



Queensland Government

Treasury

Queensland Treasury Response to Commonwealth Grants Commission Staff Discussion Paper 2008/19-S

New Issues for the 2009 Update

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QUEENSLAND RESPONSE TO NEW ISSUES FOR THE 2009 UPDATE

Reform in Commonwealth-State Financial Arrangements

Queensland acknowledges that a recommendation cannot be put to the Commission until the Australian Treasury advises on the outcome of the COAG process. Queensland anticipates that States will be consulted prior to any recommendation being put to the Commission on fiscal reforms resulting from the COAG process.

Treatment of New Specific Purpose Payments

Queensland has no objection to the proposed treatment of the new SPPs for 2007-08 listed in the New Issues paper.

Terms of Reference Directive for Commonwealth Programs

Summary

The 2008 Update Terms of Reference (ToR) specified the Commonwealth's intention that neither its purchase of the Mersey Hospital or the Northern Territory Emergency Response (NTER) influence the per capita relativities.

Should the 2009 Update ToR seek the same outcome, Queensland would expect that the Commission treat both these Commonwealth programs in a similar manner.

Northern Territory Emergency Response

Subject to the 2009 Update ToR, Queensland accepts the staff proposal to exclude the Australian Government's NTER payments and the initiatives funded by those payments from the Northern Territory's revenue and expenditure assessments.

Mersey Hospital in Tasmania

If the 2009 Update ToR directs the Commission to exclude the direct impact of the Commonwealth's expenditure of the Mersey Hospital from its considerations when assessing the relative fiscal capacity of states, Queensland would agree to the Staff proposals.

However, while the Commission's proposed treatment complies with the ToR (as they stood in the 2008 Update), Queensland notes that Tasmania would receive an annual windfall equal to the Commonwealth's payments for the Mersey Hospital.

Should the 2009 Update ToR not have the same direction in relation to the Mersey Hospital, Queensland suggests the Commission treat the Commonwealth payment as a Commonwealth own-purpose outlay, with the following actions:

- the COPO payment would be excluded as a reimbursement for services provided in operating the Australian Government owned hospital;
- the associated expenditure by Tasmania would not be included in its inpatient services expenditure; and
- inpatient separations would not be included in Tasmania's public hospital separations data as the Mersey Hospital is a Commonwealth public hospital.

Updating Data

Summary

As agreed the November 2005, Heads of Treasuries 2010 Review Conference, Queensland is seeking the Commission continue to use existing data series and methods where current data are fit for purpose to minimise relativity volatility.

Payroll Tax and Australian Bureau of Statistics Public Sector Wages and Salaries Data

Queensland accepts the Staff recommendation that should Australian Bureau of Statistics (ABS) public sector earnings data for 2007-08 not be available in time for the 2009 Update, it scale up the 2006-07 public sector earning data using the trend increase of estimated public sector earnings over the previous five years.

Queensland also expects that when ABS Public Sector Wages data for 2007-08 become available that the Commission replace its estimated data.

Updating Wage Input Costs

Queensland acknowledges the Commission Staff's proposal to use the ABS *Labour Price Index* (LPI) to update the 2006-07 and 2007-08 wage input cost relativities but considers a second data-driven data change in two years would introduce an unnecessary degree of volatility to the assessment.

Given Commission Staff's own reservations regarding the suitability of the LPI and the need to adjust for structural differences that are both difficult to measure and potentially require further discounting, Queensland suggests that further development of the LPI is necessary before States can considered it an acceptable adjustment to the Survey of Education and Training (SET) data.

Queensland suggests that further consideration of the appropriateness of the LPI as a tool for updating the SET outcomes is probably best left for the 2010 Review.

If the Commission wants to adjust the SET data in the 2009 Update it could extrapolate the 'growth' factors derived from Employee Earnings, Benefits and Trade Union Membership (EEBTUM) data in the 2008 Update.

Abolition of Stamp Duty on Non-Real Business Transactions in the Australian Capital Territory

Queensland endorses the Commission staff's proposal adjust the Australian Capital Territory's revenue base and continue to treat the collection of stamp duty on non-residential conveyances other than real property transactions as average policy in the 2009 Update.