

SOUTH AUSTRALIAN COMMENTS ON THE NEW ISSUES FOR THE 2017 UPDATE STAFF DISCUSSION PAPER (CGC 2016-05-S)

South Australia has the following comments on the 2017 Update New Issues paper:

Independent Hospital Pricing Authority

South Australia does not have any concerns with Commission staff using preliminary 2015-16 Independent Hospital Pricing Authority (IHPA) in the 2017 Update.

Delays in natural disaster relief payments

South Australia notes the recent issues raised by the Australian National Audit Office regarding administration of Natural Disaster Relief and Recovery Arrangements (NDRRA). Due the delays in administering some NDRRA payments South Australia supports the recommendation that only eligible 2015-16 expenses for eligible disasters (under the NDRRA) be included in the assessment if they have been assured by the Commonwealth as being recognised under the NDRRA framework.

Wage cost assessment

South Australia continues to have concerns about the conceptual validity of the wage cost assessment. These comments were expressed in detail in submissions to the 2015 Review and in the 2016 Update process.

The consultancy undertaken by the National Institute of Labour Studies and their report *Public-private sector wage differentials in Australia: What are the differences by state and how do they impact GST redistribution decisions* (NILS Report) provides sufficient evidence to support further review and consideration of the wage cost assessment. The report found that public sector wages are strongly influenced by national, sector-specific labour market pressures, private sector wages alone are not a good proxy for movements in public sector wages and that the true comparability of public sector employees across jurisdictions is questionable.

Although further consideration of the wage cost assessment will occur as part of the next review process, South Australia believes that the NILS Report provides sufficient evidence for the Commission to re-consider the adequacy of the current 12.5% discount applied to this assessment prior to the next review. Given these conceptual concerns (shared by several states), South Australia believes that a higher discount is warranted.

South Australia notes that the ABS Characteristics of Employment Survey (CES) 2015 is due for release in August 2016 and that this release should include information on educational attainment. South Australia would like to know the implications of the new data as soon as possible.

When the 2015 CES data is released, South Australia would like the Commission's paper to states to include the GST distribution impacts of the new wage cost factors.

Wages – Commonwealth Superannuation Scheme adjustment

South Australia supports Commission staff re-testing the materiality of the Commonwealth Superannuation Scheme adjustment factors for the ACT and Northern Territory when the 2015-16 wage cost estimates become available and considering the materiality of those adjustments.

Timing of data requests

South Australia supports a 21 October 2016 due date for the return of annual data requests. Most data provided is dependent on end of financial year processes being completed which may not occur by the end of September.

Sharing of confidential data

South Australia supports the proposed approach of sharing non-confidential data among states which have not designated their data as confidential provided any data designated as confidential by states cannot be back solved from the assessment outcome.

Commonwealth payments commenced in 2015-16

South Australia supports the treatments proposed by Commission staff in Table A-1 of Attachment A.

Commonwealth payments commencing in 2016-17 and 2017-18

South Australia supports the recommendation of Commission staff not to backcast Commonwealth payments commencing in 2016-17 and 2017-18 as set out in Table A-2 as they are not the result of a major change in Commonwealth-State financial arrangements.

Building Australia Fund – rail component

In 2016-17 and 2017-18, South Australia will receive funding of \$189.4 million (\$122.6 million in 2016-17 and \$66.8 million in 2017-18) under the Building Australia Fund – rail component. This funding is for the grade separation of the Australian Rail Track Corporation's (ARTC) interstate rail line and the metropolitan rail line at the Goodwood and Torrens rail junctions.

Without the grade separation, trains on the interstate (ARTC) line have to give way to passenger trains, causing significant delays to both freight trains and road traffic.

The Goodwood grade separation will improve the operational efficiency of the interstate line by:

- removing the need for the ARTC line to give way to the Noarlunga line;
- increasing the speed ARTC trains can approach the intersection; and
- enable the use of 1.8 km freight trains, increased from 1.5 km. This also increases the maximum length of trains travelling between the eastern states and Perth.

As this project significantly improves interstate rail transport, South Australia believes that the funding provided by the Commonwealth for this project is primarily to upgrade the national rail network and only 50% of the payment should be impacting.

This should be considered by the Commission in the 2018 Update process.