

GENERAL PUBLIC SERVICES USER CHARGES — ASSESSMENT RESULTS

- 1 This working paper describes the user charges assessment for General Public Services and provides information on its impact on GST revenue distribution for the 2008 Update. The development of the assessment method is discussed in Volume 3 of the 2004 Review Working Papers.

DESCRIPTION OF THE CATEGORY

- 2 The General Public Services User Charges category comprises user charges collected from fees and charges associated with regulatory activities and many general government administrative functions. More specifically, the category includes revenue from:
 - environment protection fees;
 - registration charges;
 - fees for the registration of births, deaths and marriages;
 - land fill levies;
 - trade waste disposal; and
 - work cover fees.
- 3 Table 1 shows average user charges for the last six financial years for General Public Services. In 2006-07, average user charges of \$106.65 per capita represented 15 per cent of total average user charges and 38 per cent of General Public Service category average expenses.

Table 1 **General Public Services User Charges, average user charges, 2001-02 to 2006-07**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average user charges (\$pc)	83.94	86.90	89.07	106.39	107.29	106.65
% of total user charges	14.50	14.11	14.35	16.56	15.63	14.98
% of category average expenses	40.30	41.03	38.99	45.54	41.77	38.36

DEVELOPMENTS WHICH AFFECTED THE 2008 UPDATE

Data revisions

- 4 The Australian Bureau of Statistics (ABS) revised its current price estimates of gross state product (GSP) by industry due to the availability of new data. These estimates are used to calculate the economic environment factor for the regulatory and planning services component of General Public Services User Charges. All States were affected by the revisions, although the extent to which each State and industry was affected varied. GSP estimates for the years 2001-02 to 2005-06 were revised down for New South Wales, Queensland and the ACT. Estimates for all other States were revised up. Queensland, Western Australia and the Northern Territory recorded the most significant revisions. The ABS said that the current data is the best available but that there will be further revisions to gross state product estimates by industry in the 2007-08 issue of ABS catalogue number 5220.0. These revisions are likely to partially offset the revisions published in the 2006-07 issue of 5220.0.

Method correction

- 5 Commission staff detected an error in the calculation of the economic environment factor for the regulatory and planning component of this user charges category. The correction of this error is reflected in the analysis of change for this category (Table 6) although the impact was small.

ASSESSMENT METHOD

Description of the assessment

- 6 The General Public Services User Charges assessment for the 2008 Update was carried out using two components:
- regulatory and planning fees and charges; and
 - other user charges
- 7 The 2008 Update assessment method was as follows:

- regulatory and planning user charges were assessed using differences in Gross State Product (GSP); and
- other General Public Services user charges were assessed on an equal per capita basis.

Assessment structure

8 Table 2 summarises the assessment structure for the 2008 Update.

Table 2 General Public Services User Charges, assessment structure for the 2008 Update, 2006-07

Component	Component weight	Factors	Basis of calculation
	%		
Regulatory and planning user charges	39.60	Economic environment	Based on gross state product (GSP) for all industries excluding government administration and defence and general government gross operating surplus.
Other user charges	60.40	EPC	Equal per capita

9 The proportion of user charges classified to the regulatory and planning user charges component was determined by the Commission using State budget data. The proportion is based on analysis of historical user charges data. It is not annually updated.

Calculating the category factor

10 Table 3 summarises the components, component weights and disability factors assessed for this category for the last year of the 2008 Update. It shows the calculation of the category factor for 2006-07.

Table 3 General Public Services User Charges, derivation of category factor for 2006-07, 2008 Update

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Regulatory and planning user charges (component weight = 39.6 %)								
Economic environment	0.98571	0.96280	0.94780	1.36325	0.87375	0.82239	0.91344	1.30696
Component factor	0.98319	0.95623	0.93859	1.42735	0.85147	0.79105	0.89817	1.36112
A Wgtd comp factor (a)	0.38934	0.37867	0.37168	0.56523	0.33718	0.31326	0.35567	0.53900
Other user charges (component weight = 60.4 %)								
EPC	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Component factor	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
B Wgtd comp factor (a)	0.60400	0.60400	0.60400	0.60400	0.60400	0.60400	0.60400	0.60400
Category factor (b)	0.99334	0.98267	0.97568	1.16923	0.94118	0.91726	0.95967	1.14300

Note: (a) The weighted component factor is the component factor multiplied by the component weight. This is then population weighted to ensure that the sum of assessed expenses equals average expenses. For each component, the component factor is calculated using the formula in the following paragraph.
 (b) Category factor is the sum of the weighted component factors. It equals A + B.

11 The category factor was calculated as follows:

$$\begin{aligned} \text{Category factor} &= \text{regulatory and planning users charges} + \text{other general public services user charges} \\ \text{Regulatory and planning user charges} &= 0.3960 \text{ [economic environment]} \\ \text{Other user charges} &= 0.6040 \text{ [EPC]} \end{aligned}$$

12 In each case, the contribution to the category factor was calculated as the component weight (the percentages in the table) multiplied by the component factor (the bracketed terms in the formulas). Each component's contribution to the category factor was scaled to ensure the sum of assessed user charges equalled average user charges.

RESULTS FOR 2006-07

13 Table 4 shows, for 2006-07, the actual, average and assessed user charges per capita and the implied revenue raising capacity ratios. The revenue raising capacity ratios are equivalent to the category factor show in Table 3.

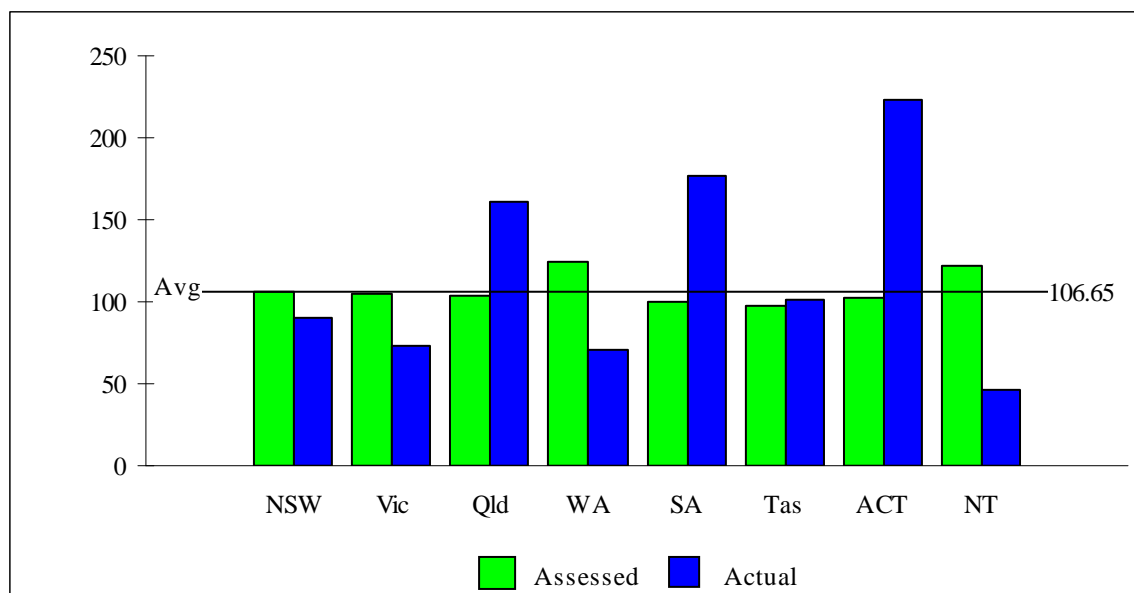
Table 4 General Public Services User Charges, assessment results, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual user charges	90.29	73.36	160.59	71.23	177.15	101.46	222.80	46.32	106.65
Assessed user charges	105.94	104.80	104.06	124.70	100.38	97.83	102.35	121.90	106.65
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratio(a)	99.33	98.27	97.57	116.92	94.12	91.73	95.97	114.30	100.00

(a) The revenue raising capacity ratio is the ratio of assessed user charges per capita to average user charges per capita. Table 10 at the end of this working paper shows the actual, average and assessed user charges for each State for all years of the 2008 Update.

14 Figure 1 illustrates the actual, average and assessed user charges for General Public Services for 2006-07.

Figure 1 General Public Services User Charges, revenue per capita – assessed, actual and average, 2006-07



CONTRIBUTION TO GST REVENUE DISTRIBUTION

15 Table 5 shows the category’s contribution to the distribution of GST revenues and health care grants (hereafter GST revenue) implied by the 2008 Update. It also shows the contribution of each factor and component. The redistribution shown in this table may differ from that predicted from Table 4 because the latter only shows the last year of the update.

Table 5 General Public Services User Charges, contribution of assessment to GST revenue distribution, 2008 Update

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regulatory and planning user charges									
Economic environment	-4.7	0.2	17.8	-26.1	9.0	5.5	0.9	-2.5	33.3
Component factor	-4.7	0.2	17.8	-26.1	9.0	5.5	0.9	-2.5	33.3
Other user charges									
EPC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Component factor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Redistribution from EPC resulting from the 2008 Update assessment									
	-4.7	0.2	17.8	-26.1	9.0	5.5	0.9	-2.5	33.3

Note: The redistribution due to the component factors includes the effect of interactions between factors. Therefore, the component factor figure may not equal the sum of its factors' redistribution.

Differences from equal per capita assessment

16 The category factor reflected the following on a State by State basis over the five years covered by the update:

- *New South Wales* had a negative GST revenue distribution due to its above average capacity to collect revenue through fees and charges through the regulation of its economy.
- *Victoria* had a positive GST revenue distribution because it had a below average capacity to collect revenue through the regulation of its economy.
- *Queensland* had the largest positive GST revenue distribution. This reflected its below average capacity to collect revenue through the regulation of its economy.
- *Western Australia* had the largest negative GST revenue distribution. This reflected its above average capacity to collect revenue through the regulation of its economy.
- *South Australia* had a below average capacity to collect revenue through the regulation of its economy and a consequent positive GST revenue distribution.
- *Tasmania* had a below average capacity to collect revenue for the regulation of its economy and a positive GST revenue distribution.
- The *ACTs* positive GST revenue distribution was due to its below average capacity to collect revenue from fees and charges through the regulation of its economy.
- The *Northern Territory* had a negative GST revenue distribution due to an above average capacity to collect revenue through the regulation of its economy.

CHANGES SINCE THE 2007 UPDATE

Effect of assessment on the distribution of GST revenue

- 17 Table 6 shows the redistribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. It also shows the sources of change.
- 18 Changes in the distribution of GST revenue between the 2007 Update and the 2008 Update were brought about because the Commission:
 - used revised user charges data and other revised data in updating factor calculations for the years 2001-02 to 2005-06; and
 - replaced 2001-02 average user charges and factors with those of 2006-07 to move forward the five year period on which GST revenue distribution was based. Moving the five year period forward in this way ensures the assessment reflects recent trends in State priorities on the revenues raised and recent trends in State economic circumstances which affect their revenue raising capacity.
- 19 Compared to an equal per capita assessment, the 2008 Update General Public Services User Charges assessment redistributed \$33.3 million from New South Wales, Western Australia and the Northern Territory to the other States.

Table 6 General Public Services User Charges, effect of assessment on GST revenue distribution, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Redistribution from EPC resulting from the 2007 Update assessment (a)	-7.0	-1.6	14.0	-16.8	7.4	5.2	0.5	-1.7	27.2
Effect of revising category averages and factors for 2001- 02 to 2005-06									
Category average	0.0	0.0	-0.1	0.3	-0.1	-0.1	0.0	0.0	0.3
Category factors	-1.1	-1.8	6.6	-5.2	1.0	0.8	0.3	-0.6	8.7
Interactions	0.0	0.0	-0.1	0.1	0.0	0.0	0.0	0.0	0.1
Total	-1.1	-1.8	6.4	-4.8	0.9	0.7	0.3	-0.6	8.3
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	0.1	0.1	-0.3	0.2	-0.1	-0.1	0.0	0.0	0.5
Category factors	3.4	3.7	-2.5	-4.9	0.8	-0.4	0.1	-0.2	8.0
Interactions	-0.2	-0.2	0.1	0.3	0.0	0.0	0.0	0.0	0.5
Total	3.4	3.6	-2.6	-4.4	0.6	-0.4	0.1	-0.2	7.7
Redistribution from EPC resulting from the 2008 Update assessment (a)	-4.7	0.2	17.8	-26.1	9.0	5.5	0.9	-2.5	33.3
Total effect of revisions and updating (b)	2.3	1.8	3.8	-9.3	1.5	0.3	0.4	-0.8	10.0

(a) Using the same pool and populations that were used to calculate the 2008 Update redistribution.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

20 Table 7 shows the changes in GST revenue distribution attributable to changes to each factor arising from both revising data for 2001-02 to 2005-06 and replacing 2001-02 data with 2006-07 data.

Table 7 General Public Services User Charges, effect of assessment on GST revenue distribution by factor, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regulatory and planning user charges									
Economic environment	-4.7	0.2	17.8	-26.1	9.0	5.5	0.9	-2.5	33.3
Other user charges									
EPC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

21 The main reasons for the changes in GST revenue distribution were as follows.

Changes due to revising average user charges and factors for years 2001-02 to 2005-06

22 *Revising average user charges.* Table 8 shows the average expenses for the six financial years of this update and those of the previous update. Small downward revisions to average user charges for 2001-02 to 2005-06 reduced the influence of the category on GST revenue distribution. In net terms, between the two updates, this increased the revenue redistribution for those States with an above average revenue raising capacity ratio. It increased the GST revenue shares of New South Wales, Western Australia and the Northern Territory by \$0.3 million.

Table 8 General Public Services, Average expenses used in the 2007 and 2008 Updates

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2008 Update		-83.94	-86.90	-89.07	-106.39	-107.29	-106.65
2007 Update	-95.11	-84.15	-88.02	-89.08	-107.55	-111.64	
Difference		-	-0.20	-1.12	0.00	-1.17	-4.35

23 *Revising category factors.* The category factor changed as the result of ABS revisions to gross state product data and the correction of an error in the calculation of the economic environment factor. The combined effect of revisions and corrections to the category factor was an increase in GST revenue distributions to Queensland, South Australia, Tasmania and ACT (\$8.7 million).

Changes in State circumstances – replacing 2001-02 with 2006-07 data

24 *Replacing average user charges.* Between 2001-02 and 2006-07, average user charges increased by 35.7 per cent compared with an increase in the GST pool of 43.9 per cent. The category became less important to the calculation of relativities, resulting in increased GST revenue shares of the States assessed to have a revenue advantage (a category factor average above one over five years) — New South Wales, Western Australia and the Northern Territory. Putting it another way, in net terms, States with a revenue raising advantage had less redistributed away from them than in the previous update.

25 **Replacing category factors.** Table 9 shows the actual user charges and implied revenue raising capacity ratios for 2001-02, the year that drops out of the assessment period, and 2006-07, the year that comes into the assessment period. The table shows that between 2001-02 and 2006-07, New South Wales, Victoria, South Australia and the ACT experienced a reduction in their ability to raise revenue from user charges due to slower than average growth in their economies as reflected in the ABS gross state product data. Replacing their category factors increased their GST revenue distributions (\$8.0 million).

Table 9 General Public Services User Charges, actual and assessed user charges, and capacity to raise revenue, 2001-02 and 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual user charges									
2001-02	73.69	54.39	152.33	66.89	24.52	99.52	308.50	98.16	83.94
2006-07	90.29	73.36	160.59	71.23	177.15	101.46	222.80	46.32	106.65
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07	22.52	34.88	5.42	6.49	622.35	1.96	-27.78	-52.81	27.05
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed user charges									
2001-02	85.11	84.97	79.76	89.87	80.70	74.41	81.45	91.88	83.94
2006-07	105.94	104.80	104.06	124.70	100.38	97.83	102.35	121.90	106.65
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2001-02	101.39	101.22	95.02	107.06	96.14	88.64	97.02	109.45	100.00
2006-07	99.33	98.27	97.57	116.92	94.12	91.73	95.97	114.30	100.00

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Table 10 Assessment of expenses, General Public Services User Charges

	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 Revenue		86.90		89.07		106.39		107.29		106.65
New South Wales										
Assessed difference	-8.88	-1.33	-7.75	-1.16	-6.75	-1.00	0.33	0.05	4.87	0.71
Revenue - Assessed	587.04	88.24	603.87	90.23	723.01	107.39	728.05	107.24	726.32	105.94
Actual	600.94	90.33	590.97	88.30	609.00	90.45	613.98	90.44	619.01	90.29
Victoria										
Assessed difference	-3.49	-0.71	-4.86	-0.98	-1.82	-0.36	3.30	0.65	9.55	1.85
Revenue - Assessed	428.91	87.62	446.31	90.05	535.81	106.75	542.90	106.64	541.58	104.80
Actual	252.00	51.48	253.00	51.05	269.97	53.79	344.64	67.70	379.10	73.36
Queensland										
Assessed difference	16.96	4.50	16.49	4.27	15.63	3.95	11.58	2.86	10.73	2.59
Revenue - Assessed	310.44	82.40	327.57	84.80	405.28	102.44	422.82	104.43	430.35	104.06
Actual	516.05	136.98	516.86	133.81	616.50	155.82	639.88	158.04	664.16	160.59
Western Australia										
Assessed difference	-13.33	-6.88	-13.14	-6.68	-19.26	-9.63	-28.17	-13.82	-37.58	-18.05
Revenue - Assessed	181.79	93.78	188.45	95.75	232.03	116.01	246.88	121.10	259.63	124.70
Actual	153.25	79.06	112.16	56.98	135.08	67.54	166.41	81.63	148.31	71.23
South Australia										
Assessed difference	5.27	3.45	5.98	3.89	8.49	5.49	9.23	5.91	9.89	6.27
Revenue - Assessed	127.38	83.45	130.86	85.18	156.05	100.90	158.19	101.37	158.26	100.38
Actual	76.99	50.44	199.78	130.04	422.34	273.07	310.34	198.87	279.30	177.15
Tasmania										
Assessed difference	4.53	9.54	4.22	8.78	5.22	10.78	5.20	10.65	4.34	8.82
Revenue - Assessed	36.75	77.36	38.60	80.29	46.35	95.61	47.20	96.63	48.10	97.83
Actual	39.00	82.10	14.50	30.17	11.61	23.95	45.35	92.84	49.88	101.46
Australian Capital Territory										
Assessed difference	0.47	1.44	0.44	1.36	0.52	1.58	0.93	2.80	1.45	4.30
Revenue - Assessed	27.70	85.46	28.61	87.72	34.43	104.81	34.71	104.49	34.46	102.35
Actual	72.00	222.12	75.00	229.91	73.00	222.20	74.00	222.73	75.01	222.80
Northern Territory										
Assessed difference	-1.53	-7.68	-1.38	-6.89	-2.02	-9.91	-2.39	-11.47	-3.25	-15.25
Revenue - Assessed	18.86	94.59	19.28	95.97	23.76	116.29	24.79	118.76	25.94	121.90
Actual	8.65	43.35	21.28	105.93	19.23	94.15	10.95	52.47	9.86	46.32

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