public Order and Safety’. The proposed assessment structure reflects these services and resolves anomalies in the existing structure. A comparison of the 1999 Review assessment structure with the 2004 Review assessment structure is set out in Table 5. The proposed approach is discussed in full in the assessment structure section.

**Table 5** SERVICE DELIVERY COMPONENTS: 1999 REVIEW AND 2004 REVIEW

1999 Review	2004 Review
Natural disaster relief	Natural disaster relief
Natural disaster prevention	Emergency management (covers all event types, all emergency management service providers and all output groups, except natural disaster relief)
Fire brigade	-
-	Public order and safety

***Scope of the category***

22. ***Preliminary State views.*** Victoria argued that the assessment of natural disaster prevention and relief expenditure should be expanded to include expenditure on all forms of emergency response. It suggested, in particular, that the value of the contribution by volunteers should be included.

23. ***Staff proposals.*** In *Discussion Paper CGC 2002/41 Public Safety*, staff said that this category included expenditure on all forms of emergency response, including expenditure associated with training and equipping volunteers. It did not include any notional ‘staff contribution’ made by volunteers. Commission staff proposed that the value of contributed services be excluded from the equalisation budget because they do not have a direct impact on State budgets.

24. ***Further State views.*** Tasmania supported the exclusion of any notional staff contribution made by volunteers.

25. ***Analysis.*** The critical issues is whether the category includes all State budget expenses on public safety and emergency management.

26. ***Commission decision.*** No change of category scope is proposed for the 2004 Review.

***Assessment structure***

27. ***Preliminary State views.*** In the main submissions, States indicated their discontent with the 1999 Review approach. The Northern Territory supported the general structure of the Commission's current assessment of Public Safety. However, it argued that the Commission had not recognised all of the Territory's disabilities.

28. ***Staff proposals.*** In *Discussion Paper CGC 2002/41 Public Safety*, staff proposed to vary the structure shown in Table 3 so that the primary service delivery expenses would be disaggregated into expenses on natural disaster relief, natural disaster prevention and response and other emergency prevention and response.

29. **Further State views.** States generally reacted negatively to the proposed assessment structure and methods, pointing to a need for further conceptual and empirical analysis.

30. South Australia was not convinced of the need to distinguish between natural disasters and other emergencies, and risk and capacity — it does not distinguish its emergency services resources in this way, and considers that any estimates of expenses disaggregated in this manner would be unreliable.

31. **Conceptual analysis.** Reconsideration of the nature of the expenses classified to the category and the comments of the States indicated that there were two major and distinct groups of services — ‘Emergency Management’ and ‘Public Order and Safety’. These should be reflected in the assessment structure.

32. *Emergency management* has the aim of preparing for and dealing with events that constitute emergencies. States generally provide an integrated multi-agency approach to emergency management that requires cooperation among services such as State Emergency Services, Metropolitan Fire Services, Rural Fire Services, Police Services, Ambulance Services, Helicopter Rescue Services, Coast Guards, and other services.

33. *Public order and safety* covers a wide range of licensing and regulatory activities, and animal control. It includes activities such as beach inspectors, life-saving and beach patrols, control of explosives, control of domestic animals and livestock, various licensing and regulatory authorities, human rights organisations, commissions, and community relations. These do not constitute activities relating to the management of emergencies and do not necessarily require multi-agency cooperation. Because these activities are conceptually different from emergency management activities, have different legislation and different organisational arrangements, a separate component is justified.

34. The proposed structure resolves anomalies in the existing structure. Public order and safety is identified as a separate component. With the exception of natural disaster relief, all activities related to emergency management (for natural and other disasters/emergency events and for all the outputs of prevention, preparedness, response and relief) are combined into one component. Natural disaster relief is identified as a separate component because it reflects the Commonwealth-State natural disaster relief arrangements in place. The components in this structure are mutually exclusive and coverage is complete.

35. **Empirical analysis.** Ideally, States’ needs would be analysed according to events, service providers, and outputs. Assessments would also reflect interstate differences in the largely separate sets of influences that affect the costs of proactive outputs (prevention and preparedness) and reactive outputs (response and recovery) for emergency management. The relationship between prevention and response would be acknowledged and quantified. Access to, and analysis of, robust data would be required to determine whether there were cost differences between States (and disabilities) for each combination of event/provider/output.

36. However, in reality, a paucity of data means that expenses are generally available only at the highest level of aggregation. For example, while expenses are available for ‘fire services’, they cannot be disaggregated to reflect the types of events they

respond to (fires, rescues or other natural events) or the outputs (prevention, recovery and so on).

37. **Commission decisions.** The Commission accepts that conceptual and empirical bases exist for establishing three service delivery components for the 2004 Review.

38. Because public order and safety activities are conceptually different from emergency management activities, and have different legislation and organisational arrangements, the Commission considers that a separate component is justified.

39. It has decided to retain natural disaster relief as a separate component. This is because there are specific arrangements (the Commonwealth-State Natural Disaster Relief Arrangements) that explicitly cover the response and recovery activities arising from natural disasters.

40. It has decided to leave all other emergency management expenses in one component because of the integrated nature of the services and the practical difficulties of accurately separating expenses on prevention, preparedness and response and relief activities.

41. In summary, after considering the nature of the services, how they are provided, related Commonwealth-State agreements and practical issues, the Commission has decided to assess the following main service delivery components in the 2004 Review assessment of Public Safety:

- public order and safety;
- natural disaster relief; and
- emergency management (excluding natural disaster relief).

42. We will also assess small components to cover fixed costs, national capital allowances and isolation-related expenses.

### ***Component weights***

43. **Staff proposal.** In the discussion paper, staff proposed that the component weights be updated annually.

44. **State views.** Tasmania and the Northern Territory supported the annual updating of component weights. No other States commented.

45. **Commission decisions.** The data show that expenses incurred in the provision of Public Safety services, whether proactively or reactively based, can be volatile. Therefore, there are practical reasons why the relative importance of components assessed in this category could change between years. This indicates that updating the component weights for Public Safety on an annual basis is necessary to ensure the assessment is up-to-date. We have decided to do so.

46. The size of the public order and safety component will be based on GFS data that indicate the proportion of actual expenses incurred in providing those services compared with total category expenses.

47. The size of the natural disaster relief component will be based on State data that indicate the proportion of actual expenses incurred in providing those services compared with total category expenses.

48. The size of the weights for the fixed costs and isolation components will be calculated by the 2004 Review general methods. The national capital component weight will reflect the size of the national capital allowance assessed for this category compared with total category expenses.

49. The emergency management component will be the balance of the category.

50. The Commission's decisions relating to the scope, structure and component weights relating to Public Safety are summarised in Table 6.

**Table 6** COMMISSION DECISIONS — PUBLIC SAFETY CATEGORY SCOPE, ASSESSMENT STRUCTURE AND COMPONENT WEIGHTS

Decision	Reason
<b>Scope:</b>	
The 1999 Review scope of the category will be retained.	Remains an important State function. No State comments were made on the definition or scope of the category.
<b>Treatment of SPPs:</b>	
Payments made by the Australian Emergency Management Institute for emergency purposes are included.	Expenses associated with these SPPs are part of the provision of Public Safety services by all States.
<b>Assessment structure and component weights<sup>(a)</sup>:</b>	
Fixed costs: 1.23%	The component weight has decreased because the assessment is based on fixed costs only and total expenses have increased (in the 1999 Review the fixed costs element was about 2 per cent of the category standard).
Public order and safety: 25.00%	Component weight based on proportion of total category expenses accounted for by public order and safety services as indicated by GFS data.
Natural disaster relief: 3.70%	Component weight based on proportion of total category expenses accounted for by drought relief and other natural disaster relief expenses as indicated by State data.
Emergency management: 69.88%	Component weight based on the balance of the total category expenses after components for fixed costs, public order and safety, natural disaster relief, national capital and isolation had been determined.
National capital: 0.07%	Based on the national capital allowance assessed relative to total category expenses.
Isolation: 0.12%	Based on the isolation-related expenses allocated to the category.

(a) Component weights apply to 2001-02.

### FIXED COSTS COMPONENT

51. As in the 1999 Review, the Commission has decided to assess administrative scale and input costs factors for this component.

#### *Administrative scale — fixed costs component*

52. **1999 Review.** The administrative scale factor was assessed to account for differences in per capita costs of providing central office functions and whole of State services. Scale-affected expenses for this category were assessed as \$4 million, of which

\$2 million was considered as fixed cost and \$2 million as variable cost. The scale-affected expenses component represented 4.28 per cent of expenses in this category.

53. **2004 Review.** *Draft Assessment Paper CGC 2003/60 Administrative Scale* discusses the issues raised by the States regarding the assessment of this factor. The paper sets out the Commission’s decisions on the general method of assessment adopted for the 2004 Review and on the size of the fixed costs component in each category. The States did not raise issues specific to this category.

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

55. The administrative scale factors for this category, shown in Table 7, have been calculated using the 2004 Review general method. Fixed costs for this category have been estimated to be \$2 million per State. Total fixed costs for the category are \$16 million which represents 1.23 per cent of the category standard in 2001-02.

**Table 7** ADMINISTRATIVE SCALE FACTORS — FIXED COSTS COMPONENT

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

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

***Input costs — fixed costs component***

57. **1999 Review.** The input costs factor was assessed to recognise differences between States in per capita costs of labour, office accommodation and electricity. A separate factor was calculated for each of those inputs. For the scale-affected costs component, those factors were applied to the following proportions of standard expenses:

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

58. **2004 Review.** *Discussion Paper CGC 2003/04 Input Costs* discusses the issues raised by the States regarding the assessment of wages and salaries costs. The paper sets out the staff’s proposals for the general method of assessment to be adopted for the

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

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

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

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

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

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

62. The input cost disabilities shown in Table 8 were also applied in the public order and safety, and emergency management components.

### **PUBLIC ORDER AND SAFETY COMPONENT**

63. This component covers a wide range of licensing and regulatory activities, and animal control. It includes activities such as beach inspectors, life-saving and beach patrols, control of explosives, control of domestic animals and livestock, various licensing and regulatory authorities, human rights organisations, commissions, and community relations.

64. The component is based on GFS data, specifically GPC codes 2391 (control of domestic animals and livestock) and 2399 (other public order and safety).

65. Those activities are widespread across States. The level of service is generally related to the number of people to be served with no indication that different groups in the population are likely to use the services more or less intensively than others. There is, thus, no conceptual case for assessing disabilities to reflect differences in the demand for the services provided.

66. However, the costs of providing the services will be affected by a similar range of cost influences as other State services. We have therefore decided to assess the common cost disabilities of dispersion and input costs.

***Dispersion — public order and safety component***

67. **1999 Review.** The dispersion factor was assessed to account for differences in per capita costs of providing natural disaster prevention and fire brigade services arising from differences between States in the spread of their population. The factor reflected the effects of population dispersion on State expenses associated with telecommunication, freight, travel and staffing on-costs.

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

**Table 9** DISPERSION COST WEIGHTS, NATURAL DISASTER PREVENTION AND FIRE BRIGADES COMPONENTS, 1999 REVIEW

Telephone	Freight	Air Travel	Road Travel		Remote Removals	Locality Allowances
			Inter Regional	Local		
0.02003	0.00235	0.00521	0.01805	0.0476	0.00354	0.0159

Source: 2003 Update Working Papers.

69. **2004 Review.** *Draft Assessment Paper CGC 2003/63 Dispersion* discusses the issues raised by the States regarding the assessment of the dispersion factor. The paper sets out the Commission’s decisions on the general method of assessment adopted for the 2004 Review and on the size of the standard expense proportions estimated for each of the nine elements of dispersion-affected expenses.

70. The dispersion factors for the public order and safety component have been calculated according to the 2004 Review general method. There were nine indexes within the dispersion factor for the 2004 Review. Table 10 shows the proportions of standard expenses estimated for each of the nine elements of dispersion affected expenses for this component.

**Table 10** DISPERSION COST WEIGHTS, PUBLIC ORDER AND SAFETY COMPONENT, 2004 REVIEW

Telecommunication		Freight, General	Air Travel	Road Travel		Repairs and Maintenance	Remote Staff Turnover	Locality Allowances
Voice	Non-voice			Inter Regional	Local			
0.0202	0.0022	0.0075	0.0069	0.0068	0.0570	0.0034	0.0000	0.0011

71. Table 11 shows the dispersion factors assessed for the public order and safety component for the 2004 Review.

**Table 11** DISPERSION FACTORS, PUBLIC ORDER AND SAFETY COMPONENT, 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	0.99478	0.98234	1.01476	1.03133	0.98391	0.97864	0.93694	1.32216
1998-99	0.99471	0.98228	1.01469	1.03126	0.98384	0.97857	0.93688	1.32207
1999-2000	0.99466	0.98222	1.01463	1.03121	0.98379	0.97852	0.93683	1.32200
2000-01	0.99462	0.98219	1.01460	1.03117	0.98375	0.97848	0.93679	1.32195
2001-02	0.99461	0.98217	1.01458	1.03116	0.98374	0.97847	0.93678	1.32193

72. Neither the factor, which is heavily based on detailed census data, nor the dispersion cost weights will be updated before the next review.

73. The dispersion disabilities shown in Table 11 were also applied in the emergency management component.

***Input costs — public order and safety component***

74. **1999 Review.** Expenses in this component were covered by the natural disaster prevention and fire brigades components in the 1999 Review. An input costs factor was assessed in each of those components and it was the same as that assessed for the scale affected costs component.

75. **2004 Review.** The Commission considered that approach remains appropriate for the 2004 Review. The proportion of standard expenses affected by input costs factors in the fixed costs and the public order and safety components are likely to be similar. The input costs factors shown in Table 8 have also been applied in the public order and safety component.

## NATURAL DISASTER RELIEF COMPONENT

76. In the 1999 Review, this component was assessed with a physical environment factor based on differences between States in their expenditure on natural disaster relief in each assessment year. It was based on actual expenditure in each year because the Natural Disaster Relief Arrangements (NDRA) between the Commonwealth and the States provided for Commonwealth support to be paid once State expenditure reached a threshold percentage of its revenue. Consequently, the allocation of Commonwealth relief funding reflected need and only State expenses were relevant to the Commission's assessments.

77. In *Discussion Paper CGC 2002/41 Public Safety*, a physical environment factor was proposed for this component in the 2004 Review.

### *Physical environment — natural disaster relief component*

78. **1999 Review.** In the 1999 Review, a physical environment factor was assessed for the expenses covered by this component. The assessment was made by reference to each State's per capita actual expenses on natural disaster relief compared with per capita actual expenses for Australia as a whole.

79. **State views.** New South Wales argued the greater damage in more densely settled urban areas should be reflected in the calculation. Victoria suggested the approach did not adequately reflect differences in long term risk and rewarded States which spent less on preventative strategies. Victoria suggested using a factor based on a 20-year period to better reflect the longer term risk.

80. **Staff proposals.** In *Discussion Paper CGC 2002/41 Public Safety*, staff said there was merit in the Victorian proposal and were inclined to an approach based on the real value of expenses incurred over twenty years. The factor implied by that approach is shown in Table 12.

**Table 12** RAW PHYSICAL ENVIRONMENT FACTORS, BASED ON THE 20-YEAR AVERAGE OF STATES' NATURAL DISASTER RELIEF EXPENDITURE<sup>(a)</sup>, 1977-78 TO 1996-97

Expenditure basis	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
State expenditure, in real terms	0.99021	0.60020	2.07720	0.81274	0.19030	0.07012	0.00000	3.91885	1.00000

(a) Excludes drought relief expenditure.

Source: 1999 Review Preliminary Calculations data.

81. **Further State views.** Queensland supported the historical average proposal. The Northern Territory also supported the proposed assessment method, but only in the

absence of another measure that was policy neutral. The Territory added that judging whether the proposed method was policy neutral was difficult.

82. Western Australia was concerned about policy influence on natural disaster relief expenses data. It proposed a more policy neutral assessment, based on climate, terrain and tectonic characteristics weighted for the affected value of production.

83. South Australia was also concerned about policy influence on the method and suggested that, should the Commission feel compelled to attempt an assessment, then the existing assessment method was the 'lesser of two evils' because it at least reflected more accurately the relative need for assistance in each of the assessment years in comparison with the historically based factor. Similarly, Tasmania considered it more appropriate to have disaster relief assessed on the existing basis, rather than some historical average, to ensure that the assessment of need was in line with the actual pattern of occurrence of natural disasters, which by their nature occur on an irregular basis.

84. **Analysis.** States have no choice but to provide relief to those who suffer from natural disasters and to replace State assets that are damaged in those events. The Commonwealth-State NDRA provide various levels of reimbursement to States for natural disaster-related expenses. Under these arrangements, where State expenses on relief are less than a 'small disaster threshold' (currently set at \$200 000), the State meets the entire cost of relief. After this 'small disaster threshold' has been exceeded, sharing of costs comes into effect.

85. Within any one financial year, Commonwealth assistance to a State is based on three threshold levels, as indicated in the following extract from the NDRA terms and conditions:

4.5 Commonwealth assistance during a financial year shall be calculated at the rate of:

- (a) fifty percent of *eligible PHD expenditure* where the State's base amount has not been exceeded; OR
- (b) fifty percent of *all eligible expenditure between* a State's base amount and 1.75 times the base amount; AND
- (c) seventy-five percent of *all eligible expenditure in excess* of the 1.75 times threshold.

86. To assist with interpreting the above extract, 'PHD expenditure' means expenses related to personal hardship and distress, such as the provision of emergency food, clothing and accommodation, essential housing repairs, or the replacement of essential household goods. Each State's base amount is calculated as 0.225 percent of its total general government sector revenue and grants in the financial year two years prior to the relevant financial year.

87. Table 13 sets out the thresholds in force for 2002-03, for each State.

**Table 13** FIRST AND SECOND THRESHOLDS UNDER NATURAL DISASTER RELIEF ARRANGEMENTS, 2002-03

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
First threshold (a)	75.7	53.4	41.1	23.7	18.2	6.0	4.8	4.7
Second threshold (b)	132.5	93.4	71.9	41.5	31.9	10.6	8.4	8.2

(a) Calculated as 0.225 per cent of State general government sector revenue and grants in the two years prior to the relevant year.

(b) Calculated as 1.75 times the 'first threshold' amount.

Source: Natural Disaster Relief Arrangements — DOTARS.

88. Because these arrangements relate to specific events and are implemented after disasters, it is not clear that an average of expenses over a longer period is an appropriate indicator of differences in State needs. The actual net expenses incurred by States in each year would appear to be more relevant to the Commission's assessment.

89. Under the NDRA, the issue of the impact of differences between States in the policies towards preventative action would have a more limited effect. The primary effect would arise if they were sufficient to keep relief payments below the agreed thresholds.

90. **Commission decision.** The Commission has accepted that there is a conceptual case for assessing physical environment disabilities for the natural disaster relief component. It has done so because elements of the physical environment cause States to incur additional costs, beyond their control, in providing relief after natural disasters, and because the thresholds that trigger the payment of NDRA support differ between States.

91. Data exist which allow the measurement of such physical environment influences on costs. We agree with a number of States that actual expenses on providing natural disaster relief are likely to be policy influenced. However, the extent of such policy influence may not be large, because the amount of expenses incurred for any given disaster are reduced to the extent that the Commonwealth subsidises the costs.

92. The evidence indicates that physical environment influences have an impact on State budgets that the Commission considers to be material. The Commission has decided to assess a physical environment factor for the natural disasters relief component — based on the assessment method adopted in the 1999 Review. That is, the factor will be based on actual per capita expenses on natural disaster relief expenses for each State, compared with actual per capita expenses for Australia as a whole.

93. On the question of whether the factor should reflect the average experiences of a long period, say twenty years, or those of each assessment year, we have concluded that the existing approach is more appropriate (that is, to base the factor on the differences in actual expenses in each assessment year). We have reached this conclusion on the basis of our understanding of the operation of the Commonwealth-State NDRA. State expenses will fluctuate from year to year depending on the occurrence, severity and impact of disasters. For the assessments to be as up-to-date as possible, they should mirror those fluctuations.

94. The Commission considered the treatment of Commonwealth NDRA payments to the States. This payment and the subsequent expenditure of the funds have a direct impact on State budgets. However, because the funds are distributed on the basis of needs and are offset by comparable expenses, it decided to retain the existing exclusion method. We are open to further input from States on this matter.

95. The Commission's decisions are summarised in Table 14.

**Table 14** COMMISSION DECISION — NATURAL DISASTER RELIEF COMPONENT, PHYSICAL ENVIRONMENT FACTORS

Decision	Reason
A physical environment factor has been proposed for the natural disaster relief component in the 2004 Review.	Because elements of the physical environment cause States to incur additional costs, beyond their control, in providing relief after natural disasters.

96. *Method and results.* The natural disaster relief expenditure data used to calculate the physical environment factor in the 2003 Update are set out in Table 15. These data are sourced from State Data Returns. The amounts are the State contributions only — they do not include NDRA reimbursements from the Commonwealth.

**Table 15** NATURAL DISASTER RELIEF EXPENDITURE, 2003 UPDATE

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1997-98	15 579	859	0	730	40	0	0	5 248	22 456
1998-99	57 088	1 933	51 401	3 827	0	0	0	0	114 249
1999-2000	79 335	4 971	50 493	59 476	0	0	0	1 218	195 493
2000-01	144 703	2 375	500	6 918	0	0	0	3 538	158 034
2001-02	19 294	0	24 706	301	0	0	0	3 753	48 054

Source: Commonwealth Grants Commission, Standard Budget data for 1997-98; and State data returns since 1998-99.

97. The physical environment factors, set out in Table 16, have been calculated by the method used in the previous review. They are based on the actual per capita expenses incurred by States on natural disaster relief compared with the actual per capita expenses incurred by Australia as a whole.

**Table 16** NATURAL DISASTER RELIEF COMPONENT — PHYSICAL ENVIRONMENT FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	2.04561	0.15418	0.00000	0.33462	0.02235	0.00000	0.00000	23.03958
1998-99	1.47318	0.06826	2.43910	0.34327	0.00000	0.00000	0.00000	0.00000
1999-2000	1.19650	0.10268	1.39430	3.11140	0.00000	0.00000	0.00000	0.60801
2000-01	2.69902	0.06069	0.01700	0.44745	0.00000	0.00000	0.00000	2.18168
2001-02	1.18495	0.00000	2.74527	0.06400	0.00000	0.00000	0.00000	7.65571

98. **Updateability.** The concept of the factor is that it reflects expenses incurred in each assessment year. As data are available on an annual basis it will be updated.

### EMERGENCY MANAGEMENT COMPONENT

99. This component covers costs previously assessed in the natural disaster prevention and the fire brigade components in the 1999 Review. It covers those aspects of the expenses of State Emergency Services and Fire Brigades aimed at maintaining a readiness (including the necessary equipment and facilities) to address fire and other emergencies and to put in place action to prevent or minimise damage.

100. In the 1999 Review, the comparable expenses were assessed with dispersion, input costs and economic environment disabilities. In *Discussion Paper CGC 2002/41 Public Safety*, staff proposed that dispersion, input costs and urbanisation disabilities be assessed.

101. There is a conceptual case for assessing dispersion and input costs disabilities because the expenses in this component are dominated by wage and salary costs, and the services are provided across each State with many inputs in non-urban areas being more expensive. Further, there has been no argument about the assessment of input costs and dispersion disabilities. We propose to continue to assess these factors, as outlined in the following sections.

102. The issue of whether there are other unavoidable influences on costs such as economic environment or urbanisation is more contentious. New South Wales and Victoria have argued that they incur extra costs arising from the nature of their large urban areas. By contrast, South Australia, Tasmania argued against an urbanisation factor. These issues are considered in the section on the assessment of economic environment below.

#### ***Dispersion — emergency management component***

103. **1999 Review.** In the 1999 Review, the dispersion factors assessed for the expenses in this component were the same as those for expenses now included in the public order and safety component.

104. **2004 Review.** The Commission considers that approach remains appropriate for the 2004 Review because the proportion of dispersion-affected costs in the two components appears similar. The dispersion factors shown in Table 11 for the public order and safety have also been applied in the emergency management component.

105. Neither the factors nor the dispersion costs weights will be updated before the next review.

#### ***Input costs — emergency management component***

106. **1999 Review.** In the 1999 Review, the input costs factors assessed for the expenses covered by this component were the same as those assessed for the scale-affected costs component.

107. **2004 Review.** The 1999 Review approach remains appropriate for the 2004 Review because the proportion of standard expenses affected by input costs factors in the fixed costs and emergency management prevention and preparedness components remain similar. The input costs factors shown in Table 8 have also been applied in the emergency management component.

#### ***Economic environment — emergency management component***

108. **1999 Review method.** There was no explicit component for emergency management, but most of the costs were included in the fire brigades component where an economic environment factor was assessed. That factor was based on an average of the value of fire insurance claims paid and the unimproved value of commercial and residential land. The factor used those indicators to capture the risk of damage from fires.

109. **Preliminary State views.** Victoria argued that a risk-based model, rather than fire insurance claim data relating to actual fire occurrences, was required. This was because fire insurance claims were influenced (reduced) by the level of prevention expenditure. On urban risks, Victoria said more account should be taken of the range of functions carried out by the Fire Brigade in urban areas — for example, attending to chemical spills and other incidents. It suggested an urbanisation factor be applied to reflect those additional needs for fire and other hazard responses.

110. South Australia said the economic environment factor should be deleted because costs incurred by fire brigades were unaffected by measures such as the value of building and fire insurance claims.

111. The ACT suggested that fire brigade expenditure was related to the cost of providing and maintaining a response capacity determined by existing standards. It argued that the 1999 Review method reflected neither the demand for, nor the cost of providing a fire protection service. It suggested either the removal of the economic environment factor or an assessment based on property values only.

112. The Northern Territory suggested the number of fire incidents per capita be used to account for costs associated with fire risk and incidents. It also argued that it faced

difficulties in recruiting, training and retaining volunteers in remote areas, and relied instead on professional fire fighters.

113. **Staff proposals.** In *Discussion Paper CGC 2002/41 Public Safety*, staff proposed assessing factors to reflect the risk of natural disasters, fire and other emergencies and the costs of maintaining the capacity to react to potential disasters of all sorts. A variety of methods were suggested for measuring risk, including a natural hazards risk scale and the relative value of past losses from natural disasters, fire and road accidents. The various approaches gave different results and data were not sufficient to measure the losses from all forms of emergencies.

114. **Further State views.** State responses generally indicated an acceptance of the conceptual merits of a risk-based approach. However, they pointed out the shortcomings of the proposed indicators of risk, especially the necessity to make allowances for the effects of different policies towards prevention. New South Wales and Victoria also made arguments about the effects of large cities on the level of risk and the capacity required to respond.

115. For example, Victoria said urbanisation (involving high concentrations of people, buildings and infrastructure) multiplies the risk of a major incident and its potential consequences in terms of human suffering and damage to property and the environment. That creates extra costs for fire and emergency services that need to be prepared for normal services and also ensure they have the standing capacity, training and so on to cope with potential major incidents.

116. **Analysis.** To recognise that States respond to natural disasters, fires and other emergencies in an integrated way, this component covers all the costs of maintaining the necessary capacity to mount those responses. It is noted that States source much of the revenue used to fund their emergency services, especially fire brigades, from fire insurance and related levies.

117. Based on our understanding of fire and emergency services, arguments in State submissions and the views of officials put to us during workplace discussions, we have concluded that States incur expenses to establish the services, equip them, and engage and train staff to respond to emergencies that may arise. It also appears that decisions about the level and sophistication of resources depend partly on the revenue available from insurance and other levies and on an assessment of the likelihood of emergencies occurring and the harm they could cause. That is, each State maintains base services that, in terms of size, equipment and training, reflect the revenue available and the physical, built and human environment in which they are expected to provide services. Those services are often supplemented in the case of emergencies by personnel from other services, such as police, or from the community through volunteers.

118. Differences also exist among the States in the likelihood of natural disasters and other emergencies. Some of the more obvious differences are the greater likelihood of cyclones in the northern regions, higher susceptibility to bushfires in some areas, and the higher risk of large fires in industrial areas.

119. While there is doubt about the size and direction of differences between the States in overall risk, the case mounted by New South Wales and Victoria that the complexities of large cities result in higher expenses is compelling. The combination of the large populations, the density of settlement (especially in inner city areas), the diversity of the population, the proximity of hazardous facilities to high density residential areas, and the greater risk of terrorist or accidental damage all combine to produce a more complex environment in which to provide services. The complexity of the environment could be expected to result in a need for greater planning, more sophisticated and specialised equipment, extra training and extra expense in raising public awareness.

120. This background and the views of most States lead us to conclude that there is a conceptual case for assessing disabilities aimed at reflecting the impact on State expenditures of differences in the risk of emergencies arising, in addition to the cost disabilities discussed above.

121. How a risk factor should be measured is a more contentious issue. Our investigations so far have been unable to produce a definitive approach. This is partly because determining the potential impact on State expenses requires account to be taken of both the inherent risk of a region experiencing natural or other emergencies and the level of life and property exposed to that risk. While inherent risk is broadly measurable, at least for natural disasters, the impact of that risk on potential damage can be affected by the preventative policies applied by States.

122. We examined two approaches to measuring risk:

- (i) a composite index based on average annual cost of natural disasters (covering flood, severe storms, cyclones, earthquakes and bushfires) plus the value of property loss from structural fires<sup>1</sup>; and
- (ii) the building damage scale prepared by the Natural Hazards Research Centre.

123. The two approaches produced different indications of relative risks and have been criticised by States for many reasons, including that they depend to greater or lesser degrees on projecting historical experience on both the occurrence of disasters and the damage they cause. Of the two approaches, we think that the 100-year risk factor (that is, (ii) above) is a better indicator because it reflects the experiences over a much longer period. The factors this approach would produce are shown in Table 17.

124. While historical evidence of the likelihood of events occurring may be a reasonable basis for predicting future occurrences, their impact can be mitigated by State policies. The strength of State arguments on this issue indicates that State preventative policies can have a material impact on the extent of damage. For the assessment to be

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<sup>1</sup> This approach depends on data from the Bureau of Transport Economics, *Economic Costs of Natural Disasters in Australia*, Report 103, 2001, Table 3.1, p 35 and the Steering Committee for the Review of Commonwealth/State Services Provision, *Report on Government Services 2002*, Volume 2: Emergency Management, Community Services, Housing, Supporting Table 11A.7.

policy neutral, some allowance should be made for the effects of preventive action on the level of damage.

125. However, we are not aware of any objective information that would help quantify such an allowance. In the absence of any information, we propose to make an allowance on the basis of judgement by discounting the level of disability implied by the 100-year risk factor by 90 per cent. This discount is based on the view that costs would be unlikely to correspond on a one-to-one basis with the risk. The effect of this judgement is also shown in Table 17.

**Table 17** PERCENTAGE OF BUILDING DAMAGE BY STATE, 1900 to 1999, AND RISK FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Percentage of damage	29.6	14.5	26.0	6.0	2.7	4.0	0.1	17.1
Percentage of 2000-01 mean resident population	33.9	24.8	18.6	9.8	7.8	2.4	1.6	1.0
Risk factor (all years)	0.87251	0.58568	1.39695	0.61328	0.34591	1.63905	0.06062	16.66401
Risk factor (discounted by judgement)	0.98725	0.95857	1.03969	0.96133	0.93459	1.06390	0.90606	2.56640

Source: Blong, R. A New Damage Intensity Scale: Australian Experience, *Proceedings of the Australian Disaster Conference, Disaster Prevention for the 21<sup>st</sup> Century*, Canberra 1-3 November 1999.

126. A risk factor is only part of the picture. Risk needs to be applied to the assets that are at risk. Those assets would be predominantly real (for example, buildings, stock, crops, livestock, and portable wealth) and financial (for example, income streams and productive capacity). Of those various assets (real and financial) we have data on the unimproved value of land only. In the absence of comprehensive data, we have decided to continue the approach used in the 1999 Review of using the unimproved value of land as a proxy for the value of all real assets at risk of damage by disasters. The use of the unimproved value of property in the assessment is also justified by its role in determining the level of funds States have available to spend on emergency services, especially fire brigades. Value of real assets (of which land is a part) is the basis of insurance premiums and hence the insurance levies raised by States. Table 18 shows factors based on the unimproved value of residential and commercial property.

**Table 18** VALUE OF UNIMPROVED RESIDENTIAL AND COMMERCIAL PROPERTY FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.30732	0.93685	0.82512	0.95820	0.61708	0.45056	0.77306	0.59342
1998-99	1.29250	0.94862	0.82487	0.98047	0.61791	0.43929	0.76634	0.59732
1999-2000	1.33921	0.98377	0.75510	0.94018	0.55492	0.36308	0.74310	0.53082
2000-01	1.36711	0.93291	0.73197	0.96415	0.59649	0.33375	0.86284	0.55973
2001-02	1.28018	1.09325	0.71405	0.92378	0.57472	0.29932	0.87881	0.49433

Source: Australian Valuation Office.

127. We think the combination of the discounted risk sub-factor and the value of unimproved property sub-factor could form the basis of assessing the costs of economic environment for this component. But, we acknowledge that such an economic environment factor is heavily based on judgement and is questionable.

128. On the one hand, we think there is merit in including a sub-factor which reflects the risk of disasters. This risk sub-factor, when combined with the value of assets that could be damaged in a disaster (proxied by the value of unimproved land sub-factor), provides a conceptual basis for identifying the potential relative costs to States.

129. On the other hand, there are problems with this approach. Available risk indices have their shortcomings because they reflect the extent of past damage, may not allow for the effects of preventative action and are not well-supported by States. Unimproved value of land may be a poor proxy for improved value of land and foregone income streams (for which we cannot obtain data). Further, we have no empirical basis on which to judge whether the resultant factors are valid (for example, different risk measures give different results).

130. The agency responsible for NDRA is undertaking a national assessment of risk with a view to producing a comprehensive risk index in the next 12-18 months. The inclusion of the risk sub-factor here, while less than perfect, provides the opportunity to update it in the future with new work (subject to it being appropriate for Commission purposes). The alternative is to defer dealing with any notion of risk until the next Review.

131. **Commission decision.** The Commission accepts that a conceptual basis exists for assessing an economic environment factor for the emergency management component. It has done so because the revenue available from insurance levies and the risk of damage by natural disasters influence the level of expenditure on emergency services and there are indications that there are material differences between States in the level of risk and potential damage to assets. In the absence of information to the contrary, we have assessed an economic environment factor by combining the discounted risk sub-factor (Table 17) and the unimproved value of residential and commercial property sub-factor (Table 18). For the 2004 Review draft assessment, we have combined those two sub-factors by multiplying them, because we think that such a combination better captures the interaction between these two drivers of cost.

132. The Commission acknowledges that the validity of the assessment method is questionable. It invites further input from States regarding this assessment.

**Table 19** COMMISSION DECISION —ECONOMIC ENVIRONMENT FACTORS, EMERGENCY MANAGEMENT COMPONENT

Decision	Reason
An economic environment factor will be assessed based on a discounted risk sub-factor and an unimproved value of residential and commercial property sub-factor.	There is a conceptual case that risk of damage by natural disasters influences the level of expenditure on fire and emergency services and there are indications that there are material differences between States in the level of risk and potential damage to assets.

133. *Method and results.* The economic environment factors are shown in Table 20. They have been calculated by discounting a risk sub-factor (based on the 100-year buildings damage scale) and multiplying the result by a sub-factor based on the unimproved value of residential and commercial property. Because of the problems with measuring risk, and States' concerns, we have adopted a conservative approach and discounted the risk sub-factor by 90 per cent. We have combined the risk sub-factor with the unimproved value of land sub-factor multiplicatively, because we believe that drivers of cost reflected in the sub-factors overlap and that we need to capture this interaction in our methods.

**Table 20** ECONOMIC ENVIRONMENT FACTORS, EMERGENCY MANAGEMENT COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.29065	0.89803	0.85788	0.92115	0.57672	0.47936	0.70044	1.52296
1998-99	1.27602	0.90932	0.85762	0.94255	0.57749	0.46736	0.69435	1.53296
1999-2000	1.32214	0.94301	0.78508	0.90382	0.51862	0.38628	0.67330	1.36229
2000-01	1.34968	0.89425	0.76102	0.92686	0.55747	0.35507	0.78179	1.43650
2001-02	1.26386	1.04795	0.74239	0.88805	0.53713	0.31845	0.79626	1.26865

134. *Updateability.* Annual data are available to update the unimproved value of residential and commercial property. The Commission will inquire into the feasibility of updating the 100-year buildings damage intensity scale.

## NATIONAL CAPITAL COMPONENT

135. A national capital assessment was made for this category in the 1999 Review.

***National capital — national capital component***

136. ***1999 Review method.*** In the 1999 Review, a national capital factor with an allowance of \$0.615 million was assessed for the category to reflect the additional costs incurred by the ACT because of:

- (i) the higher risk of fires due to the ACT's greater urban/bush interface;  
and
- (ii) the need to employ fire fighters to fight rural fires because of a limited capacity to recruit volunteer rural fire fighters.

The allowance which was equivalent to \$2 per capita was based on judgement alone. The national capital factor was applied to 0.07 per cent of category standard expenditure.

137. ***Preliminary State views.*** The ACT supported the continuation of a national capital assessment for this category. It argued for an increase in the assessment for national capital influences to \$3.3 million. Of that, \$2.9 million would account for the additional costs due to its reduced capacity to recruit volunteer bush fire fighters, the high urban/bush interface and an inability to collect fire insurance levies on Commonwealth property. The remaining \$0.4 million represented the additional costs the ACT faced in providing high level responses to federal government institutions, such as Parliament House, Government Departments and diplomatic missions due to the increased threat of terrorism.

138. ***Staff proposals.*** In *Discussion Paper CGC 2002/41 Public Safety*, staff proposed to continue to assess an allowance for volunteer fire-fighters, above average open space and bush/urban interface in and around the ACT, as well as to assess an allowance related to the increased threat of terrorism.

139. ***Further State views.*** The ACT repeated its arguments in favour of an allowance of \$3.3 million. South Australia was sceptical about the ACT's inability to recruit volunteer fire-fighters from urban areas. The Northern Territory, noting that the National Capital Authority disagreed with the ACT on its claim regarding higher bush/urban interface, suggested the allowance be reconsidered. No other States commented.

140. ***Analysis.*** Each of the allowances sought by the ACT has been examined against the framework and principles set out in *Draft Assessment Paper CGC 2003/71 National Capital Factors*, which are as follows.

- (i) Assessments should be made under equalisation principles for additional costs incurred by the ACT that are undeniably the result of mandated influences that arise because of Canberra's status as the national capital and the seat of government. Those assessments would be described as national capital allowances. The individual merit of each proposed allowance would be examined.
- (ii) Commonwealth cost legacies inherited by the ACT after self-government would be assessed as special fiscal needs allowances.

Equalisation would not apply to these items (that is, any allowances assessed should be paid outside the GST pool arrangements). Special fiscal needs allowances should be phased out over an appropriate number of years.

- (iii) Where Commonwealth policy influences are having an effect on any State, and it is standard policy for bilateral arrangements to be made, then no assessment should be made. Such arrangements would be out of scope (such as the Australian Government Fire Brigade arrangements).
- (iv) Where Australian Government policy influences are having an effect on any State, and it is not standard policy for bilateral arrangements to be made, and a case can be made for a factor, then an assessment should be made from within the pool (for example, Land Rights, Native Title, Superannuation).

141. *Volunteer fire-fighters.* Table 21 indicates that there are differences among the States in the number of volunteer bushfire-fighters in 1999-2000. Those differences may result in different per capita costs of providing public safety services. However, they do not arise from mandated influences that are attributable to Canberra's status as the national capital and the seat of government. Nor does the difference in propensity of people to volunteer reflect a Commonwealth cost legacy or a Commonwealth cost impost.

142. There may be a conceptual case for assessing a disability factor for differences in volunteer rates across all States. However, before such a case could be accepted, it would be necessary to establish the reasons for the differences and to identify the cost implications. That has not been done.

**Table 21** VOLUNTEER FIRE-FIGHTERS BY STATE, 1999-2000

Volunteer fire-fighters	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Number	69 000	61 657	45 294	18 224	24 000	5 000	450	2 206	225 831
Per capita	0.0107	0.0130	0.0128	0.0097	0.0161	0.0106	0.0015	0.0114	0.0125
Persons per volunteer	93	77	78	103	62	94	689	88	80

Source: Compiled by ACT Emergency Services Bureau from information provided by jurisdictions.

143. *The bush-urban interface.* The extent of the bush-urban interface in the ACT is related to mandated influences that arise because of Canberra's status as the national capital and the seat of government (that is, the bush-urban interface and Canberra's status as 'the bush capital' and the policy of retaining native vegetation on the ridges through Canberra, are features of the National Capital Plan). It is not a Commonwealth cost legacy nor is it a Commonwealth cost impost. The implications of the interface were highlighted during the January 2003 Canberra bushfires — the fires moved deep into urban areas through the corridors of bush that penetrated into suburbs.

144. *Security for Commonwealth facilities.* Many facilities are located in the ACT because of its role as the national capital. They include Parliament, Diplomatic Corps, Government departments, as well as major national attractions such as the War Memorial, National Library, National Gallery, and National Museum. The requirement to provide high level security responses to those facilities in an environment of heightened threat of terrorism, is a direct result of Canberra's status as the national capital and the seat of government, and can be said to be mandated by that role.

145. **Commission decision.** The Commission accepts that a conceptual basis exists for assessing allowances for:

- (i) the above average areas of urban/bush interface in the national capital;  
and
- (ii) the additional costs the ACT faces because of the heightened threat of terrorism on the ACT's public and diplomatic buildings.

146. The previous assessment and the supplementary information provided by the ACT indicate that these cost imposts are material in the context of the ACT budget. The Commission therefore proposes to assess allowances for the 2004 Review as follows:

- (i) an allowance of \$500 000 for the above average urban/bush interface, based on the assumption that one half of the \$2 per capita allowance assessed in the 1999 Review reflected the additional costs the ACT faced from that source. The per capita allowance has been adjusted for inflation; and
- (ii) an additional allowance of \$400 000 for the additional security responses arising from increased terrorism risks, based on the information provided by the ACT.

147. The Commission has decided not to assess an allowance for volunteer bush fire-fighters. While the data provided by the ACT shows that it has the lowest per capita number of volunteer fire-fighters of all States, it is not clear that additional costs are the result of mandated influences arising from the ACT's status as the national capital and seat of government.

148. The total national capital allowance assessed for the 2004 Review is \$900 000. The Commission's decision is summarised in Table 22.

**Table 22** COMMISSION DECISION — NATIONAL CAPITAL FACTOR,  
NATIONAL CAPITAL COMPONENT

Decision	Reason
A national capital factor will be assessed for the national capital component using the 2004 Review method. An allowance of \$0.9 million has been assessed for Public Safety.	Gives the ACT the capacity to provide the average level of public safety services by assessing the additional costs it faces because of national capital influences on its delivery costs.

149. **Method and results.** The national capital factor for the 2004 Review has been calculated by the general method. That is, the factor for the ACT is the ratio of the Australian population to the ACT population. Table 23 sets out the calculated factor for 2001-02.

**Table 23** NATIONAL CAPITAL FACTORS — NATIONAL CAPITAL COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2001-02	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	60.95242	0.00000

150. **Updateability.** The national capital factor will be updated annually with new mean resident population data sourced from the ABS.

## ISOLATION COMPONENT

### *Isolation — isolation component*

151. **1999 Review method.** The isolation factor was assessed in the 1999 Review to account for differences in per capita costs of service provision for some States because of their economic, geographical and professional isolation from the main interstate sources of supply in South Eastern Australia. It reflected the combined effect of isolation on labour-related costs, interstate freight costs, professional infrastructure costs, commercial goods costs, airfares, travel allowances and other travel-related subsidies. The isolation-affected expenses component represented 0.31 per cent of expenses in this category.

152. **Commission decision.** The Commission accepts the conceptual case for assessing isolation influences on State costs of providing Public Safety services. Data are available from the States and other sources to make the assessment. The Commission's decision is summarised in Table 24.

**Table 24** COMMISSION DECISION — ISOLATION-AFFECTED EXPENSES COMPONENT

Decision	Reason
An isolation factor will be assessed for the isolation-affected expenses component using the 2004 Review method.	Gives States the capacity to provide the average level of services by assessing the additional costs that some States face because of their economic and geographical isolation from the main interstate sources of supply in South Eastern Australia.

153. **Method and results.** The isolation factors for this category, shown in Table 25, have been calculated according to the general method outlined in *Draft Assessment Paper CGC 2003/65 Isolation*. Isolation-affected expenses for this category have been estimated to be 0.12 per cent of the category standard.

**Table 25** ISOLATION FACTORS — ISOLATION-AFFECTED EXPENSES COMPONENT

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

154. **Updateability.** Cost data are available from the States and other sources to update the factors each year.

## SUMMARY OF RESULTS

155. Table 26 summarises the proposed assessment structure for the 2004 Review.

**Table 26** PUBLIC SAFETY ASSESSMENT STRUCTURE FOR THE 2004 REVIEW, 2001-02

Expenditure component	Component weight	Factors	Basis of calculation
Fixed costs	1.23	Administrative scale Input costs	General method. General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
Public order and safety	25.00	Dispersion Input costs	General method. General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
Natural disaster relief	3.70	Physical environment	Based on actual net expenses of States on natural disasters in each assessment year.
Emergency management	69.88	Dispersion Input costs Economic environment	General method. General method with weights of 80% for wages, 2% for accommodation and 1% for electricity. Combination of two sub-factors calculated by reference to (i) the unimproved value of land, and (ii) the discounted risk of building damage.
National capital	0.07	National capital	General method.
Isolation	0.12	Isolation	General method.

***Derivation of category factor***

156. Table 27 summarises the components, component weights and disability factors assessed for this category for 2001-02. It shows the calculation of the category factor.

**Table 27** PUBLIC SAFETY — DERIVATION OF CATEGORY FACTOR, 2001-02

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Fixed costs (FC) (component weight = 1.23%)</b>								
Administrative scale (s)	0.36891	0.50461	0.66745	1.27717	1.61320	5.17750	7.59249	12.25311
Input costs (ic_fc)	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737
Component factor	0.38432	0.50197	0.65271	1.25719	1.56897	4.80956	7.72502	13.26033
Cont. to category factor	0.00473	0.00617	0.00803	0.01546	0.01930	0.05916	0.09502	0.16310
<b>Public order and safety (POS) (component weight = 25.00%)</b>								
Dispersion (d)	0.99461	0.98217	1.01458	1.03116	0.98374	0.97847	0.93678	1.32193
Input costs (ic_OTH)	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737
Component factor	1.03175	0.97251	0.98812	1.01111	0.95198	0.90326	0.94969	1.39930
Cont. to category factor	0.25794	0.24313	0.24703	0.25278	0.23799	0.22581	0.23742	0.34983
<b>Natural disaster relief (NDR) (component weight = 3.70%)</b>								
Physical environment	1.18495	0.00000	2.74527	0.06400	0.00000	0.00000	0.00000	7.65571
Component factor	1.18495	0.00000	2.74527	0.06400	0.00000	0.00000	0.00000	7.65571
Cont. to category factor	0.04384	0.00000	0.10157	0.00237	0.00000	0.00000	0.00000	0.28326
<b>Emergency management (EM) (component weight = 69.88%)</b>								
Dispersion (d)	0.99461	0.98217	1.01458	1.03116	0.98374	0.97847	0.93678	1.32193
Input costs (ic_OTH)	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737
Economic environment	1.26386	1.04795	0.74239	0.88805	0.53713	0.31845	0.79626	1.26865
Component factor	1.30832	1.02252	0.73601	0.90090	0.51303	0.28859	0.75871	1.78112
Cont. to category factor	0.91426	0.71455	0.51433	0.62956	0.35851	0.20167	0.53019	1.24466
<b>National capital (NCAP) (component weight = 0.07%)</b>								
National capital (nc)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	60.95242	0.00000
Component factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	60.73988	0.00000
Cont. to category factor	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.04203	0.00000
<b>Isolation (ISO) (component weight = 0.12%)</b>								
Isolation (iso)	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
Component factor	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
Cont. to category factor	0.00006	0.00013	0.00021	0.00090	0.00068	0.00419	0.00182	0.08193
<b>CATEGORY FACTOR</b>	<b>1.22083</b>	<b>0.96398</b>	<b>0.87118</b>	<b>0.90107</b>	<b>0.61648</b>	<b>0.49084</b>	<b>0.90648</b>	<b>2.12278</b>

***Calculation formulae***

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

FC	=	0.0123 (s * ic_fc)
POS	=	0.2500 ( d + ic_OTH – 1 )
NDR	=	0.0370 (ph)
EM	=	0.6988 ( [d + ic_OTH – 1] * e )
NCAP	=	0.0007 (nc)
ISO	=	0.0012 (iso)
Category Factor	=	FC + POS + NDR + EM + NCAP + ISO

### ***Standardised expenses***

158. Table 28 compares the category factors assessed for 2001-02 in the 2003 Update with those for the 2004 Review draft assessment.

**Table 28** PUBLIC SAFETY — CATEGORY FACTORS, 2004 REVIEW AND 2003 UPDATE

Category factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>2004 Review draft assessment</b>	<b>1.22083</b>	<b>0.96398</b>	<b>0.87118</b>	<b>0.90107</b>	<b>0.61648</b>	<b>0.49084</b>	<b>0.90648</b>	<b>2.12278</b>
2003 Update	1.07202	1.08937	0.90702	0.91834	0.75366	0.74726	1.05118	1.31479

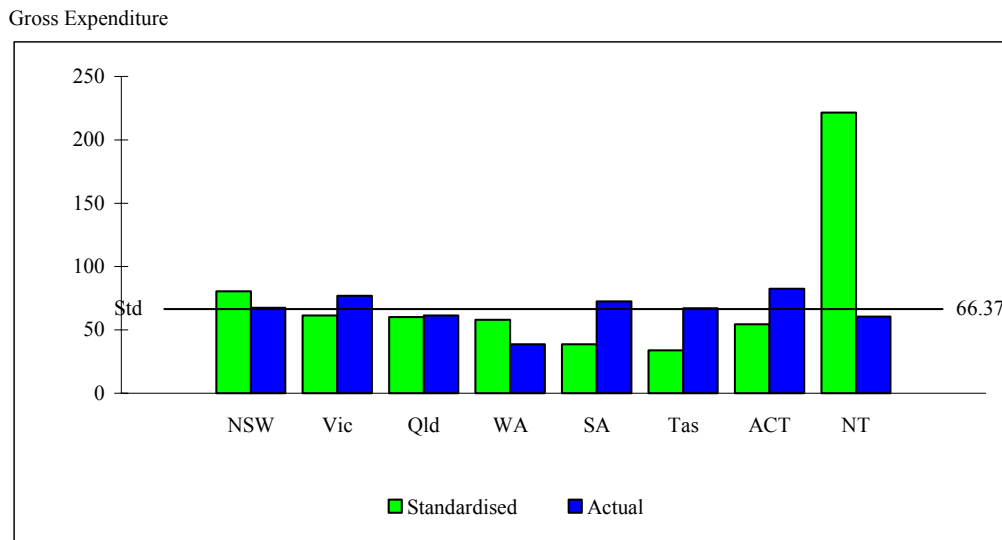
159. Table 29 shows the standardised expenses assessed for this category for 2001-02 in the draft assessment compared with that assessed in the 2003 Update.

**Table 29** ACTUAL, STANDARD AND STANDARDISED EXPENSES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Actual Expenses</b>									
\$ per capita	66.37	67.37	76.94	61.29	38.60	72.63	67.11	82.43	60.68
<b>2003 Update - Standardised Expenses</b>									
\$'000		454 729	337 820	212 649	112 518	73 107	22 585	21 665	16 791
\$ per capita	63.87	68.47	69.58	57.94	58.66	48.14	47.73	67.14	83.98
<b>2004 Review Draft Assessment - Standardised Expenses</b>									
\$'000		538 082	310 613	212 223	114 714	62 135	15 414	19 413	28 169
\$ per capita	66.37	81.03	63.98	57.82	59.80	40.92	32.58	60.16	140.89

160. Figure 1 shows the gross expenses per capita for 2001-02 in terms of standardised, estimated and gross standard expenses.

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



## ANALYSIS

161. Table 30 shows the redistribution of grants resulting from the assessment in the 2003 Update and the Draft Assessment. It also shows the sources of change.

162. Compared with an equal per capita assessment, the draft assessment redistributed \$145.3 million to New South Wales and the Northern Territory, \$79.4 million more than in the 2003 Update.

163. The main reasons for the change in grants were changes to assessment methods and data, including the following:

- (i) Changes to the assessment structure and component weights have been made. In particular, the larger fire brigade component has been replaced by a smaller emergency management component.
- (ii) A change has been made in the assessment of economic environment, from a factor based on the combination of fire insurance claims and the value of unimproved property, to a factor based on the combination of discounted risk and the value of unimproved property. Because the value of unimproved property for New South Wales is no longer discounted by 25 per cent, notional grants to that State have increased. Because the risk of building damage for the Northern Territory is relatively large (even after the 90 per cent discount) notional grants to the Territory have increased.

164. Reducing the impact of the administrative scale assessment (by reducing the size of the component to which it applies) also had some impact on the assessment. The changes in the input costs factors also had substantial effects and led to increases in the redistribution towards New South Wales and mitigated the reduction for the Northern Territory.

**Table 30** EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION — PUBLIC SAFETY

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Contribution to 2003 Update relativities<sup>(b)</sup></b>	52.7	8.4	-32.8	-5.1	-22.4	-5.6	0.0	4.9	65.9
<b>Composition</b>	4.6	0.8	-2.7	-0.3	-2.0	-0.5	0.0	0.2	5.6
<b>Assessment</b>	66.9	-57.0	4.7	3.5	-16.3	-8.5	-3.2	9.9	85.1
<b>Interaction</b>	5.3	-5.7	1.1	0.8	-1.4	-0.7	-0.3	0.8	8.0
<b>Contribution to 2004 Review Draft Assessment relativities<sup>(b)</sup></b>	129.5	-53.5	-29.6	-1.1	-42.2	-15.4	-3.5	15.8	145.3
<b>Total Change</b>	76.9	-61.9	3.1	4.0	-19.7	-9.7	-3.5	10.9	94.9

(a) Total redistribution.

(b) Assuming same pool and a constant population.

### PUBLIC SAFETY USER CHARGES

165. **1999 Review.** In the 1999 Review, the Public Safety and Emergency Services User Charges category comprised fire insurance levies and other user charges. Fire insurance levies included statutory contributions for fire brigades from insurance companies and local government authorities. Other user charges include installation of smoke alarms, false alarm charges and fines.

166. The structure for the Public Safety user charges assessment in the 1999 Review is set out in Table 31.

**Table 31** ASSESSMENT STRUCTURE, PUBLIC SAFETY AND EMERGENCY SERVICES USER CHARGES, 1999 REVIEW

User charges component	Component weight	Factors	Basis of calculation
	%		
Fire insurance levies	82.00	Unimproved value of land factor	Based on the unimproved value of residential and commercial property
Other user charges	18.00	None	Equal per capita.

167. **Staff proposal.** In the discussion paper, staff proposed that the current assessment approach be continued, subject to better data on property values becoming available. In particular, it was proposed that if data on the improved value of property could be obtained, the fire insurance levies factor would be based on it rather than the value of unimproved residential and commercial property.

168. **State views.** Queensland argued that fire insurance levies are gradually being replaced by fire service (or similar) levies collected by local governments. It said that South Australia and Tasmania as well as Queensland collect levies in this manner, as will Western Australia from May 2003. Because local governments generally apply lower levies in areas that do not have metropolitan fire services, Queensland argued that the capacity of a State to raise user charges for fire services is reduced and depends on the proportion of population in urban areas. To reflect this reduced capacity, Queensland suggested weighting urban, rural and remote populations by 1.00, 0.75 and 0.50, in the assessment.

169. South Australia and Tasmania supported the proposal to use improved value of property as the base for the assessment of fire insurance levies. The Northern Territory supported the current assessment method.

170. **Commission's decision.** The Commission accepts that a conceptual case exists for differential assessment of fire insurance levies because States have different capacities to raise such levies. While States' requirements to raise fire insurance levies (and thus their efforts in doing so) may be gradually declining (as local government captures the ground in rural and remote areas), the existing evidence suggests that most States raise such levies. At this time, therefore, we are not inclined to adjust the assessment to account for such a trend.

171. The Commission has not found data on the improved value of property. But data on the unimproved value of property by State remain available. The Commission has therefore decided to continue the existing method of assessing capacity to raise fire insurance levies, using the unimproved value of residential and commercial property as the revenue base.

172. It has also decided to continue to assess other user charges relating to public safety by the equal per capita method, because the level of such user charges continues to be policy influenced.

173. On the basis of GFS data, the Commission has changed the size of the components for fire insurance levies and other user charges. The Commission's proposal is summarised in Table 32.

**Table 32** COMMISSION PROPOSAL — PUBLIC SAFETY USER CHARGES

Decision	Reason
The capacity to raise fire insurance levies has been assessed using the value of unimproved residential and commercial property as the revenue base. Other user charges relating to public safety have been assessed by the equal per capita method.	The capacity to raise fire insurance levies continues to be influenced by circumstances beyond State control. The capacity to raise other user charges related to public safety remains policy influenced.

174. **Method and results.** Table 33 summarises the disability factors assessed for each component of this category for 2001-02. Fire insurance levies were assessed by reference to the value of unimproved residential and commercial property. Other user charges were assessed by the equal per capiat method.

**Table 33** PUBLIC SAFETY USER CHARGES — DERIVATION OF CATEGORY FACTOR, 2001-02

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Fire insurance levies (FIL) (component weight = 87%)</b>								
User charges factor	1.28018	1.09325	0.71405	0.92378	0.57472	0.29932	0.87881	0.49433
Component factor	1.28018	1.09325	0.71405	0.92378	0.57472	0.29932	0.87881	0.49433
Cont. to category factor	1.11376	0.95112	0.62122	0.80369	0.50000	0.26041	0.76457	0.43007
<b>Other user charges (UC) (component weight = 13%)</b>								
Component factor	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cont. to category factor	0.13000	0.13000	0.13000	0.13000	0.13000	0.13000	0.13000	0.13000
<b>Category factor</b>	<b>1.24376</b>	<b>1.08112</b>	<b>0.75122</b>	<b>0.93369</b>	<b>0.63000</b>	<b>0.39041</b>	<b>0.89457</b>	<b>0.56007</b>

175. **Updateability.** Annual data on the value of unimproved residential and commercial property are available to update the user charges factors.

176. **Analysis.** Table 34 shows the redistribution of grants resulting from the assessment in the 2003 Update and the Draft Assessment. It also shows the sources of change.

177. Compared with an equal per capita assessment, the draft assessment redistributed \$98.3 million away from New South Wales to the other States, \$39.1 million more than in the 2003 Update.

178. The main reason for the change in grants was the change in the New South Wales user charges factor which is now based on the full value of unimproved residential and commercial property. In the 2003 Update, the value of unimproved property for New

South Wales was discounted by 25 per cent, based on a judgement decision taken in the 1999 Review.

**Table 34** EFFECT OF ASSESSMENT ON GRANTS DISTRIBUTION — PUBLIC SAFETY USER CHARGES

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Contribution to 2003 Update relativities<sup>(b)</sup></b>	-31.9	-21.3	21.3	-6.0	21.7	11.6	1.3	3.2	59.2
<b>Composition</b>	-0.7	-0.5	0.5	-0.2	0.5	0.3	0.0	0.1	1.4
<b>Assessment</b>	-64.1	26.0	17.5	10.2	6.4	1.7	1.5	0.8	64.1
<b>Interaction</b>	-1.7	0.7	0.5	0.3	0.2	0.0	0.0	0.0	1.7
<b>Contribution to 2004 Review draft assessment relativities<sup>(b)</sup></b>	-98.3	4.9	39.7	4.2	28.8	13.7	2.9	4.2	98.3
<b>Total change</b>	-66.5	26.1	18.4	10.2	7.1	2.0	1.6	0.9	66.5

(a) Total Redistribution.

(b) Assuming same pool and a constant population.