

SUBSIDIES – PETROLEUM PRODUCTS

- 1 This working paper describes the expenses assessment for the Subsidies for Petroleum Products category and provides information on its impact on GST revenue distribution for the 2008 Update. The Commission's assessment aims to estimate what each State would need to spend to provide the average level of subsidy for petroleum products if each State 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 Australian Government.
- 3 Table 1 shows the average expenses for the last six financial years. In 2006-07, the average expense at \$30.97 per capita represented 0.48 per cent of the total gross average expenses.

Table 1 Subsidies, Petroleum Products, average expenses, 2001-02 to 2006-07

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average expenses (\$pc)	27.90	29.30	29.69	31.04	30.68	30.97
% of total State average expenses	0.54	0.55	0.55	0.55	0.51	0.48

DEVELOPMENTS SINCE THE 2007 UPDATE

- 4 There were no new developments affecting the assessment since the last update.

ASSESSMENT METHOD

Description of the assessment

- 5 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

6 Table 2 shows the assessment structure for the 2008 Update.

Table 2 Subsidies – Petroleum Products, assessment structure for the 2008 Update, 2006-07

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

RESULTS FOR 2006-07

7 The Petroleum Products category is assessed on an equal per capita basis. This means that each State is assessed as needing to spend the same average amount per capita, which in 2006-07 was \$30.97. Table 3 shows, for 2006-07, the actual 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.

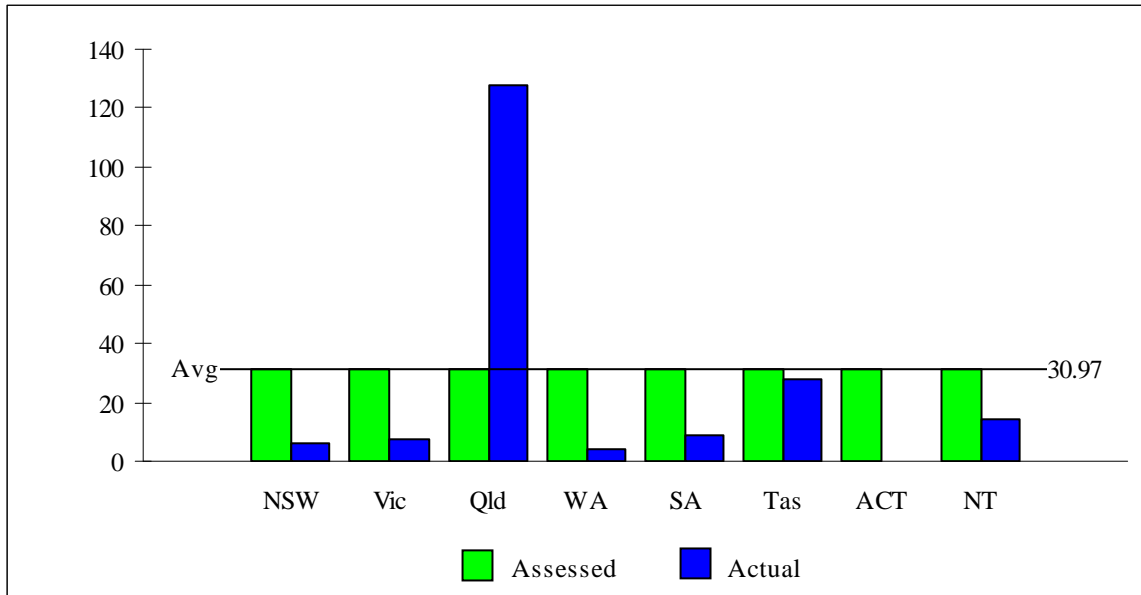
Table 3 Subsidies – Petroleum Products, assessment results, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	5.98	7.25	127.80	4.03	8.73	27.98	0.00	14.37	30.97
Assessed expenses	30.97	30.97	30.97	30.97	30.97	30.97	30.97	30.97	30.97
	%	%	%	%	%	%	%	%	%
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.

8 Figure 1 illustrates the actual, average and assessed expenses per capita for petroleum subsidies for 2006-07.

Figure 1 Subsidies – Petroleum Products, expenses per capita — assessed, actual and average, 2006-07



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 or difference in redistribution from the 2007 Update.
- 10 Table 4 summarises the results of the assessment. It shows the average, actual and assessed expenses for each State for all years of the 2008 Update.

This working paper was prepared by the Transport and Other Services section of the Commonwealth Grants Commission. If you have any questions about its content please contact Glenn Pure on (02) 6229 8816 or glenn.pure@cgc.gov.au

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Table 4 Assessment of Expenses, Subsidies — Petroleum Products

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Average Expenses		29.30		29.69		31.04		30.68		30.97
New South Wales										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Expenses - Assessed	194.911	29.30	198.724	29.69	209.015	31.04	208.264	30.68	212.311	30.97
Actual	37.955	5.71	39.763	5.94	40.417	6.00	40.324	5.94	40.964	5.98
Victoria										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Expenses - Assessed	143.420	29.30	147.163	29.69	155.826	31.04	156.175	30.68	160.028	30.97
Actual	33.902	6.93	35.519	7.17	36.983	7.37	35.969	7.07	37.484	7.25
Queensland										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Expenses - Assessed	110.375	29.30	114.697	29.69	122.826	31.04	124.206	30.68	128.072	30.97
Actual	471.280	125.09	481.266	124.59	513.080	129.68	515.521	127.33	528.524	127.80
Western Australia										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Expenses - Assessed	56.792	29.30	58.443	29.69	62.089	31.04	62.538	30.68	64.477	30.97
Actual	4.835	2.49	6.446	3.28	6.894	3.45	7.790	3.82	8.400	4.03
South Australia										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Expenses - Assessed	44.717	29.30	45.617	29.69	48.015	31.04	47.870	30.68	48.825	30.97
Actual	15.089	9.89	14.967	9.74	14.561	9.41	14.290	9.16	13.766	8.73
Tasmania										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Expenses - Assessed	13.917	29.30	14.273	29.69	15.051	31.04	14.985	30.68	15.225	30.97
Actual	13.081	27.54	13.429	27.94	14.065	29.01	13.601	27.84	13.757	27.98
Australian Capital Territory										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Expenses - Assessed	9.497	29.30	9.686	29.69	10.199	31.04	10.192	30.68	10.427	30.97
Actual	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Northern Territory										
Assessed difference	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Expenses - Assessed	5.843	29.30	5.966	29.69	6.342	31.04	6.403	30.68	6.590	30.97
Actual	3.330	16.70	3.179	15.82	3.363	16.46	3.138	15.03	3.059	14.37

Note: ACT expenses may include municipal expenses. Refer to Attachment A of the 2008 Update, *Relative Fiscal Capacity of States* for how these figures are compiled.