

SUBSIDIES – PETROLEUM PRODUCTS

- 1 This working paper describes how the Commission estimated the subsidies each State would provide on petroleum products if it provided the average level of subsidy. The development of the assessment method is discussed in Volume 5 of the 2004 Review Working Papers.

DESCRIPTION OF THE CATEGORY

- 2 This category comprised subsidies for on-road use of diesel and petroleum provided to petroleum wholesalers and retailers by the States. Under the new tax reform arrangements, responsibility for subsidies for off-road use of diesel fuel was transferred from the States to the Commonwealth.
- 3 Table 1 shows the average expenses for the last six financial years. In 2005-06, the average expense at \$30.80 per capita represented 0.51 per cent of the total gross average expenses.

Table 1 Subsidies, Petroleum Products, average expenses, 2000-01 to 2005-06

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Average expenses (\$pc)	27.10	27.91	29.33	29.75	31.14	30.80
% of total State average expenses	0.55	0.54	0.55	0.55	0.55	0.51

ASSESSMENT METHOD

Description of the assessment

- 4 The category was assessed as a single component. While the level of subsidy varied across regions in some States, the standard policy was to provide the same level of subsidy across the whole of each State. The Commission was not convinced that the differences from the standard policy reflected the effects of disabilities. Therefore it decided to assess the category on an equal per capita basis.

Assessment structure

- 5 Table 2 shows the assessment structure for the 2007 Update.

Table 2 Subsidies – Petroleum Products, assessment structure for the 2007 Update, 2005-06

Expense component	Component weight	Factors	Basis of calculation
	%		
Subsidies for petroleum products	100.00	None	Equal per capita

RESULTS FOR 2005-06

6 Table 3 shows, for 2005-06, the actual, average and assessed expenses per capita and the assessed cost of providing services ratios. The assessed cost of providing services ratio is equivalent to the category factor shown in Table 3.

Table 3 Subsidies – Petroleum Products, assessment results, 2005-06

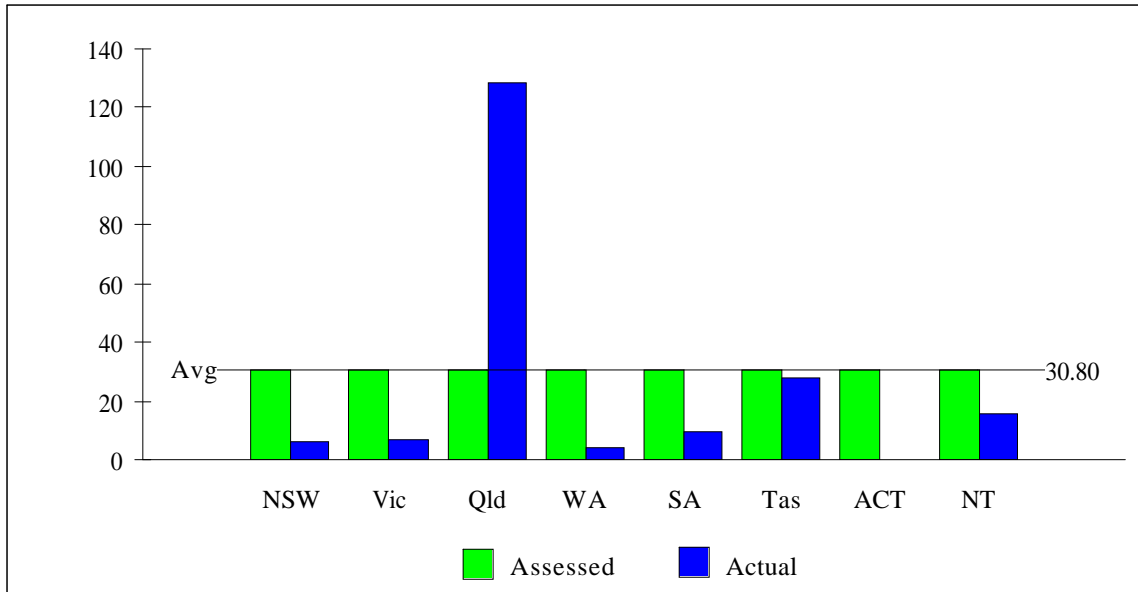
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	5.93	7.11	128.38	3.83	9.23	27.90	0.00	15.30	30.80
Assessed expenses	30.80	30.80	30.80	30.80	30.80	30.80	30.80	30.80	30.80
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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

7 Table 4 at the end of the working paper summarises the results of the assessment. It shows the average, actual and assessed expenses for each State for all years of the 2007 Update.

8 Figure 1 illustrates the actual, average and assessed expenses per capita for GST Administration Costs for 2005-06.

Figure 1 Subsidies – Petroleum Products, expenses per capita — assessed, actual and average, 2005-06



CONTRIBUTION TO THE DISTRIBUTION OF GST REVENUE SHARES

9 The category was assessed on an equal per capita basis. As a result, the distribution of GST revenues was the same as the distribution of population across the States. That is, there was no redistribution across States.

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Date: 23 February 2007

Table 4 Assessment of Expenses, Subsidies — Petroleum Products

	2001-02		2002-03		2003-04		2004-05		2005-06	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Average Expenses		27.910		29.330		29.752		31.136		30.801
New South Wales										
Assessed difference	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Expenses - Assessed	184.436	27.910	195.323	29.330	199.418	29.752	210.011	31.136	209.470	30.801
Actual	37.514	5.677	37.955	5.699	39.763	5.932	40.417	5.992	40.324	5.929
Victoria										
Assessed difference	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Expenses - Assessed	134.865	27.910	143.282	29.330	146.937	29.752	155.511	31.136	155.805	30.801
Actual	32.275	6.679	33.902	6.940	35.519	7.192	36.983	7.405	35.969	7.111
Queensland										
Assessed difference	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Expenses - Assessed	102.404	27.910	110.215	29.330	114.420	29.752	122.416	31.136	123.680	30.801
Actual	439.230	119.712	471.280	125.415	481.266	125.140	513.080	130.498	515.521	128.384
Western Australia										
Assessed difference	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Expenses - Assessed	53.413	27.910	56.796	29.330	58.449	29.752	62.101	31.136	62.568	30.801
Actual	4.168	2.178	4.835	2.497	6.446	3.281	6.894	3.456	7.790	3.835
South Australia										
Assessed difference	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Expenses - Assessed	42.291	27.910	44.656	29.330	45.515	29.752	47.867	31.136	47.691	30.801
Actual	16.167	10.670	15.089	9.910	14.967	9.784	14.561	9.471	14.290	9.229
Tasmania										
Assessed difference	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Expenses - Assessed	13.179	27.910	13.924	29.330	14.286	29.752	15.072	31.136	15.018	30.801
Actual	12.557	26.595	13.081	27.554	13.429	27.967	14.065	29.054	13.601	27.896
Australian Capital Territory										
Assessed difference	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Expenses - Assessed	8.942	27.910	9.461	29.330	9.626	29.752	10.111	31.136	10.083	30.801
Actual	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Northern Territory										
Assessed difference	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Expenses - Assessed	5.530	27.910	5.815	29.330	5.918	29.752	6.274	31.136	6.318	30.801
Actual	3.148	15.888	3.330	16.797	3.179	15.981	3.363	16.690	3.138	15.297

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