

TERMS OF REFERENCE FOR THE INDIAN OCEAN TERRITORIES INQUIRY 2007

Pursuant to section 16D of the *Commonwealth Grants Commission Act 1973*, I ask the Commission to advise, by 31 October 2007 if possible, on an appropriate level of funding for the Indian Ocean Territories in 2005-06. This funding should allow the provision of State and local government services at levels comparable to communities in the rest of Australia that have similar service requirements, assuming that services are provided at comparable levels of efficiency and that comparable efforts are made to raise State and local revenues from the Territories' revenue bases.

In particular, advice is sought on the following, recognising that Western Australian laws have been extended to the Territories:

- (i) what level of annual expenditure would be required to provide the range and level of State government type services, including depreciation, in each Territory (or in both where that is the current method of provision) consistent with those in comparable communities in Western Australia, recognising the size and circumstances of the Territories and assuming that services are provided at a level of efficiency comparable to the average achieved by remote Western Australia;
- (ii) the capacity of the Australian Government to raise State government type taxes and charges in each Territory at Western Australian levels, taking into account any special circumstances of the Territories;
- (iii) the level of expenditure implied by the findings of (i) and (ii);
- (iv) how this amount could be updated annually; and
- (v) whether the present methods for determining local government funding provide an outcome for the Territories comparable to that in comparable local authorities in Western Australia. If not, how much local government funding should the Australian Government provide to each Territory on a basis consistent with the arrangements for comparable local authorities in Western Australia and taking account any special circumstances of the Territories?

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