

**2020 REVIEW**

**SERVICES TO INDUSTRY**

**STAFF DRAFT ASSESSMENT PAPER  
CGC 2018-19-S**

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## Service to industry

* 1. The paper provides the Commission staff proposals for the assessment of Services to industry expenses for the 2020 Review.

### 2015 REVIEW APPROACH

#### Services included in this category

* 1. The Services to industry category covers State spending on the regulation and development of businesses and industries, and other economic affairs. Some spending relates to specific industries including agriculture, forestry, mining, manufacturing, tourism and construction. Other spending relates to all businesses, or to consumers.
* Examples of regulatory functions include business registration, licensing of tradespeople, livestock identification schemes, chemical and pesticide regulation, building codes, energy market regulation, product safety, occupational health and safety, consumer protection, mine safety, employment conditions and shop trading hours.
* Examples of business development activities include mineral exploration, geological mapping, agricultural irrigation systems, tourism and trade promotion, marketing and industry research and development.
  1. While this category includes expenses related to a number of the regulatory functions performed by States, it does not include all State regulatory expenses. For example, health regulation is included in the Health category. Similarly, the business development expenses in this category do not include all State economic development expenses, or all mining related expenditure. These costs are spread across a number of expense categories including Post-secondary education, Services to communities, Other expenses and Investment.

#### Category and component expenses

* 1. Services to industry net expenses were $6.2 billion in 2016‑17 or 2% of total State operating expenses. The expenses are broken down by function in Table 1.

Table Services to industry expenses by component, 2016-17

|  |  |  |
| --- | --- | --- |
| Component | Amount | Proportion of category expenses |
|  | $m | % |
| Agriculture regulation | 1 196 | 19 |
| Other industries regulation | 1 329 | 21 |
| Business development | 3 721 | 60 |
| Total | 6 246 | 100 |

Source: Commission estimates for 2018 Update.

#### Data sources and assessment methods

* 1. Overview of assessment methods. The assessment for Services to industry recognises that States face differing costs for regulation but not business development.
  2. Agriculture, forestry and fishing regulation is assessed separately from other industries as States regulate agriculture differently. The assessment of agriculture regulation recognises that States with a greater share of farms and agricultural production face higher costs. For other industry regulation, the assessment recognises that States with a greater share of non-farm production and private non‑dwelling construction face higher costs.
  3. Business development expenses are assessed equal per capita (EPC) although the wage costs disability is applied to the wages component of these expenses. Additionally, there is an administrative scale allowance for common business development functions including tourism marketing, geological mapping and investment and trade promotion.
  4. User charges for mining regulation are deducted from mining expenses before making the assessment but other user charges are assessed EPC in the Other revenue category.
  5. Data sources. Most of the data for measuring disabilities are sourced from the ABS including:
* 5220.0 Australian National Accounts: State Accounts
* 7121.0 Agricultural Commodities Australia.
  1. Category expenses are disaggregated using data from a 2010 Review State survey of services to industry expenses (hereafter referred to as the 2010 Review survey).
  2. Disaggregation of expenses. The Commission disaggregates total category expenses in three steps which are illustrated in Figure 1.
* Total category expenses are allocated to agriculture and other industries using Government Finance Statistics (GFS) data.
* Industry expenses are allocated to regulation and business development based on the 2010 Review survey.
* Regulatory expenses for each industry are allocated to different drivers of State spending based on the 2010 Review survey.
  1. As seen in Figure 1, 78% of category expenses in the 2018 Update were assessed on the basis of State population shares.

Figure Drivers of spending by industry and function, Services to industry, 2018 Update

Figure 1 shows the breakdown of services to the services to industry expenses by industry, function, and expense driver.

Note: ‘Population and other influences’ is identified as a driver in the final row of the figure. This indicates either that population was considered the appropriate driver (for example, consumer protection services) or that spending could not be attributed to one of the other drivers. There were no reliable business count data available for other industries so population is used as the proxy.

Source: Commission calculation for the 2018 Update.

* 1. Wage costs. The assessment recognises that differences between the States in wage costs have a differential effect on the cost of providing services to industry. These influences are measured in a similar way for most expense categories.
  2. Regional costs. The assessment recognises that differences in the cost of providing services within States have a differential effect on the cost of regulation because some regulation services are provided where businesses are located. The regional costs assessment is based on the general regional cost gradient weighted by the geographic distribution of employment.

#### Investment and depreciation

* 1. The size of the regulation task affects the quantity of State owned infrastructure but the level of influence is not significant. Services to industry accounted for less than 1% of total State assets in 2016-17.
  2. The infrastructure assessments use the expense weighted disabilities which affect State spending on regulation to calculate a capital stock factor for the category. Interstate differences in wage levels, the price of materials and other unavoidable factors affecting the cost of infrastructure are also taken into account. In addition, the Investment assessment recognises the impact of differences between States in population growth on the need for infrastructure.

#### GST redistribution

* 1. Table 2 shows the GST redistribution for each component of the Services to industry category in the 2018 Update.

Table Estimated GST distribution, 2018 Update

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Redist |
|  | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| Agriculture regulation | -57 | -24 | 15 | 20 | 38 | 21 | -15 | 3 | 96 |
| Other industries regulation | -64 | -58 | 1 | 119 | -18 | -7 | -2 | 30 | 188 |
| Business development | 3 | -7 | -4 | 12 | -4 | -3 | 2 | 1 | 18 |
| Total ($m) | -119 | -88 | 12 | 151 | 16 | 10 | -15 | 34 | 223 |
| Total ($pc) | -15 | -14 | 2 | 57 | 9 | 20 | -36 | 138 | 9 |

Source: Commission calculation, 2018 Update.

### ISSUES AND ANALYSIS

#### Business development expenses

* 1. For the purposes of this assessment, business development expenses are defined as State expenses (grants, subsidies or government services) intended to assist or benefit businesses or industry. Examples of State business development expenses include:
* research and development (R&D)[[1]](#footnote-1)
* rural irrigation projects
* trade and investment promotion
* tourism and major events development and promotion
* small business support
* drought assistance
* regional economic development
* job creation measures
* mining exploration and geological surveying
* other industry assistance.
  1. This is not the full range of expenses which might be regarded as business or industry development. For example, it does not include spending on health and education, government purchasing preferences, local content requirements, or tax concessions. However, staff consider the list covers the main types of business development expenses within the scope of the Services to industry category.[[2]](#footnote-2)
  2. In the 2015 Review, the Commission assessed business development expenses EPC because it could not identify the conceptual case for a differential assessment and population seemed to be the most appropriate driver. This has been the Commission’s approach to business development expenses for some time. The main difficulty for the assessment is establishing why a State would need to spend more or less than the average in developing its industries and businesses. We observe that all States fund business development, but States exercise considerable discretion in deciding how much to spend and which industries should benefit.[[3]](#footnote-3) Some States have argued that the presence of existing industries, for example agriculture or mining, results in an above average need for spending to further develop those industries. However, successive Commission have not been persuaded that the presence of a particular industry, or stage of development, necessitates higher business development spending overall.
  3. Given the discretion States have in how much is spent and an absence of evidence that particular industries result in the need for higher or lower spending overall, staff are not proposing to change the assessment.
  4. The wage costs disability is applied to business development expenses. There is also an administrative scale allowance for the component recognising that there are minimum fixed costs associated with the normal range of business development activities States perform which include:
* a geological survey office
* State and regional development units
* a small business development unit
* a tourism authority.[[4]](#footnote-4)

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| Staff propose to recommend the Commission:   * continue to assess business development expenses EPC * continue to apply the wage costs disability to State business development expenses * continue to recognise that there are minimum fixed costs associated with the normal range of business development activities States perform. |

#### Assessing regulation and other industry support services

* 1. Apart from business development, Service to industry includes State spending on regulation and other industry support services.
* Regulation can be defined as guidelines, codes, standards, rules or laws designed to control, govern or influence the way people and businesses behave. Regulation expenses include costs associated with developing and maintaining regulations, as well as costs associated with promoting, monitoring and enforcing regulations. Most of the regulation expenses included in this category relate to businesses and industry. Regulation of other sectors, such as education or health, is included in the relevant divisions of COFOG‑A, and category disabilities are applied.
* Other industry support services can be defined as those which are not strictly regulation or business development. Examples include biosecurity responses and drought preparedness.
  1. We consider the broad drivers of regulation and other industry support is the size of the industry in question. Industry size can have a number of measures, including value of production or number of businesses. Some regulation targets the broader community,[[5]](#footnote-5) in which case population is considered the relevant driver. The extent to which each measure drives expenses is likely to depend on the particular industry. In general, we consider that the larger an industry, the larger the regulatory task as there is more activity to monitor to ensure industry compliance.

#### Estimating business development and regulation expenses

* 1. Since the drivers of business development and regulation differ, the assessment requires data for State spending to be disaggregated by function. These data are not available from GFS because it uses an industry based classification which is not granular enough to separately identify business development and regulation expenses. In the 2010 Review, the Commission used data from a State collection to estimate how much spending for each industry should be classified to regulation and business development. The 2010 Review weights were retained in the 2015 Review mainly due to the truncated timeframe for that review. These weights, which were calculated separately for agriculture and other industries, are shown in Figure 1.[[6]](#footnote-6)
  2. The decision in the 2010 Review to treat agriculture separately was based on the observation that States regulate agriculture differently from other industries. This is due to the food safety and biosecurity arrangements which exist for agriculture for which States are mostly responsible. Staff would only recommend a separate assessment for agriculture if it remains material at $30 per capita for any one State. The staff proposal to net off all revenue related to agriculture regulation (see paragraphs 45 to 47) will affect the materiality of this assessment. In the last two reviews the Commission considered a separate assessment for mining but an assessment of net mining expenses was not material.
  3. For this review, staff propose to collect new data from the States for splitting expenses between business development and regulation. We have already sent to States a draft data request for agriculture, forestry and fishing. Feedback on the data request was mixed. Some States provided a response to the draft data request by drawing on resource allocation estimates prepared for other purposes. Western Australia said the request would not get fit for purpose data because the definition of business development was too narrow. A number of specific concerns were raised.
* The instructions in the draft data request about how to classify particular expenses would overstate business development expenses.
* Agencies completing the data request would need to exercise judgement in classifying expenses because:
* the list of activities included in the request did not cover all in-scope activities
* funding for some activities (for example, biosecurity) needed to be split between regulation and business development which would require judgement.
  1. Western Australia’s primary concern was of a conceptual nature but it also provided comments on the design of the draft request which will be used to develop the final data request. Despite the conceptual concerns raised by Western Australia, it said its line agencies would be able to provide data for 2016-17. Beyond that it would be more problematic due to machinery of government charges.
  2. After considering the issues raised by States, staff intend to make significant changes to the final agriculture data request. We propose to only collect revenue and expenses for business development activities as defined in paragraphs 18 to 21. We will assume that all other GFS revenue and expenses relate to regulation activities. We intend to use the same approach for other industries. Separate requests will be sent for agriculture and other industries since the agencies or business units within State government responsible for each sector are likely to be different. This will also allow us to tailor the requests for each function.
  3. The other industry data request will not ask for tourism expenses. Our research for the Staff Research Paper *CGC 2017-10, What States Do – Services to industry* showed that virtually all State tourism expenses are to develop the industry and that the GFS expense estimates are accurate. Also, we intend to use GFS for R&D expenses for all industries including agriculture. The new COFOG‑A classification, which comes into effect from 2017‑18, identifies industry research and development expenses in a separate 3-digit group — *047 R&D – economic affairs*.
  4. Staff consider that the approach we have outlined is the simplest and most reliable way to obtain estimates of State regulation and business development expenses. It will also minimise the burden on States to provide data. The main risk is that regulation expenses could be overstated but we have been unable to identify a better approach.
  5. Given the changes we intend to make to the agriculture data request based on States’ comments, we intend to send a second draft data request in May 2018. We will also send a draft data request for other industries at the same time. The final data requests will be sent to States in September 2018 which will allow us to collect data for the three financial years from 2015‑16 to 2017‑18. We will consult with States on the outcome of the data requests through the Officer Working Party (OWP).
  6. The weights obtained using the approach we have outlined would be used for the period of the 2020 Review.

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| Staff propose to recommend the Commission:   * use State data on business development expenses and GFS data to estimate business development and regulation expenses for agriculture and other industries * continue to assess agriculture and other industries regulation separately because the way States regulate these sectors is different, but only if a separate agriculture assessment remains material * send draft data requests for agriculture and other industries in May 2018 * send final data requests to the States in September 2018 to collect the final data for three financial years from 2015‑16 to 2017‑18 * retain the business development and regulation weights obtained from data for 2015‑16 to 2017‑18 for the period of the 2020 Review. |

#### Weighting the drivers of regulation expenses

* 1. In the 2010 and 2015 Reviews, data from the 2010 Review State collection were used to assign weights to the different drivers of regulation expenses. The final row of Figure 1 shows the weights. For regulation expenses, the main drivers were the number of businesses, value of production and population. Since there were no reliable business count data available for other industries, population was used as the proxy.
  2. States have consistently argued that there was significant judgement involved in determining the level of influence for each driver. Staff agree that judgement was required but there was some effort by Commission staff to evaluate State decisions and ensure consistency. Nevertheless, the approach used for the 2010 Review required judgements about hundreds of individual line items in State budgets.
  3. Staff want to avoid this type of detailed approach for the 2020 Review. We consider there was a degree of precision involved in the 2010 Review approach which is not applied in other assessments. Therefore, in the interests of simplicity, staff intend to propose that the Commission use informed, high level judgement, to determine the disability weights for regulation expenses. To facilitate this approach, staff plan to develop a series of questions about the relative importance of different drivers and to ask States to put these questions to experts in their line agencies. These questions will be included in the data requests we will be sending to States to collect data on business development expenses. Based on State responses to the questions, staff will develop a proposal for what disabilities should be applied to regulation expenses. States will have the opportunity to comment on staff proposals through the OWP.

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| Staff propose to recommend the Commission:   * continue to differentially assess industry regulation expenses because the size of the regulation task for industry is related to the size of the sector * use information from State line agencies to inform the decision on the relevant drivers of State spending on industry regulation. |

##### Regression approach for identifying and weighting drivers

* 1. At the October 2017 telepresences, when staff outlined for States our initial thinking about the Services to industry assessment, Western Australia suggested the Commission could use a regression approach to determine the disability weights. Subsequently, Western Australia shared with staff some initial work showing how a regression approach could be used to identify and weight the drivers of agriculture expenses. We have reviewed this work and undertaken our own analysis but at this stage we consider that a regression approach is not viable for the following reasons.
* The regression results indicate that the value of agricultural production and number of farms are not significant in explaining State agriculture spending. This appears to be due to the extent of policy influence on the expense data used in the analysis as well as annual fluctuations in the value of agricultural production.
* The regression was based on total expenses, including regulation and business development expenses. There was no option but to use total expenses because estimates of regulation expenses are not available. If the Commission were attracted to a regression approach, it would need to use regulation expenses only.
  1. Given the issues we have identified with the initial regression approach developed by Western Australia, and our own analysis, we do not consider this a reliable way forward.

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| Staff propose to recommend the Commission:   * not use a regression approach to determine drivers and associated weights due to the nature of the available data and initial regression results lacking statistical significance. |

#### Planning and regulation for major infrastructure projects

* 1. In the 2015 Review, an assessment of State spending on planning and regulation for major infrastructure projects was introduced. The assessment brought together expenses from a number of categories including Services to industry, Services to communities (for example, community development and environmental protection expenses) and Other expenses. The Commission accepted the conceptual case that States with high levels of private sector investment, including for mining, incur higher planning and regulation costs. The disability applied to this spending was based on State shares of private non-dwelling construction expenditure. The assessment was material for Western Australia and the Northern Territory in the 2018 Update. (See Table 3.)

Table Planning and regulation expenses for major infrastructure projects, materiality test, 2018 Update

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Redist |
| $ million | -61 | -43 | 3 | 95 | -14 | -6 | -3 | 24 | 125 |
| $ per capita | -8 | -7 | 1 | 36 | -8 | -11 | -6 | 99 | 5 |

Source: Commission staff calculation based on the 2018 Update.

* 1. To develop the assessment in the 2015 Review, the Commission collected data from States on net planning and regulation expenses for 2010‑11 to 2012‑13. Since then average net expenses for those years have been indexed forward based on real growth in total private non‑dwelling construction and the price index for State and local government final consumption expenditure. To continue making this assessment the Commission will need to update the current benchmark. A draft data request to collect new data will be sent to States in May 2018 and a final request in September 2018.

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| --- |
| Staff propose to recommend the Commission:   * continue to assess planning and regulation expenses for major infrastructure projects in the Services to industry category using State shares of private non‑dwelling construction expenditure as the disability * collect data from States to update the current spending estimate. |

#### Other R&D expenses

* 1. Staff have proposed to continue assessing industry R&D expenses classified to the Services to industry category on an EPC basis.[[7]](#footnote-7) In the current GFS government purpose classification (GPC), other R&D spending is classified to the relevant function but it cannot be separately identified. As a result, category disabilities are applied to other R&D spending. This treatment is inconsistent with the Commission’s approach to industry R&D but it has been the only practical approach.
  2. The new COFOG-A classification separately identifies R&D spending within each 2‑digit division (for example, health and education). To be consistent, the Commission should include all R&D expenses in the business development component and assess the spending EPC. For simplicity reasons, staff are not inclined to remove the 3‑digit R&D groups from each function of government division. Nevertheless, we intend to test the materiality of applying category disabilities to this spending when the new COFOG-A data become available.[[8]](#footnote-8) If it is material we are likely to recommend that the Commission include the expenses in Services to industry and assess it EPC.

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| Staff propose to recommend the Commission:   * not remove R&D expenses identified in the new COFOG‑A classification from the relevant functions on simplicity grounds, unless it is material. |

#### User charges

* 1. User charges for this category are shown in Table 4.

Table User charges by industry, Services to industry, 2015-16

|  |  |
| --- | --- |
|  | User charges |
|  | $m |
| Agriculture | 659 |
| Mining and mineral resources other than fuels | 171 |
| Other labour and employment affairs | 169 |
| Construction | 163 |
| Forestry, fishing and hunting | 132 |
| Tourism and area promotion | 78 |
| Other | 236 |
| Total | 1 609 |

Source: ABS GFS data

* 1. The current assessment nets off mining user charges which arise from regulatory functions including mine safety and site rehabilitation. For the 2020 Review, staff are proposing to net off all user charges. Our analysis of what States do and GFS unit record data indicates that most of the revenue for the category relates to regulation and not business development (for example, agricultural levies). States assessed as having higher regulation costs will have a greater capacity to raise revenue through fees and charges. The revenue and expenses could be assessed separately using the same disabilities but it is simpler to assess the net expenses.
  2. The only concern staff have with netting off all user charges is that they may include agricultural levies. In response to the draft data request for agriculture, South Australia said it administers voluntary agricultural levies on behalf of the industry. The revenue and expenses associated with these levy schemes are recorded in the State budget but they have no effect on its fiscal capacities. Staff want to ensure that State agricultural levies are not significant. The agriculture data request will collect data on revenue and expenses for State administered agricultural levy schemes. The data will be used to determine if the amount is material.[[9]](#footnote-9)

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| Staff propose to recommend the Commission:   * deduct all user charges from expenses because most relate to regulation activities and the same disabilities apply to expenses and revenue * collect data on State agricultural levies to confirm they are not material. |

#### Administrative scale assessment

* 1. Staff propose to retain the administrative scale assessment for this category but the costs will be re-estimated as part of the review.[[10]](#footnote-10) The current estimate of costs is reasonably significant ($27 million per State)[[11]](#footnote-11) because there are a relatively large number of activities all States undertake to regulate and develop their businesses and industries. These include State and regional development, investment and trade attraction, tourism promotion, biosecurity, mine safety, geological surveys, small business development and regulation, consumer protection and work safety. Since these activities are common to all States, the per capita costs of the less populous States are relatively high. The ACT’s costs are somewhat lower as its city/State nature means it has virtually no agriculture and mining industries and thus no need to provide some services.
  2. Initial analysis for the 2020 Review indicates the current administrative scale estimate for the Services to industry category is appropriate. States will have the opportunity to comment on the staff approach and estimates. For more information about how we propose to re‑estimate administrative scale costs, see Staff Draft Assessment Paper *CGC 2018-01/24-S, Administrative scale*.
  3. Administrative scale costs for all categories, including Services to industry, are assessed in the Other expenses category.

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| Staff propose to recommend the Commission:   * retain the administrative scale assessment for the category but re-estimate the costs using the approach outlined in Staff Draft Assessment Paper *CGC 2018‑01/25-S, Administrative scale*. |

### Conclusion and way forward

* 1. There are unlikely to be significant changes to the approach to the Services to industry assessment in the 2020 Review. However, staff intend to:
* collect new data from States to split regulation and business development expenses
* consult with experts in State line agencies on the cost drivers for regulation expenses
* net off all user charges unless States present evidence that significant amounts relate to business development activities including agricultural levies
* re-estimate administrative scale costs.

##### Proposed assessment structure

* 1. Staff propose the following assessment structure for this category in the 2020 Review.

Table Proposed Services to industry category structure

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Component | Component expense |  | Disability |  | Influence measured by disability |
|  | $m |  |  |  |  |
| Agriculture regulation and support | 405 |  | Economic environment |  | Recognises the additional cost of providing regulatory services to the agricultural sector is determined by the number of businesses and the size of the sector. |
| Other industries regulation and support | 512 |  | Economic environment |  | Recognises the additional costs of providing regulatory services to other industries and the community are determined by the level of activity in the non-farm sector, level of private non‑dwelling construction and population. |
| Business development | 3 721 |  | EPC |  | Business development expenses for all industries are assessed on an equal per capita (EPC) basis. |

Notes: Regulation component expenses are shown net of user charges.

Wage costs are applied to all components and regional costs are applied to the regulation components.

Source: Staff Proposal.

##### Data and information sought from States

* 1. Table 6 shows the data and other information being sought from States to assist with the development of this assessment.

Table Data and information sought from States

|  |  |  |
| --- | --- | --- |
| Component | Data requested | Status and timing |
| Agriculture regulation | A data request will be sent to States seeking information about State spending on business development to support the agriculture industry, and views on drivers of agriculture regulation expenses. | Draft data request sent in 25 October 2017; responses received from 6 States.  Given we are making significant changes to the original data request based on State feedback, a second draft request will be sent May 2018. A final request seeking data for 2015‑16 to 2017‑18 will be sent in August 2018. |
| Other Industries regulation | A data request will be sent to States seeking information about State spending on business development to support other industries, and views on the drivers of other industry regulation expenses. | Draft data request will be sent in May 2018.  A final request seeking data for 2015‑16 to 2017‑18 will be sent in August 2018. |
| Other Industries regulation | A data request will be sent to States seeking expenses for planning and regulation of major infrastructure projects. | Draft data request will be sent in May 2018.  A final request seeking data for 2015‑16 to 2017‑18 will be sent in August 2018. |

1. This only includes R&D for industries classified to Classification of Functions of Government — Australia (COFOG-A) division 04 — Economic Affairs. [↑](#footnote-ref-1)
2. The new Classification of the Functions of Government – Australia (COFOG-A) includes most services to industry expenses in the Economic Affairs division (04) which includes expenses on specific industries (for example, agriculture, mining, manufacturing, construction, fuel and energy) and employment and general economic affairs. [↑](#footnote-ref-2)
3. See Staff Research Paper *CGC – 2016-36 What States Do – Agriculture*. [↑](#footnote-ref-3)
4. For more information see the *Initial estimates administrative scale costs for Services to industry, agriculture and resources.* [↑](#footnote-ref-4)
5. The prime example is consumer protection services. [↑](#footnote-ref-5)
6. The assessment only distinguishes between agriculture and other industries. [↑](#footnote-ref-6)
7. These expenses are included in the 3-digit COFOG-A group 047‑R&D economic affairs. [↑](#footnote-ref-7)
8. The following 3-digit COFOG-A groups include R&D spending: 015 — R&D - general public services, 023 – R&D – defence, 035 — R&D - public order and safety, 055 – R&D - environmental protections, 065 – R&D - housing and community amenities, 077 – R&D – health, 085 – R&D - recreation, culture and religion, 096 – R&D – education, 107 – R&D - social protection and 118 – R&D – transport. [↑](#footnote-ref-8)
9. According to GFS, agriculture levies should be recorded as agricultural production taxes. We have checked State unit record data and there is no revenue reported in the relevant taxes classification. Therefore, we have assumed that any levies are being recorded as user charges. [↑](#footnote-ref-9)
10. Administrative scale costs refer to the fixed cost which does not vary with service populations. For a further explanation of this concept see Staff Draft Assessment Paper *CGC 2018-01/24-S, Administrative scale*. [↑](#footnote-ref-10)
11. This represents 9% of total administrative scale costs but the category accounts for only 2% of total expenses. The allowance for the ACT is less because it has virtually no agriculture or mining industries. [↑](#footnote-ref-11)