

Victorian Response to 2021 Update, New Issues: Commonwealth Payments

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Treasury
and Finance

1. Introduction

The Commonwealth Grants Commission (the Commission) has circulated the staff discussion paper “2021 Update, New Issues: Commonwealth Payments” outlining the proposed treatment of new Commonwealth payments.

This submission responds to that paper. In addition, we provide further information as foreshadowed in Victoria’s response to the Commission’s New Issues discussion paper of August 2020 regarding the urban transport assessment.

Victoria notes that issues in both discussion papers have been identified in the absence of the Terms of Reference (ToR) for the 2021 Update, and that once the ToR is issued, further consultation may be necessary.

Victoria thanks the Commission for the opportunity to provide comments on its proposed approaches to the 2021 Update.

2. Proposed treatment of Commonwealth payments

Victoria agrees with the Commission’s proposed treatment of Commonwealth payments commencing in 2019-20.

Victoria notes that the largest single item in Table A-1 in the Commonwealth Payments paper relates to financial assistance for states’ COVID-19 health responses.

Victoria agrees with the Commission that the drivers of Commonwealth funding for hospital services and public health under the COVID-19 agreement may be influenced by factors not assessed by the Commission’s health category assessment.

Victoria considers that some of the effects of COVID-19 on State fiscal capacities may not be captured by 2020 Review methods. For instance, COVID-19 infections seem to be disproportionately located in capital cities which may reflect the contagious nature of this disease in congested settings (for example, in high rise community accommodation). The usual health drivers such as rurality and indigeneity may not be as relevant for COVID-19. Victoria believes that the Commission should investigate the drivers of COVID-19, which are likely to be more relevant for 2020-21 (the 2022 Update).

Victoria agrees with the Commission’s proposal to not backcast new payments commencing in 2020-21 since they do not represent a major change in federal financial relations.

3. Supplementary response to New Issues for the 2021 Update

V/Line subsidies

In the discussion paper *New Issues for the 2021 Update*, it was stated that Victoria and the Australian Bureau of Statistics (ABS) recorded subsidies to V/Line as urban transport. However, the Commission considers V/Line services to be non-urban transport, so that from the 2021 Update subsidies to V/Line are to be included in the non-urban transport expenses component.

It should be noted that V/Line provides heavy rail services in both urban and non-urban areas. Victoria has been investigating an appropriate means of splitting the V/Line subsidy and fare box revenue between the urban transport and non-urban transport components. DTF staff have been in consultations with staff from the Victorian Department of Transport (DoT) and V/Line.

The amount of subsidy requested by V/Line is based on the costs of providing its timetabled services, such as the number of drivers and conductors required, rolling stock operating expenses, corporate overheads, rolling stock, and track maintenance, marketing and vegetation management. These costs are determined on a system wide basis rather than on a geographic basis.

Advice received from DoT and V/Line is that if the subsidy were to be split into urban and non-urban components then the number of trip kilometres could be an appropriate basis. DTF has undertaken calculations based on V/Line's timetabled weekly services and the number of kilometres involved. These calculations show that 44.0 per cent of V/Line trip kilometres are associated with trips within significant urban areas (SUAs). Accordingly, Victoria submits that the V/Line subsidy be split 44:56 between urban and non-urban transport.

In regard to farebox revenue, the revenue generated by trips within SUAs could be determined from an examination of boarding-destination data from the myki digital ticketing system. DTF has been advised that while these data can be obtained, there are large volumes of data to be analysed and that it would take some time to complete this analysis. DTF is continuing to pursue this avenue of analysis but cannot be certain that the information will be available in time for the 2021 Update.

An alternative source of data is V/Line boarding data. V/Line can provide the number of boardings to Melbourne which incorporate an estimate of prior departures to the Melbourne SUA. These data indicate that an estimated 35.7 per cent of V/Line boardings were within SUAs in 2018–19. Until more accurate data become available Victoria submits that V/Line's user charges be split 36:64 between urban and non-urban transport.

Geelong heavy rail

In Table 21-9 of Volume 2 of the 2020 Review report, the usage rates of public transport by urban centre size is presented. For urban centres between 200,001 and one million in population, the mode usage rates depend on whether there is the presence or not of heavy rail. The Commission did not state what constitutes a heavy rail presence, but it would be

expected that a passenger railway line with stations passing through an SUA would constitute a heavy rail presence.

Victoria notes that the Commission's urban transport assessment does not record the Geelong SUA as having a heavy rail presence. The Melbourne to Warrnambool railway line passes through the Geelong SUA and the SUA contains eight railway stations. It would appear that it was an oversight on the Commission's part that Geelong was not assigned a heavy rail presence. Victoria requests that the Commission rectifies this mistake in the 2021 Update.

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