



Queensland Government
Treasury

Queensland Treasury Response to
Commonwealth Grants Commission
Position Papers 2008/24 and 2008/28

Public Safety and Other Services

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SUMMARY OF QUEENSLAND'S POSITION

Queensland generally supports the assessment of both the Public Safety and Other Services categories, with some concern about the appropriateness of the application of administrative scale and location factors.

At the 22-23 October 2008 staff conference the Commission proposed combining these two categories. Queensland supports this proposal and this submission will address issues on the assumption that this aggregation of categories will occur.

Queensland considers that the proposal to assess this combined category as EPC, with the exception of Natural Disaster Relief expenditure, is appropriate as the Commission considers that there are no disabilities that impact on a state's expenditure. Queensland believes that the Natural Disaster expenditure should be assessed on an actual per capita basis (APC) as a separate component within this combined category.

The application of the administrative scale and location factors in the combined EPC, APC assessment is not consistent with the 2004 Review EPC and APC assessment standards. Queensland considers applying administrative scale and location factors to the Public Safety and Other Services categories is inconsistent with the rationale for an EPC assessment. EPC assessments are used when there are *'judged to be no disabilities between the States and any differences between the States in the cost of providing services... reflect differences in State policies. Such an assessment means that no needs are assessed for any State and that there is no impact on their relativities.'*¹

Key Issues

- the aggregation of the Public Safety and Other Services categories;
- an EPC assessment for the combined category, with the exception of Natural Disasters expenditure, which will be assessed by APC; and
- administrative scale and location factors not to be applied to the combined category.

METHODOLOGICAL ISSUES

Public Safety

The Commission proposed assessing Public Safety expenses as a single category with two components:

- the administrative scale component will comprise administrative scale and location factors; and
- the service expenses component will comprise factors for use (assessed EPC) and location.

Other Services

The Commission proposed assessing Other Services with three components:

- administrative scale component will comprise administrative scale and location factors;
- natural disaster relief expenses (assessed APC) with no location factor; and
- the balance of the category (assessed EPC) with a location factor.

¹ Relative Fiscal Capacities of the States 2008, pp 436.

Assessment Structure

As can be seen above, the proposals for Public Safety and Other Services categories are extremely similar with the majority of components being assessed as EPC, and having administrative scale and location disabilities assessed. Natural disaster expenses were to be included in the Other Services category and assessed as APC.

Queensland supports the Commission's proposal at the October 2008 staff conference to combine the two categories and assess the majority on an EPC basis, with Natural Disaster expenditure assessed on an APC basis. Queensland believes that the assessment of Public Safety and Other Services expenditure as EPC is appropriate as states either do not face disabilities that impact on a state's expenditure or it is not possible to reliably make a differential assessment.

If Public Safety and Other Services categories are not combined, Queensland believes that Natural Disaster expenditure is more aligned with Public Safety expenditure and should be assessed APC as a component in the Public safety category.

Application of Administrative Scale and Location factors

Queensland is concerned with the application of the location factors to this assessment because the application of location factors (or other disabilities) to EPC assessments is counterintuitive, and in the case of input costs, inconsistent with the previous Commission approach.

Queensland believes that the application of the location factor to an EPC assessment is at odds with the criteria for pursuing an EPC assessment. EPC is generally used when there are judged to be no disabilities between states, to then apply a location factor to the assessment suggests there are disabilities.

It is not clear why the Commission proposes assessing administrative scale and location factors in an EPC assessment. Paragraph 4 of the Commission's 2008 Update Input Costs Working Paper states that, input cost factors were applied to 29 expense categories "but not to categories assessed by equal per capita or actual per capita methods". Examples of this treatment for APC assessments in the 2004 Review are the First Home Owners Grant and the Goods and Services Tax Administration assessment categories. The only assessment categories that were assessed solely EPC in the 2004 Review were, Higher Education and Subsidies Petroleum Products.

Queensland considers that the treatment of EPC and APC assessments in the 2010 Review should be the same as in the 2004 Review, which is with no other factors applied to the assessment category. If the Commission decide that it will apply administrative scale and location factors to EPC and APC assessments, Queensland requests clarification of the rationale for such a decision.

Urban Complexity

Queensland is yet to see any evidence for the assessment of the urban complexity disability, despite the ongoing requests for it to be assessed. There has however been data provided by states showing that Public Safety expenditure is not higher in large urban centres, as discussed in the Commission's position paper *2008/24 Public Safety*.

Queensland's Department of Emergency Services has provided total cost data from departmental financial systems that demonstrates costs per FTE are lower in the Brisbane and Gold Coast regions than in rural and remote regions.

Table 1- Department of Emergency Services Regional Costs- 2007-08

Department of Emergency Services Region	Fire \$per FTE	Ambulance \$per FTE
Brisbane Region	89,812	94,494
South East Region	90,783	101,366
Northern Region	101,277	114,836
North Coast Region	103,734	99,202
Far North Region	104,454	115,630
Central Region	105,728	134,164
South West Region	114,492	121,735

Source: Department of Emergency Services Financial System

Queensland believes that the lack of evidence being provided for an urban complexity disability indicates that the conceptual case for the disability is weak and that it should not be assessed in the Public Safety category.

Natural Disaster Expenses

If the Commission chooses not to combine the Other Services and Public Safety categories, then Queensland considers that the best fit for assessing Natural Disaster expenses is in the Public Safety category. This is because the expenditure is of a similar nature in these two areas. The Commission's initial proposal was to include these expenses in the Other Services category and assess them as APC.

Queensland believes that due to the similar nature of the expenditure, including Natural Disaster expenses as an APC component in an EPC assessment would provide logical and presentational benefits.

CONCLUSION

Queensland supports the aggregation of the Public Safety and Other Services categories and believes that EPC is the appropriate method to assess these categories, with the exception of Natural Disaster expenditure, which will be assessed by APC.

Queensland has concerns with applying administrative scale and location factors to the Public Safety and Other Services categories as it is inconsistent with the rationale for an EPC or an APC assessment.