

# VICTORIAN RESPONSE TO CGC STAFF DISCUSSION PAPER ON REMOTENESS CLASSIFICATION

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# 1. Introduction

The Staff discussion paper sets out a number of issues that need to be considered in updating the remoteness classification used for assessment in the context of the 2011 Census.

Victoria's response is based on the principles that the Commission uses in relation to other data used for assessments—that they are fit for purpose, of suitable quality and from a reputable source.

This response will address the options identified in the discussion paper.

Victoria notes that terms of reference for the 2015 Method review had not been issued when the CGC discussion paper and these comments were prepared. Rather this consideration is, as noted in the discussion paper, an extension of the ongoing work of the Data Working Party. Accordingly, the Victorian positions presented in these comments do not form part of, and will not constrain, the participation of the Victorian Government in the 2015 Method Review.

## 2. Appropriate Remoteness Classification

### 2.1 Options for remoteness classification

The three options identified in the discussion paper regarding the remoteness classification are:

- use the 2006 based SAIRIA
- use the 2011 census based ARIA
- commission a 2011 version of SARIA.

### 2.2 Victorian response

Victoria considers that it would be inappropriate to use the 2006 based SARIA as the data would no longer reflect the current regional distribution of the population. In addition, the issues that arose from the comparison of the 2011 census with the 2006 census create doubt as to the validity of the 2006 based SARIA. The conclusion that can be drawn is that the 2006 based SARIA is no longer fit for purpose.

The advantage of using the 2011 census based ARIA is that it is the standard ABS classification of remoteness. As noted in the discussion paper this means that data can be taken directly from administrative systems that use the standard geography without the need for the data to be recoded for assessment purposes. This suggests that ARIA would be of higher quality than an updated SARIA for the purpose of determining cost and use disabilities.

The discussion paper notes that there are some characteristics of SARIA that make it more fit for purpose than ARIA, but there are also some features of SARIA that may require review. It would seem that the choice between using the 2011 census ARIA and a 2011 census based SARIA involves a trade off between data quality and fitness for purpose. Victoria would like the Commission to undertake a more rigorous analysis of whether the use of SARIA rather than ARIA would compromise the data used for assessment.

Victoria **supports in principle** the development of a 2011 census based SARIA **subject to** the issue of data quality being resolved. However, the use of SARIA would require the consideration of a number of issues. These are discussed in the next section.

## 3. Issues for a 2011 SARIA

### 3.1 Issues to be considered

The issues identified in the discussion paper regarding an updated SARIA are:

- maintain the 2006 criteria
- adopt some of the following assumptions used in ARIA—
  - borders are permeable
  - consider Hobart and Darwin to be towns of 48 000 to 250 000 rather than capital cities, and consider the Gold Coast and similar cities to be centres of over 250 000, rather than non-capitals over 48 000
  - truncate the impact of distance at three times the national average
  - use enumerated census counts rather than usual resident census counts.

### 3.2 Victorian response

Victoria considers that the issues raised in the discussion paper indicate that there should be some changes to the criteria used for an updated SARIA to improve it in regard to being fit for purpose.

#### 3.2.1 Permeable borders

Victoria **supports** the conclusion drawn in the discussion paper that for both the use patterns of residents, and most costs of delivering services, borders are generally permeable.

#### 3.2.2 Treatment of capital cities

While Victoria acknowledges the differences between Hobart and Darwin and other capital cities in regard to Medicare bulk billing and year 12 retention rates, this cannot be regarded as conclusive evidence that these two cities are generally different to other capital cities in terms of service delivery requirements relevant to state governments.

Where there is evidence that differences in the use of particular services relevant to an expense category are material, then it would be appropriate for the Commission to take those differences in service use into account in determining the disability factor for that particular expense category. However, it would not be appropriate to generalise that differences in the use of particular services indicate that there would be differences in the use of all services.

Victoria is concerned that a different treatment for Hobart and Darwin may be inconsistent with the approach taken for other assessments. For example, the administrative scale assessment is concerned with core head office functions and whole of state services. These functions and services are provided in capital cities, regardless of the size of those cities.

On this basis, Victoria **supports in principle** differential treatment for Hobart and Darwin **subject to** the differential treatment being evidence based and only being made for those assessments where the evidence base exists.

A difference between SARIA and ARIA is that the measure of remoteness in SARIA includes a component for the distance from the State capital city, while in ARIA this component is the

distance from the nearest city of over 250 000 people. Victoria considers that cities of over 250 000 should be as able as a capital city to supply the services and support required by smaller population centres.

Victoria **supports** the ARIA component of distance from the nearest city of over 250 000 in preference to the SARIA component of distance from the capital city.

### 3.2.3 Treatment of large population centres

The discussion paper suggests that SARIA treats Newcastle, the Central Coast and Wollongong as non-capital cities with a population over 48 000 while ARIA treats them as cities of over 250 000. However, no information is provided on the rationale for these different treatments. On face value it would seem more sensible to treat Newcastle, the Central Coast and Wollongong as cities of over 250 000 as it would be expected that they would have materially different cost and use drivers than cities of 50 000 to 150 000, for instance.

Victoria **supports in principle** Newcastle, the Central Coast and Wollongong being treated as cities of over 250 000 rather than as non-capital cities over 48 000, **subject to** evidence to the contrary not being established.

### 3.2.4 Truncation of distance

ARIA truncates the impact of distances from a large city to prevent very long distances from a large city having a disproportionate impact on remoteness. SARIA, on the other hand, does not truncate the impact of distance.

Victoria has sympathy for the view expressed in the discussion paper that conceptually the impact of distance would not cease at three times the national average distance. However, it is unclear whether the relationship with distance is linear or not. For example, is the impact of being six times the national average distance twice that of the impact of being three times the national average distance?

The information paper notes that the number of population centres and the population numbers involved are relatively small, although the impact is likely to be material. This is an issue that is worthy of further investigation.

Victoria **supports in principle** not truncating the impact of distance, noting that further examination is necessary.

### 3.2.5 Measure of population

The discussion paper notes that a further point of difference between ARIA and SARIA is that the former has been calculated on the basis of the enumerated census count while SARIA has been calculated on the basis of usual resident census counts.

While previously the difference between the two measures was primarily due to the impact of seasonal tourist influxes, the discussion paper observes that the use of fly-in/fly-out (FIFO) workers for remote resource projects is now having an impact on the difference.

The key issue of relevance is whether population centres affected by itinerant FIFO workers have any differences in the level and range of services required to those of population centres with similar, but more stable, populations. It may be the case that FIFO workers have different service requirements to the established populations of these population centres.

FIFO workers also need state government provided services where they 'usually' live. A key issue that needs to be established is whether FIFO workers have greater use for services at their remote work location or their less remote usual place of residence.

Victoria does **not support** the use of the enumerated census count as the measure of the population relevant for the provision of state government services, as the evidence for this measure being better than the usual resident population count has not been established.

## 4. Concluding Comments

Victoria has provided its responses to the issues raised in the staff discussion paper. Many of these responses are 'in principle' as Victoria does not consider that sufficient evidence has been produced to enable a considered response to be made.

Victoria is aware of the tight timelines that the Commission faces if it decided to commission the development of a SARIA based on the 2011 census. A decision to use ARIA or SARIA as measure of location disadvantage will require the Commission to balance the fit for purpose and suitable quality principles.

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