



Australian Government

Commonwealth Grants Commission

2010 REVIEW

PUBLIC SAFETY

**COMMISSION POSITION PAPER
CGC 2008/24**

SEPTEMBER 2008

Paper issued:	9 September 2008
CGC contact:	Daniel Dwyer, 02 6229 8856, daniel.dwyer@cgc.gov.au
State submissions sought by:	30 January 2009, submitted in Word format to secretary@cgc.gov.au

CONTENTS

BACKGROUND	1
PROPOSED ASSESSMENT	1
URBAN COMPLEXITY	3
LOCATION	5
ADMINISTRATIVE SCALE	5
OTHER EXPENSES	6
National capital	6
PRELIMINARY ASSESSMENT	7
Commission proposal	7
Administrative scale	8
Service expenses	8
Category summary	9
CONCLUSION	10

BACKGROUND

- 1 In 2005, the Heads of Treasury undertook a review of horizontal fiscal equalisation. A conclusion of that review was that Commission processes could be simplified. The 2010 Review terms of reference ask the Commission to simplify its assessments, provided to do so is consistent with the principle of equalisation.
- 2 We consider that simplification and equalisation can both be achieved and that simplification will improve the reliability and robustness of the processes and the acceptability of the outcomes. Both objectives can best be achieved through a rigorous application of the assessment guidelines. These guidelines require the 2010 Review assessment methods to:
 - establish a conceptual case for the assessment;
 - support the conceptual case with evidence, which is both comparable and reliable;
 - develop a reliable assessment method; and
 - demonstrate such an assessment would be material¹.
- 3 Our intention is to develop these methods jointly with States. For that reason, we have chosen an iterative process. This approach provides States with opportunities to contribute to the development of the final assessments.
- 4 The first iteration of the Public safety assessment was presented in staff discussion paper *2007/17-S Assessing Law and Order for the 2010 Review*.
- 5 This Commission position paper represents the second iteration of the Public safety assessment. It sets out our preliminary decisions on the assessment. These decisions provide the basis on which the Public safety assessment will be taken forward in consultation with States. The paper reflects comments provided by the States during State visits and in State submissions received up until 15 August 2008. Comments received after this date will be considered alongside comments received from States in response to this paper.

PROPOSED ASSESSMENT

- 6 In discussion paper 2007/17-S, staff proposed that the equalisation budget contain a Public safety category comprising expenses in the ABS Government Finance Statistics (GFS) Government Purpose Classifications (GPCs) of fire protection services and other public order and safety services. These include expenses on services related to fire protection and emergency services, laying of mesh and netting in coastal and estuarine water to protect against sharks and crocodiles, beach patrol and life saving services, and animal control.

¹ For a category to be deemed material, the average expense or revenue is greater than \$50 per capita, or the assessment is likely to redistribute more than \$30 per capita for any State.

- 7 Expenses on natural disasters included in this category for the 2004 Review would be included in the Other services category. This is consistent with its classification in ABS GFS. Table 1 shows the actual expenses by State for 2006-07.

Table 1 Public safety expenses, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Public safety (\$m)	496.0	713.6	311.2	205.8	171.7	55.3	53.3	29.1	2 036.0
Public safety (\$pc)	72.34	138.10	75.25	98.87	108.87	112.52	158.25	136.81	97.61
Proportion of State expenses (%)	1.3	2.6	1.4	1.6	1.8	1.7	2.4	1.0	1.7

Note: Superannuation and depreciation expenses have been allocated to this category.
Source: CGC analysis.

- 8 As public safety services are provided for the whole population and staff had no evidence of differential use rates or costs for different groups, staff proposed assessing service use on an equal per capita basis and including common factors where appropriate.

State views

- 9 All States supported an equal per capita assessment for service use except Victoria, which argued for the inclusion of an urban complexity factor. Victoria claimed that it must respond to emergencies in areas far more densely populated than the average. The types of responses required were said to be different from those required in smaller capital cities and significantly more costly.
- 10 Queensland, Western Australia, South Australia, Tasmania, the ACT and the Northern Territory opposed the assessment of an urban complexity factor. They did not believe a conceptual case existed.
- 11 New South Wales was concerned about the proposal to include common factors in this category. It said that there would need to be a convincing conceptual case and reliable data which passes the materiality threshold.
- 12 The ACT argued that a national capital factor should continue to be assessed to recognise the ACT's limited capacity to recruit volunteer fire fighters because of the ACT's highly urbanised population.

Commission view

- 13 We note that States largely supported the proposal as outlined in discussion paper 2007/17-S to assess service use on an equal per capita basis using State population, except:
- Victoria considered an urban complexity factor should be assessed;
 - New South Wales did not support the inclusion of common factors; and

- the ACT wanted the Commission to recognise increased costs due to national capital influences.

14 These outstanding issues are now considered.

URBAN COMPLEXITY

Proposal

- 15 Urban complexity measures differences in costs arising from differences between States in some or all of the characteristics of urban areas such as population density, centre size, urban form, population growth and congestion. Urban complexity refers to the particular influences arising from interactions between different characteristics of an urban area, resulting in the need for a particularly complex service delivery arrangement.
- 16 In the 2004 Review, an urban complexity disability was recognised in the Public safety category, despite data difficulties. The then Commission accepted that New South Wales and Victoria were unique in incurring extra costs because of higher concentrations of people, buildings and infrastructure in their capital cities.
- 17 Victoria said urbanisation increased the risk of a major incident and its potential consequences in terms of human suffering and damage to property and the environment. Urbanisation therefore meant fire and emergency services had to have the capacity to provide normal services and to deal with potential major incidents.

State views

- 18 Victoria argued for the continuation of an urban complexity factor in this category. It claimed it experienced increased cost of service delivery compared with other cities because of the heightened risk of terrorism and greater use of public safety services in large and densely populated cities. However, it did not provide any evidence to support these claims.
- 19 Queensland, Western Australia, Tasmania, ACT and the Northern Territory opposed the assessment of an urban complexity factor. They did not believe a conceptual case existed.
- 20 During the 2008 State visits, Queensland also provided data on the cost of metropolitan, regional and rural fire services per 1 000 people. Table 2 shows that providing services outside the Brisbane metropolitan region was more expensive on a per capita basis than providing the services in Brisbane, despite the use of volunteers in rural areas.

Analysis

- 21 No State has yet provided evidence of higher costs associated with being prepared to respond to emergencies in densely populated areas. Queensland has provided data which suggests costs per capita are higher in more remote, non-urban areas.

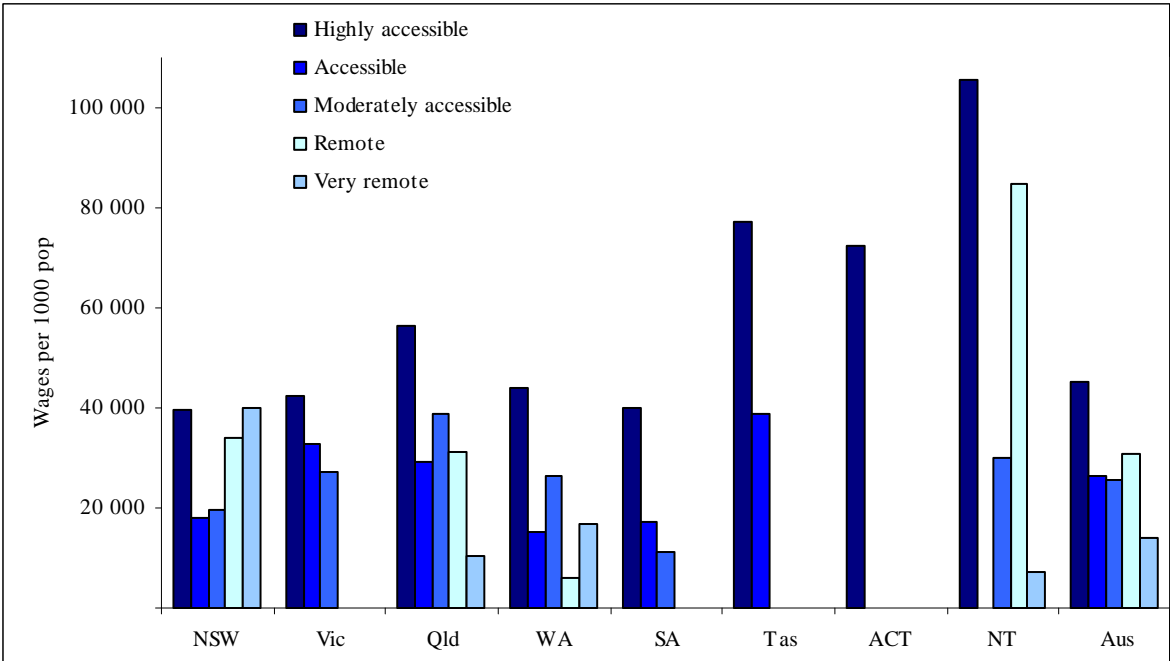
22 Census data on total wages paid to fire fighters and emergency services personnel suggests that, on average, the total wages bill per 1 000 people is higher in highly accessible areas than other areas. Figure 1 illustrates the wages bill pattern across the States.

Table 2 Cost of fire service delivery in Queensland, 2006-07

	Estimated Expenditure	Population	Cost per 1 000 people
	\$m	no	\$pc
Boulia	0.2	450	386 700
Richmond	0.2	962	249 480
Mt Isa	1.9	21 082	90 100
Townsville	9.9	143 328	69 100
Toowoomba	5.7	97 355	58 600
Brisbane Metropolitan	73.0	1 763 131	41 400
Queensland	338.5	3 904 532	86 693

Source: ABS Census 2006 and Queensland Department of Emergency services financial data.

Figure 1 Wages paid to fire fighter and emergency services personnel per 1 000 people by SARIA region, all States, 2006



Source: ABS Census 2006.

23 Figure 1 shows that wages for fire fighters and emergency services personnel in highly accessible areas were about \$45 000 per 1 000 people, compared with \$14 000 in very remote areas. Queensland’s data relates only to fire services but suggests that total expenses in Brisbane Metropolitan area were \$41 400 per 1 000 people, a figure that could be consistent

with the Census data. However, total expenses in Bouliā were \$386 700 per 1 000 people. It seems unlikely that this is consistent. Other costs in remote areas would have to be very high on a per capita basis.

- 24 The Census data provides only partial information on cost variations by location. We do not know how the cost of volunteers, training and equipment varies, although we do know that more fire fighters are employed in accessible areas.

Commission view

- 25 Based on the data provided by Queensland, the lack of data provided by other States and the partial data available in the Census, we are not inclined to assess an urban complexity factor in the Public safety category.

LOCATION

- 26 The Commission intends to assess a location factor for the Public safety category to recognise:
- the differences between States in the cost of providing wage and non-wage related inputs;
 - the differences between regions within a State on wage and non-wage costs, and the impact that this has on average costs for each State.

We intend to recognise only disabilities which can be reliably estimated.

- 27 Position paper 2008/14 *Location-wage costs*, and Discussion paper 2008/15-S *Location non-wage costs* describe these assessments in detail. This paper carries forward the proposed assessments for location disabilities as outlined in those papers.
- 28 The location disabilities only measure the difference in the unit cost of delivering services in different regions, or States. Any difference in the quantity delivered, for example, because use rates differ in different regions are accounted for in the category assessments. In public safety, no adjustment is made for differential use rates in different regions.

ADMINISTRATIVE SCALE

- 29 The administrative scale assessment recognises that the minimum functions needed to run a State government have a greater per capita impact in the smaller States. We achieve this by assessing a minimum quantum of services a State provides irrespective of the size of that State. This quantum is adjusted for particular needs of the ACT and the Northern Territory, and the dollar amounts indexed to reflect price changes to each State. Position Paper 2008/12 *Administrative scale* sets out State views, our response to them and the Commission's decisions in relation to an administrative scale assessment. As part of the administrative scale assessments, an administrative scale component is assessed within this category.

30 The standard amounts in the administrative scale assessment are also adjusted for the relative differences in prices in the different States through the location assessment. This is achieved by applying a location factor to the allocated administrative scale amounts in all categories.

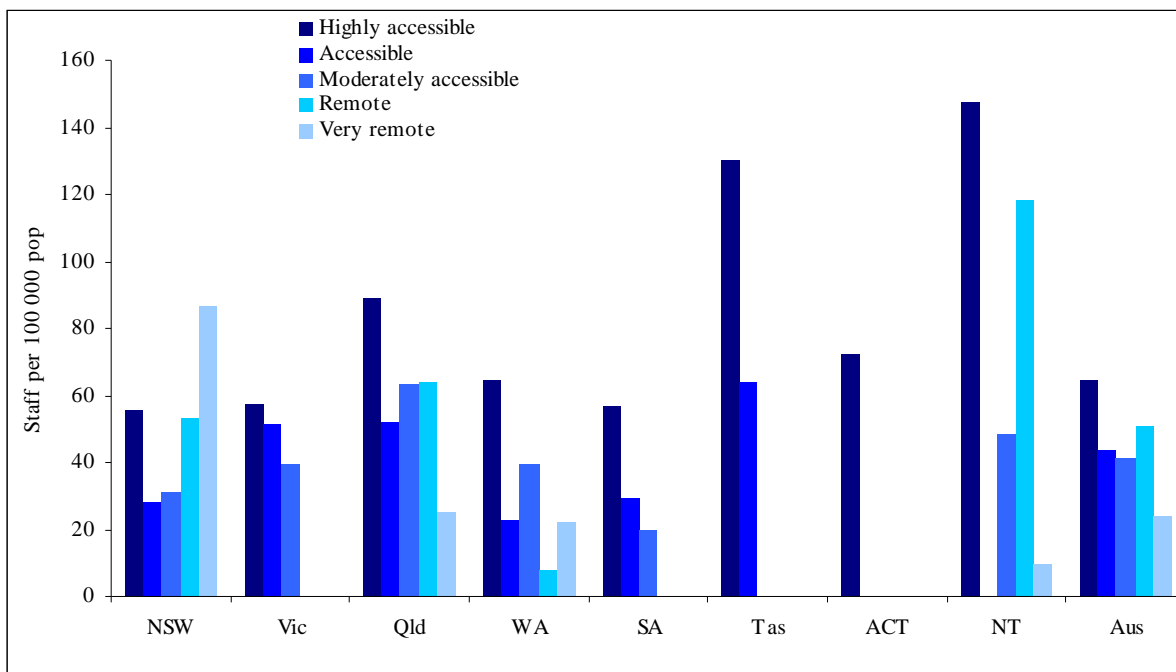
OTHER EXPENSES

National capital

31 As Position paper 2008/13 *Disabilities Mainly Affecting the ACT – Cross Border and National Capital* notes, we do not accept the ACT’s on-going claims for a national capital allowance in this category. The ACT had argued it faced additional cost associated with employing bush fire fighters in the ACT because of its limited capacity to recruit volunteer fire fighters due to its highly urbanised population. It also argued that it faced a greater risk of fires because of the relatively higher urban/bush interface, with the bush and/or grassland separating and reaching well into the urban areas of Canberra.

32 2006 Census data show that Queensland, Tasmania and the Northern Territory employ more fire fighters and emergency services personnel per capita in their highly accessible areas than the ACT and other States. This can be seen in Figure 2. However, there are no data on whether this is due to low numbers of volunteers in these areas or to other reasons.

Figure 2 Fire service personnel - per 100 000 people, 2006 Census



Source: 2006 Census.

33 On the basis of the data shown in Table 3, we noted that there does not appear to be a relationship between highly urbanised populations and low volunteer numbers. The table shows

that, on a per capita basis, the ACT, the most urbanised State, and the Northern Territory, the least urbanised State, have fewer volunteer fire fighters and employ more fire fighting and support personnel than other States, except Victoria. Victoria has a high number of volunteers and a high number of employed personnel per capita. These data are not available by region.

Table 3 Fire service personnel - per 100 000 people, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
Fire fighting personnel	57	80	54	45	57	58	86	86	62
Support personnel	15	39	18	13	3	35	24	19	21
Total	71	119	72	58	60	93	110	105	82
Volunteer fire fighters	1 113	1 152	870	1 311	984	1 013	375	258	1 062

Source: Report on Government Services 2008 – Chapter 9 Table 9A.5.

34 There is also no evidence that the ACT actually experiences more fires. Table 4 shows that the ACT has the fewest reported landscape, bush and grass fires per person than any other State. The Northern Territory has more than five times as many reported landscape, bush and grass fires and more than twice as many total reported fires as the ACT, but it has similar numbers of fire fighting personnel and volunteers. The high numbers in the ACT may be due to decisions taken to provide a strong preventative effort, but the variability in staffing numbers across States does not appear to be related to fire numbers and suggests no common policy.

Table 4 Reported fires, per 100 000 persons, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
Landscape fires, bush and grass	258	194	264	353	201	496	143	805	258
Total reported fires	631	530	464	621	574	949	474	1059	577

Source: Report on Government Services 2008 – Chapter 9 Table 9A.2.

35 We do not intend to assess national capital expenses for the Public safety category.

PRELIMINARY ASSESSMENT

Commission proposal

36 The Commission proposes to assess 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 equal per capita) and location.

37 Table 5 sets out the category structure, the disabilities that are to be assessed and the relative size of each component for 2006-07.

Table 5 Category structure, Public safety, 2006-07

	Component weight	Disability	Influence measured by disability
	%		
Administrative scale expenses	1.44	Administrative scale	Recognises the unavoidable costs each State incurred to provide the policy and administrative infrastructure necessary to provide the minimum unavoidable service, regardless of the size of the task.
		Location	Recognises the differences in the cost of providing labour and non-labour resources between States and to different areas within a State
Service use expenses	98.56	EPC	Public safety services are considered to be provided for the whole population and not used more intensively by any particular groups.
		Location	Recognises the differences in the cost of providing labour and non-labour resources between States and to different areas within a State

Source: CGC analysis.

Administrative scale

38 Table 6 illustrates the calculation of the assessed expenses for the administrative scale component.

Table 6 Administrative scale component, Public safety, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Administrative scale expenses	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	29.3
Location factor	1.02625	0.99312	0.97665	0.99646	0.97464	0.96794	1.02724	1.02879	
Raw expenses	3.8	3.6	3.6	3.7	3.6	3.5	3.8	3.8	29.3
Assessed expenses	3.8	3.6	3.6	3.7	3.6	3.6	3.8	3.8	29.3

Source: CGC analysis.

Service expenses

39 Table 7 illustrates the calculation of the assessed expenses for the service expenses component.

Table 7 Service expenses component, Public safety, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Service use expenses	659.6	497.1	397.9	200.3	151.7	47.3	32.4	20.5	2 006.7
Location factor	1.02190	0.99358	0.98096	0.99766	0.97849	0.97363	1.02116	1.03000	
Raw expenses	674.0	493.9	390.3	199.8	148.4	46.1	33.1	21.1	2 006.7
Assessed expenses	674.0	493.9	390.3	199.8	148.4	46.1	33.1	21.1	2 006.7

Source: CGC analysis.

Category summary

40 Table 8 presents the assessed expenses for the category and Table 9 summaries the category factor. They show that New South Wales, Western Australia, Tasmania, the ACT and the Northern Territory need to spend more per capita to deliver the national average level of public safety services. This is because of the higher location costs in New South Wales, the ACT and the Northern Territory and the higher administrative scale costs in Western Australia, the ACT and the Northern Territory. South Australia and Tasmania's higher administrative scale costs are offset by their lower location costs.

Table 8 Category assessment, Public safety, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Administrative scale expenses	3.8	3.6	3.6	3.7	3.6	3.6	3.8	3.8	29.3
Service use expenses	674.0	493.9	390.3	199.8	148.4	46.1	33.1	21.1	2 006.7
Total	677.8	497.6	393.9	203.5	152.0	49.6	36.8	24.9	2 036.0

Source: CGC analysis.

Table 9 Category factor, Public safety, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Ave
Administrative scale expenses (component weight = 1.44 %)									
Administrative scale	0.38031	0.50456	0.63046	1.25230	1.65373	5.30328	7.74403	12.25245	1.00000
Location	1.02625	0.99312	0.97665	0.99646	0.97464	0.96794	1.02724	1.02879	1.00000
Component factor	0.39073	0.50165	0.61643	1.24926	1.61359	5.13898	7.96389	12.61922	1.00000
A. Wgtd comp factor	0.00563	0.00722	0.00888	0.01799	0.02324	0.07401	0.11469	0.18173	0.01440
Service use expenses (component weight = 98.56 %)									
Service use factor	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Location	1.02190	0.99358	0.98096	0.99766	0.97849	0.97363	1.02116	1.03000	1.00000
Component factor	1.02190	0.99358	0.98096	0.99766	0.97849	0.97363	1.02116	1.03000	1.00000
B. Wgtd comp factor	1.00719	0.97927	0.96683	0.98329	0.96440	0.95961	1.00645	1.01517	0.98560
Category factor									
[A+B]	1.01281	0.98650	0.97571	1.00128	0.98764	1.03362	1.12114	1.19690	1.00000

Source: CGC analysis.

41 Table 10 provides a comparison of actual and assessed expenses.

Table 10 Comparison of actual and assessed expenses, Public safety, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Ave
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	72.34	138.10	75.25	98.87	108.87	112.52	158.25	136.81	97.61
Assessed expense	98.86	96.29	95.24	97.74	96.40	100.89	109.44	116.83	97.61
Level of service provision ratio	73.18	143.42	79.01	101.16	112.94	111.52	144.61	117.10	100.00

Source: CGC analysis.

CONCLUSION

42 We intend to assess expenses in the Public safety category as set out above. We do not consider that there are any outstanding issues.