



Western Australian Submission to the Commonwealth Grants Commission 2016 Update

New Issues September 2015

This submission responds to the Commonwealth Grants Commission's (CGC's) discussion paper CGC 2015-04-S. Our only comment on the proposals in that discussion paper relates to the treatment of payments under the National Partnership (NP) for *Implementation of the National Insurance Affordability Initiative*. However, the discussion paper encouraged States to raise other issues relevant to the 2016 Update. We wish to raise two issues not covered by the discussion paper (road classification, and sharing of confidential data).

NP for Implementation of the National Insurance Affordability Initiative

This NP is for the construction of flood defences, with the aim of reducing flood risk and bringing about reductions in insurance premiums.

The discussion paper proposes that it not impact on GST relativities, as it is for protection of the environment, for which the CGC has been unable to assess needs.

However, the purpose of the flood defences is not to protect the natural environment. Rather, it is to protect homes and businesses, so as to reduce insurance premiums.

This is an economic development purpose, for which the CGC has made a deliberative zero needs assessment. As such, expenditure needs are assessed and it should impact on the relativities.

Road Classification

The CGC assesses road maintenance expenses using a "synthetic network" of roads connecting population centres of over 400 persons, and distinguishes between sealed and unsealed roads because of the different costs associated with these roads.

As a policy neutral measure, the CGC deems freeways, highways and main roads (type codes 300 to 302) to be sealed, and other roads (type codes 303 and above) to be unsealed.

The logic behind this seems to be that type codes are not affected by State policy. However, type code 305 appears to include all unsealed roads regardless of significance. The Tanami road (see below) is one example where State policy decisions on sealing or not sealing may have affected how the road is deemed to be classified for the CGC's assessment of road costs.

Hence the CGC's current measure of sealed and unsealed roads is not policy neutral.

We are also concerned that the CGC's measure does not reflect average policy, as all road types coded 303 and above are deemed "unsealed", when these are in practice a mix of sealed and unsealed roads. It would be better to assume a fixed percentage of roads is unsealed in each State, based on the national percentage.

Tanami Road

The Tanami Road from Halls Creek to Alice Springs is deemed to be unsealed in Western Australia¹, but sealed in the Northern Territory.

This is not consistent with policy neutrality, as the road serves the same purpose on both sides of the State border.

We believe that the CGC should deem the Western Australian part of this road to also be sealed.

Mount Magnet – Leinster Road

The road connecting Mount Magnet and Leinster is a major freight link. It is not clear to us why this road has not been classified as a main road (type code 302) by the CGC's road consultant.

Possibly, this reflected the road previously being unsealed.

Sharing of Confidential State Data

The CGC's rule that comparable State data is not shared among States unless all States allow that data to be shared has proven to be very inconvenient.

¹ It is actually unsealed.

We suggest relaxing this rule, by either:

- sharing non-confidential data among all States; or
- sharing non-confidential data among States which have not designated their data as confidential.

We are relaxed about sharing our data with other States, even if their data cannot be shared. However, the second option may be useful for encouraging States to come to arrangements with their agencies for the sharing of data.