

Australian Capital Territory

Comments on the Commonwealth Grants Commission's Staff Discussion Paper CGC 2013-01: Remoteness Classification for the 2015 Review

May 2013

ACT comments on Remoteness classification

Introduction

1. The Commonwealth Grants Commission (Commission) has sought comments on a Discussion Paper which outlines the differences between the State based Accessibility and Remoteness Index of Australia (SARIA) and ABS remoteness areas (ARIA) in helping it to develop a remoteness classification using the 2011 census.

Differences between SARIA and ARIA

Treatment of capital cities

2. SARIA and ARIA differ in the calculation of remote areas, and therefore the population living in each region given the important distinctions made in the definition of city centres. SARIA generally measures remoteness based on the distance from the State capital city, while ARIA bases remoteness on the distance from the nearest city of over 250,000 persons. The outcome is that the cost of service provision will differ between the two approaches.
3. As the express intention is to measure the costs of delivering a service, the focus should be on where the State acquires its services from – the nearest regional centre; the nearest city of over 250,000 persons; or the State capital city. That is, the assessment should reflect ‘what States do’. Presumably the acquisition of services will be an amalgam of, or representative of services from all three areas. However, the location assessment needs to be based on where the bulk of services are sourced from.
4. The Paper notes that physical visits from head office staff to remote areas are likely to be small, and as such SARIA is not the most appropriate model for capturing service delivery costs. We agree that services are likely to be procured from nearest towns, and as such, ARIA which is based on the nearest city of over 250,000 persons would be the most appropriate measure of remoteness.
5. In terms of the second question of whether capital cities have use patterns akin to cities of a similar size, or more like capital cities, the Commission makes the argument that:
 - bulk billing levels for Darwin and Hobart are more consistent with the way services are offered in regional cities; and
 - school completion rates for Darwin and Hobart are more similar to students in similar sized cities than to students in other capital cities.
6. The case that bulk billing levels for Darwin and Hobart are more consistent with the way services are offered in regional cities appears to be strong and on this basis we would agree with the view that for the services considered, Darwin and Hobart have use patterns akin to cities of a similar size. Thus ARIA (nearest city of

over 250,000 persons) would be closer to capturing these circumstances than SARIA (State capital city).

Impermeable borders

7. The use of SARIA assumes that borders are impermeable as SARIA does not allow services from across the border that are in closer proximity to a city / town to be accessed at the expense of a city / town that is further away within the State, with the remoteness (further distance) retained. In other words, access within the State is primary, with access across the border being secondary.
8. ARIA allows the remoteness to be reduced by allowing access to services across the border to override the services potentially being garnered from a long distance away from within the State.
9. Clearly the user population accesses services where they are available (at most convenience), whether that occurs intrastate or interstate. We thus agree with the Commission's view that the assumption of impermeable borders is inappropriate.
10. This is demonstrated by the various regional agreements that exist between States, including a:
 - Memorandum of Understanding signed by NSW Premier Barry O'Farrell and Queensland Premier Anna Bligh in Sydney on 30 August 2011 which would extend the current sharing of services in the Gold-Coast and Tweed regions to the whole of the Queensland-NSW border;¹ and
 - Memorandum of Understanding for Regional Collaboration between the ACT and NSW was signed by the ACT Chief Minister, Katy Gallagher MLA and the NSW Premier The Hon. Barry O'Farrell MP, in December 2011, which agreed to strengthen collaboration between the two jurisdictions to optimise regional outcomes and service delivery to the people of the ACT and surrounding South East NSW region. Closer collaboration allows for a regional approach in the areas of health, education, transport, emergency services, justice, tourism, planning and economic development.²
11. Formal cross border agreements also exist for other services, such as for hospital services in the case of the ACT and NSW.
12. As stated in the Paper, the consumption across borders is captured in the cross border assessments for the ACT and / or bilateral and multilateral agreements between the States. We would expect that cross border impacts would continue to be assessed because of the significant fiscal cost this imposes on the annual Budget, unlike for other States.

¹ See: <http://news.smh.com.au/breaking-news-national/nsw-qld-sign-cross-border-agreement-20110830-1jjit.html>, as at 31 May 2013.

² See: http://www.cmd.act.gov.au/_data/assets/pdf_file/0004/265225/ACT-NSW-MoU-regional-collaboration.pdf, as at 31 May 2013.

Truncation of ratios

Truncation is undertaken in ARIA to ensure that in cases where a town is a long distance from a large city, it does not have a disproportionate impact on remoteness. Truncation is not undertaken in SARIA.

Once a town is 3 times the national average distance to a service centre, further distances are ignored under ARIA. For example, although Geraldton is 1,797 km away from Broome, the national average distance to a service centre of Geraldton's size is 153 km, and ARIA recognises it as only being 460 km away (153 km x 3) from Broome. Truncation thus results in ARIA reclassifying towns as being remote rather than very remote.

It makes little sense for a remoteness index not to take into account the actual distance from the nearest service centre, or at least be more reflective of the actual distance.

Impact on interstate freight assessment

13. The Commission notes that if ARIA is adopted, the high costs of isolation would be captured for States that are assessed to have the greatest disabilities for the interstate freight assessment – Tasmania and the Northern Territory. In this case, the need for the interstate freight assessment should be reconsidered.
14. We consider that such an approach would be sound and consistent with assessing disabilities reflective of State circumstances.

Standard geography

15. It is noted that ARIA has been adopted as the standard ABS classification of remoteness and that this has a range of benefits, including:
 - The Commission being able to take data directly from administrative systems that use standard geography with no need for recoding;
 - Reduction in potential error; and
 - Simpler assessments.
16. Given the benefits to the Commission and the assessments, it would make sense to adopt ARIA from a standard geography perspective.