



Western Australia's Submission to the Commonwealth Grants Commission's 2018 Update

Further New Issues December 2017

This submission responds to the Commonwealth Grant Commission's (CGC's) discussion paper CGC 2017-23-S, which undertakes further consultation on new issues for the 2018 Update.

Estimated Resident Population

The latest Census resulted in an intercensal difference,¹ which the Australian Bureau of Statistics (ABS) has built into revised population estimates for the period 2011-12 to 2015-16 (the period between Censuses). The ABS has adjusted the growth for each year that it obtained from births, deaths and net migration by arbitrarily allocating the intercensal difference evenly over the five year period (as the annual difference is unknown).

In our October 2017 submission, we argued that the CGC should use pre-Census populations to calculate its assessments for the 2014-15 and 2015-16 data years, and post-Census populations to calculate its assessments for the (new) 2016-17 data year. We continue to consider this to be the best approach.

The CGC staff have presented the following two options (between which they have not settled on a view):

1. use post-Census populations in all the assessments; or
2. use post-Census populations for population levels, but use population growths that do not include the intercensal difference for the capital assessments.

They have rejected our proposed approach on two grounds.

- They claim that it attributes all the intercensal difference to growth in 2015-16.
- They consider it to be inconsistent with the terms of reference requirement that the CGC use the latest available data.

We disagree on both counts.

Our approach does not allocate the intercensal difference to growth in 2015-16, as we are proposing using the pre-Census populations to calculate population growth for that year.

¹ The intercensal difference is the difference between the latest Census population and the population estimated by adding growth from births, deaths and net migration to the previous Census population.

The second approach presented by CGC staff allocates the intercensal difference over a number of years for the population levels, but does not allocate the intercensal difference at all for the population growths. Likewise, our approach does not allocate the intercensal difference at all. We consider this to be appropriate as the arbitrary allocation of the intercensal difference should not be affecting the CGC's assessments.

Furthermore, we consider our method to be consistent with using the latest available data.

The latest actual data available are:

- the 2011 Census population estimates;
- the 2016 Census population estimates; and
- the growth in each intervening year from births, deaths and net migration.

These three sets of data each have error margins, which the CGC discussion paper acknowledges. The discussion paper further notes that the ABS considers there is no strong evidence for any particular source of error² – they are only the best estimates. Also, they are not consistent with each other, which is why there is an intercensal difference.

The ABS's official revised populations between 2011 and 2016 are the result of making a particular assumption about where the errors occur – they assign the entire intercensal difference to the population growths.

The CGC discussion paper has explained why, for the CGC's purposes of calculating capital needs, it is not helpful to assign the intercensal difference to the population growths. For this reason, we consider the second staff proposal to be preferable to the first proposal of using post-Census populations in all the assessments.

However, our proposal is more internally consistent in that it does not assign the intercensal difference at all. It is based on the approach of drawing a line between pre-Census populations, which have already been used for the earlier data years, and post-Census populations for the latest data year and into the future.

Remote Indigenous Housing

As noted in our October 2015 submission for the 2016 Update, we have concerns that the CGC's existing methods do not adequately assess needs associated with the National Partnership Agreement on Remote Indigenous Housing (NPARIH)³.

² We endorse this view. The 2016 Census population estimates reflect a much higher imputation for non-response than the previous Census.

³ National Partnership on Remote Housing from 2016-17.

In its 2016 Update Report, the CGC noted that State data showed around 50% of NPARIH funds related to investment in housing. However, the CGC assumed that around half of this was for lifting the average standard of remote indigenous housing to that of other communities, which it considered to be covered by its existing assessments.⁴ Hence, it excluded 25% of NPARIH funds, on the basis that this addresses differences (due to Commonwealth policies) among States in actual stock, compared to assessed stock.

The CGC has effectively apportioned equal responsibility, between the Commonwealth and the States, for any past underinvestment in remote indigenous housing, but has not provided any supporting evidence for this. Yet the CGC treatment undermines the efforts of both the Commonwealth and State governments in addressing this jointly shared responsibility. We do not consider this appropriate.

Furthermore, it should be acknowledged that any potential underinvestment may have been impacted by prior unrecognised costs not accounted for by equalisation, but effects may be hard to disentangle. For example, it was not until the 2010 Review that the CGC assessed population growth impacts on capital costs, so high population growth States would have had reduced capacity to invest in remote indigenous housing.

Given the above, it is more appropriate that 50% of payments made under the NPARIH should have no impact on GST relativities, rather than the current 25%.

⁴ As we understand the CGC's thinking, the NPARIH funding results in a lifting of the remote indigenous housing standard, and if the NPARIH funding is included in the CGC assessments it will be reallocated on a needs basis, overriding the actual distribution. To the extent that different starting point standards across the States reflect State policy choices (the CGC nominates a 50% contribution from State policy choices), the outcome from this process would be consistent with a policy neutral HFE outcome.