

Services to industry

Overview

- 1 The services to industry assessment covers state and territory (state) expenses on business regulation and development and state COVID-19 business support. It includes the following components:
 - agriculture regulation
 - mining regulation
 - other industries regulation
 - business development
 - COVID-19 business support.

- 2 The assessment recognises that services to industry expense needs are influenced by the following.
 - Size of regulated industry — states with larger industries have higher expense needs.
 - Population shares — each states' expense needs are the same per person.
 - Remoteness — states with remote workforces have higher expense needs.
 - Wage costs — states facing greater wage cost pressures have higher spending needs.
 - COVID-19 expenses — states with higher COVID-19 business support expenses covered by the national partnership agreements have higher expense needs.

Actual state expenses

- 3 The first step in calculating assessed expenses is identifying actual state expenses.¹ States collectively spent 3.8% of their total recurrent expenses on services to industry in 2022-23. Table 1 shows expenses broken down by component and Table 2 outlines actual expenses by state in 2022-23.²

Table 1 Services to industry expenses by component, 2022-23

	2022-23	
	\$pc	\$m
Agriculture regulation	42	1,100
Mining regulation	34	899
Other industries regulation	138	3,632
Business development	219	5,771
COVID-19 Business support	8	222
Total	442	11,624
Proportion of total expenses (%)		3.8

Table 2 Services to industry expenses by state, 2022-23

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Services to industry (\$m)	5,679	2,821	1,352	1,221	125	143	16	269	11,624
Services to industry (\$pc)	688	420	251	431	68	249	35	1,072	442
Proportion of total expenses (%)	5.7	3.6	2.3	3.6	0.7	2.0	0.3	4.4	3.8

¹ Adjusted budget calculations use ABS Government Finance Statistics data to determine actual state expenses. For further details see the adjusted budget chapter of the *Commission's Assessment Methodology*.

² Tables in this chapter, unless otherwise stated, use 2022-23 data.

Structure of assessment

4 Table 3 outlines the drivers that influence expenses in each component.

Table 3 Structure of the services to industry assessment

Component	Driver	Influence measured by driver
Agriculture regulation	Economic environment	The cost of providing regulatory services is dependent on the level of economic activity as measured by the size of the sector.
	Regional costs	The cost of providing services increases as the level of remoteness increases.
	Wage costs	Differences in wage costs between states affect costs.
Mining regulation	Economic environment	The cost of providing regulatory services is dependent on the level of economic activity as measured by the size of the sector.
	Regional costs	The cost of providing services increases as the level of remoteness increases.
	Wage costs	Differences in wage costs between states affect costs.
Other industries regulation	Economic environment	The cost of providing regulatory services is dependent on the level of economic activity as measured by the size of the sector.
	Population	Some regulatory functions such as consumer protection services target the total population rather than businesses or industries, which affects costs.
	Regional costs	The cost of providing services increases as the level of remoteness increases.
	Wage costs	Differences in wage costs between states affect costs.
Business development	Equal per capita	Population drives the use and cost of services.
	Wage costs	Differences in wage costs between states affect costs.
COVID-19 Business support	Actual Per Capita	State expenses reflect circumstances beyond state control.

Data

5 The data used in the assessment are outlined in Table 4.

Table 4 Data used in the services to industry assessment

Source	Data	Updated	Component
ABS	Output of industries by state for 2021–22	n/a	Agriculture regulation
			Mining regulation
			Other industries regulation
	% change in chain volume measures of production by state by industry	Annually	Agriculture regulation
			Mining regulation
			Other industries regulation
	Estimated resident population	Annually	Other industries regulation
			Business development
States	State spending on business development by industry	5-yearly	Agriculture regulation
			Mining regulation
			Other industries regulation
			Business development

Note: Data for the regional and wage costs adjustments are also included in this assessment. The adjusted budget data sources are outlined in the adjusted budget chapter of the Commission's Assessment Methodology.

Assessment method

6 The following section outlines the Commission's method for deriving total state actual expenses for each regulation and business development component. It also describes the assessment method for each component.

Deriving state regulation and development expenses by industry

7 The services to industry assessment includes both regulation and development expenses. However, state expenses on business regulation and development are not identified in ABS Government Finance Statistics (GFS). Instead, ABS GFS classify state expenses by industry. As a result, before it can assess state expense needs, the Commission must first estimate state expenses on agriculture, mining and other industries regulation and business development.

8 Aggregate expenses on agriculture, mining and other industries are sourced from ABS GFS. The classification codes of government expenses for each industry are presented in Table 5.

Table 5 The classification of the functions of government – Australia concordance for each industry category

Agriculture	Mining	Other industries
421 Agriculture	431 Coal and other solid mineral fuels	411 General economic and commercial affairs
422 Forestry	432 Petroleum and natural gas	412 General labour affairs
423 Fishing and hunting	433 Nuclear fuel	442 Manufacturing
472 R&D – agriculture, forestry, fishing and hunting	434 Other fuels	443 Construction
	436 Non-electric energy	461 Distributive trade, storage and warehouse
	439 Fuel and energy n.e.c	462 Hotels and restaurants
	441 Mining of mineral resources other than mineral fuels	463 Tourism
	473 R&D – fuel and energy	464 Multipurpose development projects
		471 R&D – general economic, commercial and labour affairs
		474 R&D – mining, manufacturing and construction
		476 R&D – other industries
		499 Economic affairs n.e.c

9 State expenses on business regulation and development are subsequently disaggregated using data provided by the states. Every 5 years, during a review, the Commission asks states to provide data on their business development expenses. These data are used to estimate the average share of national expenses on business regulation and development activities in each industry category. The proportions are held constant between reviews. Table 6 shows the state and national average shares of agriculture, mining and other industry spending that are for business regulation and development.

Table 6 Share of state services to industry expenses on business regulation and development by industry

	2025 Review by State								2025 Review	2020 Review
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT		
	%	%	%	%	%	%	%	%	%	
Agriculture										
Regulation	15	73	49	97	58	27	na	6	44	50
Business development	85	27	51	3	42	73	na	94	56	50
Mining										
Regulation	81	97	96	94	90	79	na	81	91	80
Business development	19	3	4	6	10	21	na	19	9	20
Other industries										
Regulation	53	38	66	68	25	28	80	48	51	53
Business development	47	62	34	32	75	72	20	52	49	47

Note: na = not available.

Source: Commission calculation using state and ABS Government Finance Statistics data.

- 10 The Commission does not assess disaggregated state expenses on agriculture, mining and other industry business development because they are assessed to have the same drivers of need. Instead, the Commission aggregates business development activities for all industries and assesses them using the same drivers.

Agriculture regulation

- 11 The agriculture regulation assessment method has 3 steps:
- assess state agriculture regulation expenses using industry size
 - apply the regional costs adjustment
 - apply the wage costs adjustment.
- 12 The agriculture regulation method assumes a direct relationship between the size of the regulatory task and size of the regulated industry. It assumes that as industries grow the regulatory task increases and vice versa.

Assessing state agriculture regulation expenses using industry size

- 13 State expense needs for agriculture regulation are assessed using the output of the agriculture industry.
- 14 Each state's share of national agriculture regulation expenses is equal to its share of national agriculture industry output. This means that the larger a state's share of the output, the more a state is assessed to need to spend and vice versa.
- 15 Industry output for each state is measured using data sourced from the ABS through a special data request. The Commission obtained data for 2021–22. Data for years in the assessment period post 2021–22, are derived using the annual percentage change in the chain volume measure of industry value added. The percentage change in the chain volume measure represents the change in the volume of output of the measured industry.³ The percentage change in chain volume measures are constant over time, excluding data revisions from the ABS. This ensures that the volume-based measure of industry output is contemporaneous with state expenses and reflects changes in the volume of activity in the regulated industries rather than changes in commodity prices.

Applying regional costs

- 16 In the agriculture regulation component, regional costs account for the additional costs states face in providing services in remote locations. The agriculture regulation component uses the general regional cost gradient because of a lack of suitable data to estimate a component-specific measure of regional costs. The general regional cost gradient is based on the average of regional cost gradients estimated from

³ Australian Bureau of Statistics (ABS), [Western Australian Statistical Indicators Mar 2003 Demystifying Chain Volume Measures](#), ABS, 2003, accessed 11 July 2024.

several sources. For details on how the general regional cost gradient is determined, see the geography chapter of the *Commission's Assessment Methodology*.

- 17 The general regional cost gradient for the services to industry category is weighted for each state using the share of total state employment in each remoteness classification. This results in states with larger metropolitan areas having a lower regional cost adjustment compared to more regional/remote jurisdictions.
- 18 Regional costs are applied as a scaling factor to assessed expenses, increasing the assessed expenses for states with a greater share of employment in regional and remote areas and lowering the assessed expenses for states with employment centralised in capital cities.

Applying wage costs

- 19 Wages costs are a significant share of the total cost of providing agriculture regulation services. Differences in wage costs between states have a differential effect on the cost of providing agriculture services. The services to industry assessment uses the Commission's general method for measuring the influence of wage costs. Details on how this is calculated are in the wage costs chapter.

Mining regulation

- 20 The mining regulation assessment has 3 steps:
 - assess state mining regulation expenses using industry size
 - apply the regional costs adjustment
 - apply the wage costs adjustment.
- 21 Like the agriculture regulation assessment, the mining regulation assessment method assumes a direct relationship between the size of the regulatory task and size of the regulated industry. It assumes that as industries grow the regulatory task increases and vice versa.

Assessing state mining regulation expenses using industry size

- 22 The assessment method for mining regulation is the same as for agriculture regulation, with each state's assessed regulatory need based on its share of national mining activity.
- 23 The data sources and method of measuring mining industry size is identical to that for agriculture.

Applying regional costs

- 24 The regional cost factor is applied as outlined in paragraphs 16 to 18.

Applying wage costs

- 25 The wage cost factor is applied as outlined in paragraph 19.

Other industries regulation

- 26 Other industries regulation includes regulation of all industries and activities in a state except for agriculture, mining and public administration.
- 27 The other industries regulation assessment method has 4 steps:
- assess 75% of state other industries expenses using industry size
 - assess 25% of state other industries expenses using an equal per capita assessment
 - apply the regional costs adjustment
 - apply the wage costs adjustment.
- 28 Like the agriculture and mining regulation assessments, the other industries regulation industry size assessment method assumes a direct relationship between the size of the regulated industry and the regulatory task. It assumes that as industries grow the regulatory task increases and vice versa.
- 29 However, in contrast to the agriculture and mining regulation assessment, some state regulation affects the entire state population, such as fair trading, rental bond services and civil and administrative appeals tribunals. As a result, the Commission assesses the need for these services using state populations.

Assessing state other industries regulation expenses

- 30 Seventy-five percent of state expenses on other industry regulation are assessed using state shares of industry output like the agriculture and mining regulation assessments. Other industry output is measured as the sum of all industry output excluding agriculture, mining, public administration and ownership of dwellings.
- 31 The remaining 25% of state expenses is assessed equal per capita, such that each state is assessed to spend its population share of national other industries regulation expenses.
- 32 The data sources and method of measuring industry size are identical to those for agriculture and mining.

Applying regional costs

- 33 The regional cost factor is applied to both the industry size and equal per capita assessed expenses as outlined in paragraphs 16 to 18.

Applying wage costs

- 34 The wage cost factor is applied to both the industry size and equal per capita assessed expenses as outlined in paragraph 19.

Business development

- 35 The assessment of business development is undertaken in 2 steps:
- assess state business development expenses equal per capita
 - apply the wage costs adjustment.
- 36 Business development is a deliberative equal per capita assessment. This is because business development is aimed at supporting employment opportunities and development for state populations. Therefore, each state's need for business development expenses are equal to its population share of national business development expenses.

Applying wage costs

- 37 The wage cost adjustment is applied as outlined in paragraph 19.

COVID-19 business support

- 38 COVID-19 business support is assessed actual per capita. That is, assessed expenses are equal to the actual level of state expenses. An actual per capita assessment recognises that state expenses are driven by factors beyond state control and the Commonwealth distribution of COVID-19 business support payments reflects each state's spending need.
- 39 The COVID-19 business support expenses considered in the assessment are the payments under the 2021–22 Commonwealth-state agreements on business support payments, and the matching own source state expenses.⁴ State COVID-19 business support expenses that are not covered by the national partnership agreements continue to be assessed where states report the expenses, predominately in the other industries regulation and business development assessments. COVID-19 business support will continue to be assessed while there is spending reported for the Commonwealth-state agreements.

⁴ Commonwealth-state business support payments include the Business support payment (JobSaver) - New South Wales agreement and similar agreements for each state. The agreements are available at the [Federal Financial relations website](#).

GST distribution in the 2025 Review

40 Table 7 shows the GST impact of the assessment in the 2025 Review.

Table 7 GST impact of the services to industry assessment, 2025–26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Agriculture regulation	-92	-56	24	52	41	36	-19	14	167
Mining regulation	-194	-210	26	425	-39	-13	-15	22	472
Other industries regulation	79	6	-60	45	-49	-22	-2	2	133
Business development	11	3	-12	7	-9	-3	4	0	24
COVID-19 Business support	1,017	1,146	-1,043	-606	-398	-97	35	-54	2,198
Total (\$m)	821	889	-1,066	-77	-454	-99	3	-16	1,712
Total (\$pc)	95	124	-186	-25	-239	-172	5	-64	62

Note: Magnitude and direction of GST impact can change from year to year.