



ACT
Government

COMMONWEALTH GRANTS COMMISSION 2025 METHODOLOGY REVIEW OF GST REVENUE SHARING RELATIVITIES

***CONSULTATION PAPERS ON ASSESSMENT
– TRANCHE ONE (PART ONE)***

ACT Government Submission

ACT GOVERNMENT SUBMISSION
NOVEMBER 2023

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ABBREVIATIONS

Term	Definition
AIHW	Australian Institute of Health and Welfare
APC	Actual per capita
CGC	Commonwealth Grant Commission or Commission
EPC	Equal per capita
FESLs	Fire and emergency services levies
GFS	Government Finance Statistics
GST	Goods and Services Tax
HFE	Horizontal Fiscal Equalisation
MADIP	Multi-Agency Data Integration Project
SES	Socio-economic status
2020 Review	2020 Methodology Review
2025 Review	2025 Methodology Review

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EXECUTIVE SUMMARY

In June 2023, the Commonwealth Grants Commission (CGC) released a series of consultation papers on draft assessments for the 2025 Methodology Review (2025 Review) covering 15 assessment areas. The consultation papers set out the CGC's proposed assessments, seeks views from states and territories on the proposed assessments and seeks answers on specific consultation questions.

The ACT welcomes the opportunity to comment on the CGC's proposed assessments and consultation questions. The ACT is responding to the Tranche One consultation papers in the following two parts:

- Submission: Part One – Commonwealth Payments, Insurance Tax, Land Tax, Mining Revenue, Motor Taxes, Stamp Duty on Conveyances, Health, Justice, Native Title and Land Rights, Post Secondary Education, Schools, Services to Communities, Transport and Socio-economic Status.
- Submission: Part Two – Wages.

The Submission: Part One (the Submission) encompasses the ACT's responses to consultation papers noted above and addresses each assessment individually with responses to the CGC's consultation questions.

The ACT welcomes the approach of splitting the CGC's proposed assessments in two Tranches of papers to allow jurisdictions to manage the associated workload in relation to the CGC 2025 Review, the flexibility provided by the CGC in responding to these papers in multiple parts and ongoing support from CGC staff to the ACT in understanding how CGC's has formed its initial positions.

Overall, the ACT is supportive of the CGC's approach towards the 2025 Review and the flexibility provided to ACT to respond to Tranche One consultation papers.

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REVENUE ASSESSMENTS

COMMONWEALTH PAYMENTS

Summary

The Commonwealth payments assessment recognises the impact of Commonwealth payments on State fiscal capacities, including payments for general revenue assistance other than the Goods and Services tax (GST), and payments for specific purposes relating to areas of service delivery assessed by the CGC.

In ACT's 2023-24 Budget, Commonwealth grants payments to the ACT for general revenue assistance other than GST, specific purpose payments and national partnership payments are estimated to be \$1.4 billion in 2023-24.

The ACT supports the CGC's proposed treatments of Commonwealth payments.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree the guideline for deciding the treatment of Commonwealth payments remains appropriate?

ACT Position

The ACT agrees the guideline for deciding the treatment of Commonwealth payments remains appropriate.

Question 2

Do states and territories agree to a default treatment of 'impact' in cases where there is substantial uncertainty about the payment's purpose or whether relative state and territory expenditure needs are assessed? It remains open to states and territories to provide evidence in support of no impact.

ACT Position

The ACT agrees to adopt an 'impact' treatment by default. The CGC should default to a position of ensuring Horizontal Fiscal Equalisation (HFE) is as comprehensive as possible. The onus should be on the states and territories to demonstrate that a payment is not related to State-type services or the needs are not assessed.

Question 3

Do states and territories agree to discontinue the assessment of Commonwealth own-purpose expense payments?

ACT Position

The ACT agrees to discontinue the assessment of Commonwealth own-purpose expense payments, as those payments are related to Commonwealth-type expenditure and do not directly affect state fiscal

capacities. Removing Commonwealth own-purpose expense payments from the scope of Commonwealth payments could simplify the assessment.

Question 4

Do states and territories agree that the guideline for determining the GST treatment of Commonwealth payments should be applied in cases where payments include elements aimed at addressing pre-existing structural disadvantage?

ACT Position

The ACT agrees that the existing guideline should be applied to all Commonwealth payments, including those that might contain elements addressing pre-existing structural disadvantage. This issue might be more appropriately addressed in the terms of reference provided by the Commonwealth Treasurer, which can specify whether a payment should be quarantined from the CGC's assessments.

INSURANCE TAX

Summary

The Insurance Tax assessment consists of revenue from duties paid on premiums for insurance products, excluding revenue from insurance-based fire and emergency services levies (FESLs). State revenue capacity is assessed using the total value of general insurance premiums, excluding those relating to workers' compensation, compulsory third-party motor insurance, insurance based FESLs, and premiums paid to publicly owned insurers.

The ACT supports the CGC's proposal to continue the insurance tax assessment in its current form.

CONSULTATION QUESTIONS

Question 1

Do states and territories support the continuation of the insurance tax assessment in its current form?

ACT Position

The ACT supports the continuation of the 2020 Review assessment method. The ACT has no significant concerns with the current method.

LAND TAX

Summary

The Land Tax assessment consists of revenue from annual charges on the value of taxable land holdings, excluding principal places of residence. State revenue capacity is assessed using the total value of taxable land values in each state, split into value ranges.

The ACT broadly supports the continuation of the land tax assessment in its current form, with a suggestion for the CGC to consider updating the adjustment to the ACT land tax revenue base to 5 per cent for more recent data in line with the contemporaneity principle.

CONSULTATION QUESTIONS

Question 1

Do states and territories support the continuation of the land tax assessment in its current form?

ACT Position

The ACT broadly supports the continuation of the 2020 Review assessment method, with the exception that the CGC considers reducing the ACT land tax revenue base adjustment to 5 per cent.

The ACT notes the CGC currently adjusts the ACT land tax revenue base by 6 per cent to compensate for the lack of aggregation in the land tax revenue base, which ACT provided as part of the 2020 Review and the CGC accepted for the methodology for the 2020-25 period.

Further analysis undertaken by the ACT using 2023-24 data to re-examine the appropriateness of the 6 per cent adjustment going forward, suggests that to maintain the same effective tax rate, the ACT's land tax revenue base would only need to be adjusted by 5 per cent.

Table 1: Estimated Impacts of Land Tax Aggregation, 2023-24

Treatment of aggregation	Tax Base (\$m)	Estimated Revenue (\$m)	Effective Tax Rate (per cent)	Required Base to Maintain Effective Tax Rate (\$m)	Required Increase to the Tax Base (per cent)
No aggregation	15,309	191	1.25	N/A	N/A
Aggregation (per property)	15,309	201	1.31	16,107	5.2

Note: Figures may not add up due to rounding.

Source: ACT Chief Minister, Treasury and Economic Development Directorate. Estimates based on 2023-24, quarter 1 data.

Based on the analysis set out in Table 1, the ACT suggests the CGC considers updating the adjustment to the ACT land tax revenue base from 2025-26 to 5 per cent, which is based on more recent data in line with the contemporaneity principle.

MINING REVENUE

Summary

The Mining Revenue assessment covers revenue from state royalties and non-royalty revenue associated with mining production, as well as from revenue sharing agreements with the Commonwealth. State revenue capacity is assessed using the value of production in each state, with separate assessments made for individual minerals when material.

The ACT supports the CGC's proposal for a mineral-by-mineral approach used in the assessment. However, the ACT does not support the CGC's adjustment to reduce the impact of a change in a dominant state or territory's change in royalty rate on its GST distribution.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree the CGC should continue to assess mining revenue capacity using a mineral-by-mineral approach?

ACT Position

The ACT agrees that the CGC should continue to assess mining revenue capacity using a mineral-by-mineral approach. States and territories have different royalty regimes for different minerals. The mineral-by-mineral approach recognises the uneven distribution of minerals across different states and would more accurately capture individual mining revenue capacity.

Question 2

Do states and territories support the dominant state or territory for a mineral being identified having regard to a state or territory's share of the revenue base, its population share, and the extent to which its GST distribution would be impacted by a change in the royalty rate for that mineral?

ACT Position

The ACT considers the CGC should retain the 2020 Review assessment method with no changes.

The ACT does not support the CGC's proposed adjustment to reduce the impact of a change in a dominant state or territory's change in royalty rate on its GST distribution.

Changes to the GST distribution were enacted in *the Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*, with the introduction of a GST relativity floor. The 2018 legislation change means that the choice of royalty rate made by the jurisdiction with dominant production in material minerals has a reduced impact on GST distribution. The legislation change has already mitigated the policy neutrality concerns raised by the CGC and the disincentive for a dominant state or territory to change the royal rate. The ACT therefore considers the proposed CGC approach would further insulate dominate states and territories from GST impacts from the 2018 legislation change.

Question 3

Do states and territories agree that where a dominant state or territory changes its relevant royalty rate, assessing 50 per cent of that states or territory' revenue arising from the royalty rate change equal per capita (EPC) would represent an appropriate balance between assessing relative state fiscal capacities and policy neutrality concerns?

ACT Position

The ACT does not agree that the CGC should assess 50 per cent of a dominant state or territory's revenue arising from the royalty rate change EPC, when the state or territory changes its relevant royalty rate.

As discussed in our position to Question 2, the 2018 legislation change has alleviated the impact of a change in royalty rate by a dominant state or territory on its GST distribution.

The ACT suggests that the CGC should assess mining revenue based on the full amount of revenues that states and territories actually raise in line with the 'what states do' principle and accurately capture state fiscal capacities by not applying the 50 per cent discount.

Question 4

Do states and territories agree that uranium and coal seam gas royalty revenue should be assessed EPC?

ACT Position

The ACT does not agree with the CGC's proposal to assess uranium and coal seam gas royalty revenue on an EPC basis. The ACT considers the most appropriate approach is for the CGC to estimate the missing tax base for states that do not tax the activity. This is set out as Option 2 in the *2025 Review Mining Revenue Consultation Paper, June 2023* (page 13).

MOTOR TAXES

Summary

The motor taxes assessment consists of annual registration fees and associated charges levied by states or territories on vehicle owners. This category excludes stamp duties on third party insurance or on the transfer of motor vehicle ownership. State revenue capacity is assessed using the total number of vehicles registered in each state, split into light and heavy vehicles.

The ACT supports the CGC's current assessment method for motor taxes. However, the ACT notes there could be future developments that would affect this assessment. The ACT may raise these issues with the CGC when appropriate.

CONSULTATION QUESTIONS

Question 1

If an assessment of revenue from electric vehicle charges becomes material in future updates, do states and territories support the revenues being assessed as a separate component of the motor taxes category?

ACT Position

The ACT supports the principle for the assessment of revenue from electric vehicle charges to be assessed as a separate component of the motor taxes category if it becomes material in future updates. Motor vehicle registration and associated fees are specifically related to establishing access to the road network. Other revenue from electric vehicle charges relate to the use of the road network. These are different types of charges and should be considered separately.

Going forward, any distance-based charges for electric and/or low emissions vehicles will need to consider how these are collected (likely by the Commonwealth) and how revenue is distributed back to the states.

Question 2

Do states and territories agree that the number of registered light vehicles remains an appropriate measure of revenue capacity for revenue raised from emissions-based registration fees?

ACT Position

The ACT agrees that the number of registered light vehicles remains an appropriate measure of revenue capacity for revenue raised from emissions-based registration fees at this stage. However, the CGC should note that international fuel standards, new vehicle products and changing consumer preferences impact on the composition of the light vehicle fleet. These factors are outside of the control of the government and have an impact on revenue raised.

STAMP DUTY ON CONVEYANCES

Summary

The stamp duty on conveyances assessment comprises revenue from stamp duties collected when real or non-real property is transferred. This assessment excludes revenue from taxes on land ownership (assessed in the land tax assessment) and other land-based taxes – such as ACT's Safer Families Levy as they are offset against spending in the respective area. State revenue capacity is assessed using the total value of taxable land property transferred in each state.

The ACT reiterates that the CGC should make adjustments to states' value of property transferred for elasticity effects if material to prevent disincentivising efforts by states and territories in undertaking tax reforms. The tax elasticity adjustments would be a practical method to address Policy Neutrality concerns from second order effects of tax reforms.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree that the overall approach to assessing revenue from stamp duty on conveyances remains appropriate?

ACT Position

While the ACT broadly supports the overall approach to assessing revenue from stamp duty on conveyances remain appropriate, the ACT disagrees, as noted its previous commentary,^{1,2} on the issues relating to elasticity effects. Further discussion of this is set out in the ACT's answer to Question 3 below.

Question 2

Do states and territories agree that revenue from the New South Wales property tax be assessed with land tax for as long as it exists?

ACT Position

The ACT agrees with the CGC's proposed approach that revenue from the New South Wales property tax be assessed with land tax for as long as it exists.

Question 3

Do states and territories support the CGC not adjusting states' value of property transferred for the elasticity effects of recent reforms on materiality grounds?

ACT Position

The ACT does not support the CGC's proposal to not adjust states' value of property transferred for the elasticity effect on materiality grounds.

Consistent with ACT's previous commentary on the issues relating to elasticity effects, the ACT considers that where there is a material impact, adjustments should be made by the CGC. The ACT notes that tax elasticity adjustments would be a practical method to address Policy Neutrality concerns from second order effects of tax reforms.

Given its materiality to the ACT, the ACT considers it would be appropriate for CGC to allocate resources towards examining the elasticity effects on stamp duty on property transfers.

The ACT notes that the CGC indicated in its *2025 Review Stamp Duty on Conveyances Consultation Paper, June 2023* (page 11) that the case for flexibility to change assessment methods will be considered in a subsequent discussion paper on alternative methods in between reviews. Should CGC decide to not adjust the value of property transferred for elasticity effects in the 2025 Review, then the ACT considers it even more critical for this to be covered comprehensively in the subsequent discussion paper on the alternative methods in-between reviews.

Further, the ACT is continuing with its nation-leading tax reform program of phasing out inefficient and unfair duties on property transactions.³ Therefore, the ACT considers this matter to be increasingly important as the ACT continues with its tax reform program.

¹ ACT Government Submission to CGC's 2025 Review: Fiscal Equalisation, Supporting Principles, and Assessment Guidelines, May 2023, page 8.

² ACT Government to CGC's 2020 Review: Draft Report, October 2019, pages 7, 14 and 15.

³ ACT Government 2023-24 Budget: Budget Outlook, pages 43 and 44.

EXPENDITURE ASSESSMENTS

HEALTH

Summary

The health assessment covers states and territories' spending on public hospitals and community and public health services, recognising differences in the cost of providing services to different population groups, geographic dispersion, and non-state health services availability. There are separate assessments for admitted patient, emergency department, non-admitted patient, community health, and non-hospital patient transport services.

The ACT supports the CGC's proposal to reduce its reliance on proxy measures based on activity of hospital services and to investigate other data sources as well as to use the Australian Institute of Health and Welfare (AIHW) data on community mental health activity.

The ACT also supports the use of the AIHW data to update the non-state services substitutability level for the emergency departments component. However, the ACT suggests that the CGC could review the assumption that half of the non-admitted patients services are linked to a previous hospital attendance.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree that in a post-pandemic environment, the hospital and patient transport assessments remain fit for purpose?

ACT Position

The ACT agrees that the hospital and patient transport assessments remain fit for purpose in a post-pandemic environment.

The ACT notes that COVID-19 hospital presentations were more prevalent in elderly age groups, with some evidence that socio-economic influences also impacted on COVID-19 presentations. However, this temporary impact has subsided and the drivers of needs in the current assessments (i.e., age, socio-economic status and indigeneity) look to have returned to pre-COVID conditions, and that a change to the assessments due to COVID-19 appears unwarranted.

Question 2

Do states and territories agree that the proposed changes to the community health and public health assessment in this paper will contribute to making the assessment more responsive to developments affecting this part of the health system?

ACT Position

The ACT supports the proposed changes to the community health and public health assessments in the consultation paper. The ACT agrees that the proposed changes to reduce the reliance on proxy measures

based on activity of hospital services could improve responsiveness of the assessments to the developments that affect the community health and public health system. This would also more appropriately capture what states do.

Question 3

Do states and territories consider the experiences with the COVID-19 pandemic have implications for the health assessment?

ACT Position

The ACT considers the experience with the COVID-19 pandemic has implications for the health assessment. The COVID-19 pandemic reveals the need for flexibility in CGC's assessment methods in response to major shocks in the health assessment. The ACT supports the CGC investigating alternative data sources to timely identify the drivers of the use and cost of services, including due to the public health threat. For example, the use of states' expense data for the third assessment year would enable the CGC to move away from assuming all components of health expenses grow at the same rate as the overall health category.

Question 4

Do states and territories agree to:

- Use the Australian Institute of Health and Welfare (AIHW) data on community mental health activity, adjusted to compensate for lack of cost weights, to determine per capita use rates for mental health services?
- Expand the current proxy to include non-admitted patient services, applied to the balance of the component?
- Continue to apply a discount of 12.5 per cent to the community health socio-demographic assessment?

ACT Position

The ACT agrees that the use of the AIHW data on community mental health activity is appropriate. This would be a more appropriate data source for the CGC to use, as it is a direct measurement of community mental health service use, and includes breakdowns by indigeneity, age, remoteness, and socio-economic status.

The ACT agrees with the CGC using the AIHW National Mental Health Establishments expenditure data to adjust the community mental health data to address the lack of cost weights issue. The proposed data covers specific community mental health services listed in the Mental Health Establishments, with a high-level breakdown of numbers of clients and service activities.

The ACT also agrees with the CGC expanding the current proxy to include non-admitted patient services and continuing a 12.5 per cent discount to the community health socio-demographic assessment.

Question 5

Do states and territories support the use of AIHW data to update the non-State services substitutability level for the emergency departments component, while retaining the 2020 Review method for other components?

ACT Position

The ACT supports the use of the AIHW data to update the non-State services substitutability level for the emergency departments component. However, for non-admitted patients, non-State services assessment, the assumption that half of the non-admitted patients services are linked to a previous hospital attendance could be reviewed.

JUSTICE

Summary

The justice assessment covers a range of state expenses related to services on policing, the court system and prisons. Expense needs for the provision of justice services are assessed based on the cost drivers for four components: police, criminal courts, other legal services, and prisons.

The ACT supports the CGC's proposal to continue using the 2020 Review assessment methods and 2022-23 data to update the justice assessment.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree that COVID-19 resulted in a temporary departure from long term patterns of justice service provision, use and costs such that the 2020 Review Justice model remains appropriate if used with fit for purpose data?

ACT Position

The ACT agrees that COVID-19 resulted in a temporary departure from long term patterns of justice service provision, use and costs.

COVID-19 and associated public health orders led to temporary changes in both law and practice within the ACT's justice system, in line with ACT public health directions. Resources were redirected to support those temporary changes. As public health orders were lifted, many justice system processes returned to the pre-COVID arrangements in the ACT. Given that justice service provision has largely returned to normal, the 2020 Review Justice model would remain appropriate if fit for purpose data are used.

Question 2

Do states and territories agree that data from 2019-20, 2020-21 and 2021-22 include the effects of COVID-19 related public health orders and do not reflect typical justice services and costs?

ACT Position

The ACT agrees that data from 2019-20, 2020-21 and 2021-22 include the effects of COVID-19 related public health orders and do not reflect typical justice services and costs.

As mentioned in the response to Question 1, many resources in the ACT's justice system were redirected in line with ACT public health directions during the pandemic period. For example, COVID-19 significantly changed the nature of ACT Policing's service provision to the community. From requiring ACT Policing officers to conduct home, business and roadside/border COVID compliance checks in line with ACT public

health orders, many ACT Policing officers were redirected from their existing roles to form part of ACT Policing's COVID-19 Taskforce.

Data from 2019-20, 2020-21 and 2021-22 are affected by COVID-19 related public health orders and temporary changes in the justice service provision responding to these orders, and thus do not reflect typical justice services and costs.

Question 3

If data from 2019-20 to 2021-22 are not fit for purpose, do states and territories support using data from 2022-23 to update the justice assessment? If so, can states and territories provide an indication of when 2022-23 data could be provided to the CGC?

ACT Position

The ACT supports the use of 2022-23 data to update the justice assessment, as data from 2019-20, 2020-21 and 2021-22 do not reflect typical justice services and costs.

The ACT confirms at this stage there are no issues with providing 2022-23 data by 23 March 2024.

Question 4

If data from 2022–23 are considered fit for purpose but are not available in time for inclusion in the 2025 Review, do states and territories support updating the assessment in an update following the 2025 Review?

ACT Position

The ACT supports the CGC updating the assessment in an update following the 2025 Review if relevant data are not available in time for inclusion in the 2025 Review.

Question 5

Do states and territories agree that the CGC:

- Apply a cost weight for juvenile detainees in the prisons assessment if material?
- Not make any changes to the juvenile detainees age group in the prisons assessment?

ACT Position

The ACT supports the CGC applying a cost weight for juvenile detainees if material and making no changes to the juvenile detainees age group in the prisons assessment. The ACT notes that there is only a small number of detainees aged 10-12 years in the ACT consistent with the national trend.

NATIVE TITLE AND LAND RIGHTS

Summary

The Native Title and land rights assessment recognises the costs incurred by states and territories to adapt the Commonwealth legislations about the Native Title and land rights (i.e., the *Native Title Act 1993* and the *Aboriginal Land Rights (Northern Territory) Act 1976*) and other related state policy.

Native Title and land rights are assessed on an actual per capita basis using state-provided data.

The ACT supports the CGC's proposal to continue the actual per capital (APC) assessment of Native title expenditure.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree that the actual per capita (APC) assessment of Native Title expenditure remains appropriate?

ACT Position

The ACT agrees the APC assessment of Native Title expenditure remains appropriate.

Question 2

Do states and territories anticipate that treaty processes will affect how they negotiate Native Title and land rights claims?

ACT Position

The ACT has no comment and does not anticipate incurring any expenditure as there are no native title and land rights claims under litigation.

POST-SECONDARY EDUCATION

Summary

The post-secondary education assessment covers state and territory expenses on vocational education and training and other higher education. Expense needs are assessed based on the main non-policy related drivers, which are socio-demographic composition and cross-border use, adjusted with wage costs. The ACT receives an adjustment for cross border use.

The ACT supports the positions set out by the CGC on post-secondary education.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree that a course mix driver should not be introduced?

ACT Position

The ACT agrees that a course mix driver should not be introduced as noted by the CGC in its consultation paper.⁴ The ACT notes the ongoing changes in labour markets and the needs for skills are changing. Therefore, the use of fixed course mix drivers from 2020 would not be reflective of the circumstances now or in the future.

Question 2

Do states and territories agree that the variables used in the socio-demographic assessment of needs be retained?

ACT Position

The ACT agrees that the variables used in the socio-demographic assessment of needs be retained. The ACT are not able to identify any cost drivers at this stage that may impact this assessment.

SCHOOLS

Summary

The schools assessment covers state or territory spending on government pre-schools, primary and secondary schools and non-government schools, including discretionary spending on government schools and spending from a Commonwealth payment on government schools governed under the Quality Schools funding agreement.

Commonwealth funding for non-government schools, which is paid through the state governments under the Quality Schools funding agreement, is treated as a Commonwealth own-purpose outlay, and out of scope of the GST calculations.

The assessment consists of three components: state spending on government schools, state spending on non-government schools and Commonwealth funding of government schools. Expense needs for each component of school services are assessed based on their cost drivers, which are socio-demographic composition and service-delivery scale, using regression models and adjusted with wage costs.

The ACT supports all CGC's proposals for the schools assessment.

CONSULTATION QUESTIONS

Question 1

Do states and territories support a differential assessment of primary and secondary school students and if so, support including in the regression model variables to account for differences in the fixed cost of secondary schools and the additional costs of secondary school students?

⁴ CGC Consultation Paper – Post Secondary Education - page 10.

ACT Position

The ACT supports the differential assessments of primary and secondary school students. The ACT notes the cost of providing secondary education services is higher than those of primary education services due in part to lower 'student-to-teacher' ratio at secondary schools.

Question 2

Do states and territories agree that, if relevant school level data are available and determined fit for purpose, an assessment of needs for educating students with a disability should be included in the schools assessment?

ACT Position

The ACT agrees there is a strong conceptual case that educating students with a disability is a driver of states' spending on schools which is beyond states' control. Hence, it is appropriate to include needs for educating students with a disability in the schools assessment.

The ACT notes consistent data on students with a disability for all states and territories is available from the Nationally Consistent Collection of Data (NCCD) supplied through the Commonwealth's Funding Estimation Tool.

Question 3

Do states and territories agree that the average state funding of schools is not sufficiently based on the Schooling Resource Standard (SRS) funding to be adopted in place of the CGC's funding model?

ACT Position

Noting the varying requirements across states and territories in meeting their school funding requirements under the Schooling Resource Standard (SRS), the ACT supports the CGC's proposal to continue using its model.

OTHER ISSUES

Cross-border activity

The ACT notes there is a significant number of interstate students attending ACT schools. For example, approximately 3 per cent of students in ACT public schools are from interstate, compared to about 12 per cent for non-government schools. The ACT understands the Commonwealth provides funding for the cross-border students through the Schooling Resourcing Standard (SRS).

SERVICES TO COMMUNITIES

Summary

The services to communities assessment covers state or territory subsidies for the provision of water and wastewater services, electricity services and a range of expenses for community development and environmental protection services.

Expense needs for the provision of water and wastewater services, electricity services and a range of expenses for community development are assessed based on their cost drivers, that is the costs of service delivery to small, remote and First Nations communities as well as to other communities, adjusted with state population and wage costs. The need for state expenses on environmental protection services is assessed based on non-deliberative EPC, adjusted with wage costs and regional costs.

The ACT notes there is currently lack of reliable and consistent data to identify a reliable driver of spending on natural disaster mitigation, and hence supports the CGC's proposal to keep the assessment methods unchanged.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree that the existing assessment methods for spending on disaster mitigation remain appropriate?

ACT Position

The ACT supports the existing assessment methods for spending on disaster mitigation based on non-deliberative EPC, adjusted with wage costs and regional costs.

The ACT notes more work is required to be able to appropriately capture, measure, and analyse the drivers of as well as report on disaster mitigation spending, including spending amounts and specific program effectiveness.

Question 2

Do the definitions used in the National Partnership on Disaster Risk Reduction provide an appropriate basis for describing the type of spending that could be classified as natural disaster mitigation?

ACT Position

The ACT notes the definitions in the National Partnership on Disaster Risk Reduction have been adapted from the UN Office for Disaster Risk Reduction, which provide consistent and non-restrictive interpretation for describing the type of spending that could be classified as natural disaster mitigation.

The definitions applied to Disaster Risk Reduction in the ACT are also informed by the UN Office for Disaster Risk Reduction through the Sendai Framework for Disaster Risk Reduction and the Australian Government through the National Disaster Risk Reduction Framework.

The ACT considers the definitions remain appropriate at this stage. However, the ACT's definition of Disaster Risk Reduction is currently under review, in line with the development of the ACT Disaster Resilience Strategy and Strategic Action Plan for Disaster Risk Reduction.

The ACT suggests the CGC remain open to consider any new developments surrounding the definitions and coverage of natural disaster mitigation that may be relevant to this assessment as the 2025 Review continues.

Question 3

Where is this spending currently classified in the Government Finance Statistics framework?

ACT Position

The ACT understands that the aggregate spending on natural disaster mitigation could be classified under '0599 Environmental Protection n.e.c.' or possibly under '05 Environmental Protection' of the classification of the functions of government – Australia (COFOG-A) in the Government Finance Statistics Framework. However, detailed spending by programs and their components may not all be available.

Question 4

Is spending on mitigation measures expected to increase significantly over the next five years?

ACT Position

The ACT understands the latest trend and future expectation on spending on natural disaster mitigation indicates that mitigation spending has, and will continue to, increase. This is primarily a refocus of response and recovery funding into areas of disaster and emergency management that demonstrate greater effectiveness and efficiency on a 'per dollar' basis, to reduce impacts of disasters.

OTHER ISSUES

Cross-border activities

In conjunction with the answers to Questions 1, 2 and 4, the ACT regularly collaborates across the ACT-NSW border on disaster mitigation and recovery activities. A cross-border working group between the ACT Government and NSW Government (Reconstruction Authority of NSW and NSW Cross-Border Commissioner) is actively planning complimentary activities, and providing representation to the Australian Government to augment funding opportunities for cross-border initiatives that are currently ineligible for funding.

TRANSPORT

Summary

The transport assessment covers state and territory expenditures on bus (including school bus services), light rail, heavy rail, ferries, air transport, ports, and other maritime services. This includes subsidies paid to operators, administration, and student transport. User charges are netted against expenses. Urban and non-urban transport are assessed differently.

The ACT is broadly supportive of the CGC's proposed changes but would like to see and consider further analysis on the impact of using the Bureau of Infrastructure and Transport Research Economics (BITRE) data to adjust 2016 Census journey to work data and to index actual passenger numbers, as well as the impact of changes to the non-urban transport assessment.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree that the 2020 Review model for assessing urban transport needs remains appropriate?

ACT Position

The ACT agrees that the 2020 Review model remains appropriate. The ACT notes that the 2020 Review regression model has been developed through consideration and reflective of a wide variety of variables that could in principle influence urban transport spending.

Question 2

Do states and territories consider the urban transport net expense data from 2019-20 to 2021-22 are likely to be overstated?

ACT Position

The ACT supports the view that the urban transport net expense data over the period from 2019-20 to 2021-22 are likely to be overstated, and considers that they may be unfit for purpose of updating the regression model as part of the 2025 Review – see the answers to Question 3 to 5.

There have been substantial changes in patronage patterns in 2020 and 2021, with patronage captured from 2022 onwards suggesting a definite, but gradual, establishment of a new equilibrium.

The cost of recurrent expenditure in the ACT is overstated because of lower fare collection due to the impact of COVID-19 while spending on public transport services over that period continued to increase because of maintaining the level of services throughout the pandemic. Further, there has been additional and necessary costs associated with COVID-19 such as for communications including signage at bus stops and interchanges as well as additional cleaning undertaken due to the pandemic. Higher diesel prices also drove higher expenses in 2021-22.

Question 3

If 2019-20 to 2021-22 data are not fit for purpose, do states and territories support updating the regression with data from 2022-23? Can states and territories provide an indication of when this data could be provided to the CGC?

ACT Position

Noting the answer to Question 2, the ACT supports updating the regression with 2022-23 transport data provided by states and territories if 2019-20 to 2021-22 data are not fit for purpose.

The ACT confirms at this stage there are no issues with providing 2022-23 data by 23 March 2024.

Question 4

If 2022-23 data are considered fit for purpose but are not available for inclusion in the 2025 Review, do states and territories support updating the assessment in an update following the 2025 Review?

ACT Position

Noting the answers to Question 2 and 3, the ACT supports the data being updated in a following update if 2022-23 data are considered fit for purpose but are not available for inclusion in the 2025 Review.

The ACT recommends the CGC undertake and provide analysis on this for states' and territories' consideration.

Question 5

Do states and territories support retaining the 2020 Review proxy variable data in the regression model until fit for purpose net expenses data are available?

ACT Position

Noting the answers to Question 2, 3 and 4, the ACT supports retaining the 2020 Review proxy variable data in the regression model, until fit for purpose net expenses data is available, as a reasonable approach.

The ACT notes that public transport patronage numbers are recovering but may not yet return to the pre-COVID-19 levels even by 2022-23.

Question 6

Do states and territories agree that the 2021 Census journey to work data were distorted by the COVID-19 lockdowns and are not a fit for purpose measure of current passenger numbers?

ACT Position

The ACT notes that the 2021 Census data for public transport usage was affected by COVID-19 and considers journey to work data were distorted and are not a fit for purpose measure of current passenger numbers.

ACT ticketing data show that the number of journeys using public transport over the period 2019-20 to 2021-22 declined substantially due to the COVID-19 lockdowns.

Question 7

If the 2021 Census journey to work data are not fit for purpose, do states and territories support the continued use of 2016 Census journey to work data in the model?

ACT Position

The ACT supports the continued use of 2016 Census journey to work data in the model if the 2021 Census journey to work data are not fit for purpose; however, with an adjustment to account for the introduction of light rail in Canberra since 2019.

The addition of light rail services has significantly affected public transport usage in Canberra and should be reflected in the assessment. The CGC may apply for a modal-percentage-split to the 2016 data for the ACT to reflect that a portion of Canberra's public transport use now is being conveyed by light rail.

Question 8

Do states and territories agree that 2021 Census distance to work data were not significantly distorted by COVID-19 lockdowns and are a reliable measure of network complexity?

ACT Position

The ACT considers that using distance travelled to work data is a reasonable proxy for network complexity.

The ACT also considers that distance travelled to work data from the 2021 Census was not significantly distorted by COVID-19 lockdowns, as respondents to the Census were instructed to list their ordinary place of work.

The ACT agrees that 2021 Census distance to work data remains a reliable measure of network complexity and should be applied when reliable net expense data are available to update the regression.

Question 9

Do states and territories agree that, if material, 2016 Census journey to work data should be adjusted using the Bureau of Infrastructure and Transport Research Economics (BITRE) measure of passenger kilometres travelled until the 2026 Census data are available?

ACT Position

The ACT agrees with the adjustment of 2016 Census journey to work data using BITRE measure of passenger kilometres travelled until the 2026 Census data are available.

While the ACT would prefer the use of ticketing data for such an adjustment, the ACT notes ticketing data may not be available for all jurisdictions.

The ACT recommends that the CGC would endeavour to obtain the latest ticketing data for all states and territories, if possible, and undertake further analysis on the GST impact for both using BITRE data and states' and territories' ticketing data and share the analysis with states and territories for consideration.

Question 10

Do states and territories agree that if net expense data are available before the 2026 Census passenger numbers it is appropriate to use Bureau of Infrastructure and Transport Research Economics (BITRE) data to index actual passenger numbers?

ACT Position

The ACT agrees with the CGC to index actual passenger numbers using BITRE data if net expense data are available before the 2026 Census passenger numbers. However, the ACT recommends the CGC to include this when undertaking further analysis noted in answer to Question 9 for states' and territories' consideration.

Question 11

Do states and territories support retaining the 2020 Review blending ratio for the urban transport assessment?

ACT Position

The ACT notes the CGC's decision in the 2020 Review to apply a blending ratio was to address concerns over proxy data used in the regression model. However, the ACT remains of the view that discounting would be the most appropriate approach.

The ACT recommends the CGC to undertake an analysis for states' and territories' consideration whether a discounting approach would result in an inferior result as envisaged in the 2020 Review when compared with the blending-ratio approach.

Question 12

Do states and territories support replacing the ferry dummy variable in the urban transport model with the proportion of total commuters using ferry services?

ACT Position

The ACT recommends the CGC to undertake and share the analysis of this proposal on GST distribution for states and territories consideration.

Question 13

Do states and territories agree that using a regression model to recognise the growth in passenger numbers in urban areas is a more suitable method for modelling passenger numbers?

ACT Position

The ACT agrees and considers that the regression model approach would likely more appropriately measure expenditure needs due to its ability to capture the increased detail from small differences in population size compared with the current population-range approach.

Question 14

Do states and territories support the following changes to the non-urban transport assessment:

- Assessing non-urban rail passenger expenses based on shares of non-urban train commuters?
- Assessing all remaining expenses on shares of non-urban populations?

ACT Position

While the ACT broadly supports this approach, the ACT recommends the CGC to undertake further analysis and share it with states and territories for consideration whether an EPC assessment would no longer be appropriate.

DISABILITIES

SOCIO-ECONOMIC STATUS

Summary

Socio-economic status (SES) reflects socio-demographic composition of population which covers an individual's income, education, employment and other social experiences. They jointly affect outcomes in various aspects of an individual's life including health and wellbeing.

SES is an important driver in the expenditure assessments of schools, post-secondary education, health, housing, welfare and justice.

The ACT supports the CGC's proposal to conduct further analysis on the annual Multi-Agency Data Integration Project (MADIP) data and to provide the results of the analysis in its ongoing consultation with states and territories.

CONSULTATION QUESTIONS

Question 1

Do states and territories agree that an annual Multi-Agency Data Integration Project (MADIP) based measure of SES from non-Indigenous people has the potential for a more contemporaneous assessment?

ACT Position

The ACT agrees with the CGC undertaking further analysis on the annual MADIP data to be used as an annual SES measure for non-Indigenous people.

The ACT notes the use of MADIP data may provide for a more contemporary view with greater integration on data elements such as health, education, economics, health and employment compared with the SEIFA data.

The ACT also notes further work by the CGC would be required to determine its utilisation, and welcomes the CGC to provide the results of further analysis. This should set out the impact of the proposed change on the GST distribution and relativities across states and territories in its ongoing consultation with states and territories for consideration.