

Services to industry

Overview

- 1 On 6 October 2023, the Commission issued a [consultation paper](#) on the services to industry assessment. In the consultation paper, the Commission considered changes since the 2020 Review and their implications for the assessment method.
- 2 The Commission proposed to retain the 2020 Review assessment method with 2 changes. The Commission proposed to change its assessment of the need for spending on industry regulation from a price sensitive measure of industry size to a volume of production measure. It also proposed to reintroduce the number of businesses as a driver of need for regulatory spending if it was material. The Commission also sought state and territory (state) views on the potential for developing a differential assessment of state spending on the net-zero transition.
- 3 A summary of state responses to each consultation question is included below, as well as the Commission's draft position and the draft 2025 Review assessment method.
- 4 State submissions can be viewed [here](#).

Consultation questions

Q1. Do states support replacing total factor income as the measure of industry size with the chain volume measure of industry value-add to assess the need for spending on industry regulation?

Q2. Do states support the development of an average or representative base year to index changes in the chain volume of production?

State views

- 5 All states supported the conceptual case to move away from using a price sensitive measure of industry size — currently total factor income — to assess state regulatory costs. All states agreed that using a price sensitive measure of industry size resulted in greater volatility in the assessment than could be explained by changes in state regulatory spending.
- 6 All states except Queensland supported replacing total factor income with the volume-based chain volume measure of industry value added published by the

Australian Bureau of Statistics (ABS). However, some states were concerned about the requirement to determine a base year to index the chain volume of industry value added.

- 7 Most states supported the proposal to determine a base year as a practical necessity of using the chain volume of industry value added. However, some states expressed concerns about how the Commission would determine the base year, and the implications of choosing a base year for the assessment, because it would rely on judgement.
- 8 South Australia said it qualified its support pending further information from the Commission on the approach to developing a base year. South Australia said it was concerned that in determining the base year, the Commission would be picking winners and losers.
- 9 Victoria said it could not form a view on the proposal because it was unable to assess whether the 2 approaches would lead to materially different results.
- 10 Western Australia said its support would be dependent on the change accurately measuring the composition of output across states in the base year.
- 11 Queensland said the proposed changes did not adequately address the volatility in the assessment and instead substituted it with Commission judgement. Queensland suggested that instead of moving to a measure of the chain volume of industry value added, the Commission should consider retaining total factor income and supplement this with a 5-year long-term moving average to smooth the year-on-year changes. Queensland said that this approach would strike the appropriate balance between a contemporaneous volatile measure and a less contemporaneous stable measure of industry activity.
- 12 Queensland said that if the Commission proceeded with developing a base year, that it should use an average base year over 3 or 5 years to reduce the likelihood of the base year resulting in winners and losers in the assessment.

Commission response

- 13 Queensland's proposal to continue to use total factor income, supplemented with a 5-year moving average, does not address the conceptual concern with the current method that changes in commodity prices do not lead to changes in regulatory costs. On this basis, if a volume-based measure of industry output is available, it is preferable to smoothing or retaining the price influenced total factor income.
- 14 The Commission acknowledges Queensland's and South Australia's concerns over determining the base year for using the chain volume measure of industry value added. The Commission considers that if a base year can be determined, or the need for a base year mitigated, then a volume-based measure of production is preferred to the 2020 Review approach.

- 15 The Commission has received the aggregate measures of production for each state from the ABS for 2021–22. These data are a measure of the underlying output indicator used to estimate the chain volume of industry value added and gross domestic product for the national and state accounts. These data are a measure of the aggregate output of industries and will not require the rebasing of the indicator.
- 16 For years beyond 2021–22, the Commission proposes to use the percentage change in the chain volume of industry value added to develop an annual indicator of industry output, which measures the change in the volume of production to scale state production. This is consistent with ABS national and state accounts methods.

Commission draft position

- 17 The Commission proposes to replace total factor income as a measure of industry size with the aggregate measures of industry output, provided by the ABS. This measure does not require rebasing for each update.
- 18 The Commission proposes to update the aggregate measures of state industry output using the percentage change in chain volume of industry value added published annually by the ABS, consistent with ABS national and state account methods.

Q3. Do states support the reintroduction of the number of businesses as a driver of need for regulatory spending if it is material?

State views

- 19 All states except Western Australia were supportive or indifferent to the reintroduction of the number of businesses as a driver of need if it is material.
- 20 Western Australia said that large operations such as those in the Pilbara, have complex regulatory requirements which include not only the mining operations, but also the necessary infrastructure such as ports and railways, which increase the cost of enforcing mine rehabilitation requirements. It said that the number of businesses is not a suitable driver for assessing the additional costs borne by states of these activities.
- 21 New South Wales said that if the Commission reintroduces business counts as a driver of need, it should also re-estimate the weights applied to the number of businesses and industry size in the assessment.

Commission response

- 22 The conceptual case for including the number of businesses as a driver of state spending was established in the 2020 Review. The Commission accepted the case put forward by New South Wales, Victoria and South Australia that the cost of regulating many small businesses is higher than regulating fewer large businesses.

The Commission did not include a business count driver in the 2020 Review because it was not material.

- 23 The Commission agrees that regulating the development of railways and ports and their rehabilitation (where required) is costly and a necessity for export-oriented industries such as mining. However, these expenses are out of scope of the activities covered by mining regulation, which includes the exploration, production and rehabilitation of mine sites and not the associated infrastructure such as railways and ports.
- 24 The Commission is not aware of evidence that supporting infrastructure increases the cost of enforcing mine rehabilitation requirements. Further, costs associated with the rehabilitation of infrastructure after mine closure are generally borne by asset owners, with enforcement administered centrally.
- 25 The Commission views regulating the development and operation of port and railway infrastructure as part of other state and federal regulatory activities for infrastructure and construction, including environmental approvals, rather than specifically mining regulation.
- 26 The Commission considers there is a conceptual case for including business counts as a driver of state spending on regulatory activities. However, the challenges of implementing the driver appear to outweigh the benefit of the driver to the GST distribution.
- 27 Determining use weights for the number of businesses in each of the regulation assessments will require a degree of judgement from the Commission. Similarly, there are data limitations with the count of Australian businesses from the ABS. Multi-location businesses including department and grocery stores and multi-commodity miners, are attributed to one geographic location, such as the head office in a capital city. This is expected to disadvantage small states, by overstating the costs in states with corporate headquarters and discounting the costs to states of regulating local operations of national businesses.¹
- 28 In addition, data on business entries and exits excludes businesses that have a turnover of less than \$75,000 (or who have not registered an Australian Business Number) and businesses which have not been coded to an Australian and New Zealand Standard Industrial Classification (ANZSIC) category, which are regulated by states.²

¹ Australian Bureau of Statistics (ABS) [Counts of Australian Businesses, including Entries and Exits methodology](#) ABS Website 2023 accessed 13 March 2024.

² ABS [Counts of Australian Businesses, including Entries and Exits methodology](#)

Commission draft position

- 29 The Commission proposes not to assess business counts when assessing state government spending on regulatory activities because of the limitations of the ABS business count data, particularly the treatment of multi-site businesses.

Q4. Will states be able to identify spending on the net-zero transition and provide it to the Commission to develop an assessment?

State views

- 30 All states except South Australia said they could identify most of their specific net-zero transition expenditure.
- 31 States noted that there are dedicated net-zero programs including:
- Victoria's \$540 million acceleration of renewable energy zones, and \$335 million energy efficiency upgrades for low-income households
 - Queensland's \$500 million land restoration fund and \$4.5 billion renewable energy and hydrogen jobs fund
 - the ACT's \$300-\$400 million Williamsdale Big Battery project.

However, states also noted that significant net-zero related expenditure is embedded in other state service delivery and that there will be difficulties disentangling this spending.

- 32 New South Wales, Victoria and Queensland also indicated that it would be useful for the Commission to provide a more detailed proposal to states to help them in identifying relevant expenditure, including a consistent definition of net-zero spending.
- 33 South Australia noted that it is reviewing its current net-zero activities, which will enable it to identify expenditure in the future.

Commission response

- 34 All states provide funding to support business development, including investment and trade promotion, regional development programs, and support for small business. Under the 2020 Review method the Commission does not separately assess business development spending by industry category. In anticipation that spending on the transition to a net-zero economy is an area of growth, the Commission sought state views on whether they could separately identify spending. Separately identifying this spending would be a necessary first step should the Commission wish to separately assess differences between states in the need for spending on the transition to a net-zero economy.
- 35 The Commission acknowledges that there are difficulties with classifying net-zero transition expenditure, as well as disentangling net-zero related spending from regular state functions and Commonwealth involvement.

- 36 The Commission considers that further work is required to:
- develop a consistent definition of net-zero spending
 - identify state spending on localised programs to support communities to transition from emissions intensive industries
 - identify spending on broader state programs such as facilitating new energy generation capacity or storage.
- 37 The Commission views the net-zero transition as an emerging issue that it will continue to investigate following the 2025 Review. It is expected that there will be significant state and Commonwealth spending to support regions transitioning from emissions intensive industries to new industries.

Commission draft position

- 38 The Commission will work with states and Commonwealth agencies, including the ABS and the Net Zero Economy Authority, following the 2025 Review to develop a consistent definition of net-zero spending and identify net-zero business development (and non-business development) spending.

Q5. Can states identify and provide data on potential drivers of state spending on the net-zero transition?

State views

- 39 All states considered it a challenge to identify policy neutral drivers of state net-zero spending citing the complicated mix of structural factors and state policy choices (both historical and current).
- 40 All states except South Australia and Tasmania identified factors the Commission could consider when developing an assessment. Drivers suggested by the states include:
- the current industry mix of each state's economy, and exports (New South Wales, Western Australia and the Northern Territory),
 - historical policy choices to develop industries (New South Wales),
 - geographic factors (Western Australia and the Northern Territory)
 - resource endowments (Victoria and Western Australia)
 - current energy generation mix (Victoria and Western Australia)
 - the level and marginal cost of emissions abatement (New South Wales and Queensland)
 - the presence of infrastructure deficits or the requirement for additional infrastructure (the Northern Territory)
 - diseconomies of scale (the Northern Territory and the ACT).
- 41 Queensland said that the level of abated emissions in each period could also be considered. However, New South Wales said this driver had the potential to reward

states that had not previously reduced emissions. Queensland also said that it has a higher emissions profile than other states.

- 42 New South Wales and South Australia noted that each state has its own net-zero strategy, which are policy influenced.
- 43 New South Wales, Queensland and the Northern Territory suggested that any drivers of state spending on the net-zero transition must also consider the potential for cost sharing between industry and governments.
- 44 New South Wales, Victoria and the Northern Territory said that further work is required post the 2025 Review to identify policy neutral drivers of net-zero spending.

Commission response

- 45 In the 2020 Review method the Commission does not separately assess spending on business development by industry category. Using this method, the need for business development spending is assessed on an equal per capita basis with an adjustment for wage costs. For the 2025 Review, the Commission raised the possibility of separately assessing business development spending on the transition to a net-zero economy. This would require policy neutral drivers to be identified.
- 46 The Commission notes the suggestions from states on both the potential drivers of spending on the transition to net-zero and the issues that the Commission should consider further. This includes the potential for perverse incentives and the impact of state policy choices and cost sharing between industry and governments.
- 47 The Commission concurs with New South Wales, Victoria and the Northern Territory, that further work beyond the 2025 Review is required to identify potential policy neutral drivers of state spending.

Commission draft position

- 48 The Commission proposes to include the identification of the drivers of state spending on the net-zero transition in its proposed work with the states and Commonwealth agencies (including the ABS and the Net Zero Economy Authority) between reviews.

Q6. Do states expect there to be a sufficient increase in state net-zero transition spending to warrant a separate assessment, within or outside of the business development assessment?

State views

- 49 All states except Tasmania expected there to be increases in state spending on the net-zero transition, which would warrant a separate assessment.
- 50 Tasmania said that it is unclear whether spending will be material, and notes that any assessment should not disadvantage states that have already invested heavily in the transition.

- 51 New South Wales highlighted that expenditure is expected to increase as the transition progresses to harder to abate sectors including steel, concrete and chemical manufacturing.
- 52 New South Wales, Victoria, Queensland and the ACT said that a separate assessment of state net-zero transition expenditure will be warranted if it can be feasibly assessed.

Commission response

- 53 The Commission notes state views on the expected growth in state government spending on the net-zero transition and their views on the potential future treatment of net-zero spending.
- 54 The Commission agrees that state spending on the net-zero transition is expected to continue to increase in most states to 2030 and beyond.

Commission draft position

- 55 The Commission proposes to continue to work with the states and Commonwealth agencies including the Net Zero Economy Authority after the 2025 Review, to monitor the net-zero transition spending and consider the potential for assessing state spending needs.

Other issues raised by states

Historical treatment of COVID-19 Business Support

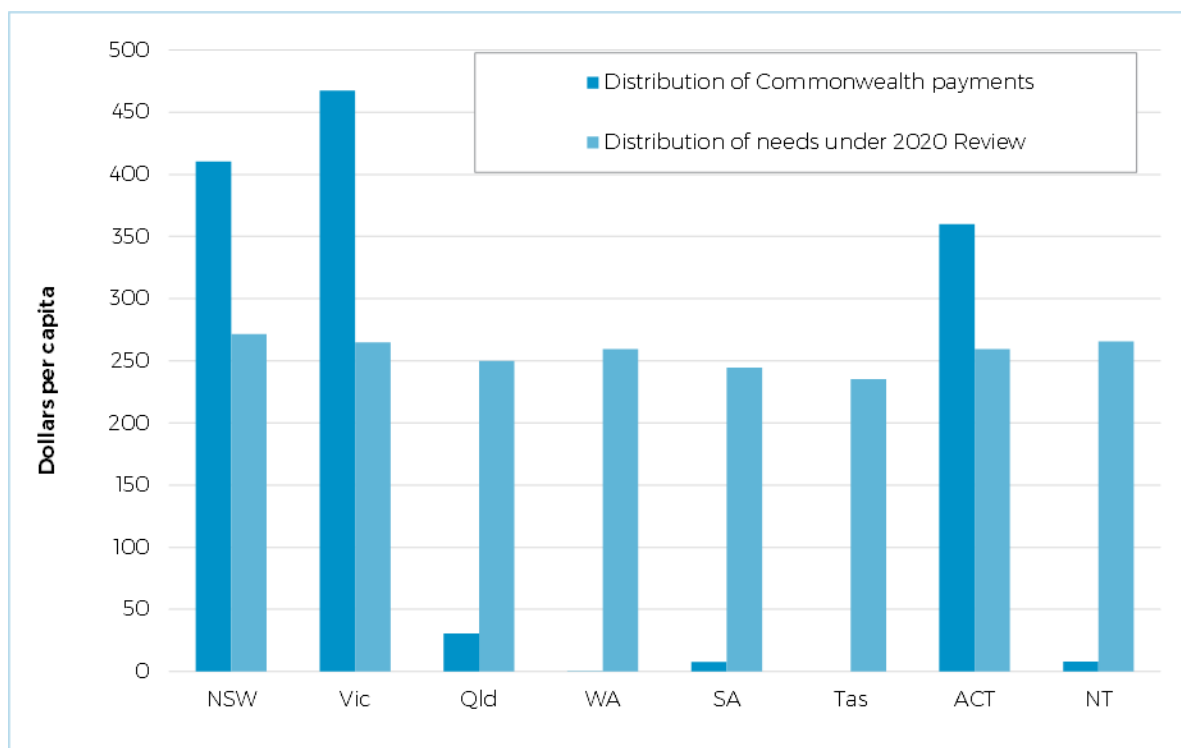
- 56 New South Wales and Victoria both raised the historical treatment of COVID-19 business support payments. Both states said that an equal per capita treatment of state government business support during the pandemic was not appropriate, suggesting an actual per capita treatment as an alternative.
- 57 New South Wales asked for a retrospective adjustment to compensate it for the treatment of COVID-19 business support spending in the 2022, 2023 and 2024 updates.

Commission response

- 58 The Commission, as part of the 2023 Update, noted that it considered state responses to the COVID-19 pandemic were driven by circumstances outside of state control rather than policy choices.
- 59 The Commission recognises that the treatment of COVID-19 business support in the other industry regulation and business development assessments did not capture the drivers of state spending. However, the terms of reference for the 2021, 2022, 2023 and 2024 updates did not provide the Commission with flexibility to change the business development assessment method in response to state COVID-19 spending.

- 60 The Commission acknowledges that the 2025 Review provides the opportunity to change the treatment of spending on COVID-19 Business support.
- 61 In the [2023 Update New Issues discussion paper](#), the Commission noted that the drivers of state business support differed from the usual drivers of business development spending (Figure 1).

Figure 1 Distribution of Commonwealth payments under the COVID-19 business support national partnership agreements compared with distribution under existing assessment methods



Source: Commonwealth Grants Commission (CGC) [New Issues in the 2023 Update](#) CGC, 2023, accessed 15 February 2024.

- 62 The Commission also noted that it would, 'If terms of reference allow for a change in method:
- treat Commonwealth payments under the national partnerships on COVID-19 business support as impact; and
 - assess state expenses that meet the definition of non-assessable non-exempt using a driver of need based on the reduction in hours worked in each state; or
 - if data on state expenses that meet the definition of non-assessable non-exempt cannot be obtained, assess the state spending associated with the national partnerships on COVID-19 business support on an actual per capita basis.'³
- 63 The Commission proposed 2 options for defining and assessing state spending on COVID-19 business support in the 2023 Update:

³ Commonwealth Grants Commission (CGC) [Discussion paper for the 2023 Update - Consultation October 2022](#) CGC, 2022, accessed 13 March 2024

- ‘Option 1 — Assess spending covered by the COVID-19 business support national partnership agreements
 - The amount spent by the Commonwealth on the programs covered by the national partnerships is published in the Commonwealth of Australia, 2021–22 Final Budget Outcome. On the basis that the funding for the programs covered by the national partnerships was funded on a 50:50 basis, the Commission could implement this option without requesting additional expense data from the states.
 - However, the national partnerships do not cover spending undertaken by states prior to 2021–22.
- Option 2 — Assess business support payments that were made non-assessable non-exempt by the Commonwealth for Income tax purposes.
 - Non-assessable non-exempt tax treatment is only provided in exceptional circumstances. Eligibility was limited to COVID-19 grant programs directed at supporting businesses who were the subject of a public health directive and whose operations were significantly disrupted because of the public health directive.
 - However, not all business support spending by states in 2020–21 would be included.
 - States would have needed to provide the Commission with their expenses on the non-assessable non-exempt programs in time for the 2023 Update. This may not be practical.’⁴

64 The Commission considers it impractical to implement Option 2 in the 2025 Review. The implementation of this method will require data requests to the states to identify non-assessable non-exempt spending and the identification of suitable data to underpin the driver of need. Therefore, the Commission proposes to implement an actual per capita assessment (option 1) of state spending on COVID-19 Business support.

65 The Commission considers that the National partnership agreements which co-funded state COVID-19 business support programs to be sufficiently homogenous to enable an actual per capita assessment.

66 The treatment of spending prior to 2021–22 is not a consideration for the 2025 Review with 2020–21 falling out of the assessment years for the 2025 Update.

67 New South Wales and Victoria supported an actual per capita assessment treatment of COVID-19 business support payments.

Commission draft position

68 The Commission proposes not to retrospectively adjust the GST distributions of the 2022, 2023 and 2024 updates. Although the Commission has previously made a retrospective adjustment in the natural disasters assessment, these adjustments

⁴ Commonwealth Grants Commission (CGC) [Discussion paper for the 2023 Update - Consultation October 2022](#) CGC, 2022, p 15.

were to reflect corrections to the data reported under the disaster recovery arrangements for an existing actual per capita assessment, rather than a change in the assessment method. The Commission does not consider retrospective method changes to be within the scope of annual updates or the 2025 Review.

- 69 The Commission proposes to assess state spending covered by the COVID-19 business support national partnership agreements using an actual per capita treatment from 2021–22.
- 70 Most assessable COVID-19 business support occurred in 2021–22, with the State-Commonwealth funding agreements nominally expiring 30 June 2022. However, \$111 million of Commonwealth funding under the agreements occurred in 2022–23.⁵ As a result, the actual per capita assessment for COVID-19 business support is expected to continue until the 2027 Update when 2022–23 is no longer assessed.

Remoteness driven costs of business development

- 71 Western Australia suggested the inclusion of a regional cost weight in the business development assessment.
- 72 Western Australia said that although many grant processes and tenders are administered from a centralised location (usually a capital city), the level of funding for projects in regional and remote locations is greater than in a capital city.
- 73 Similarly, Western Australia said that their budget process recognises regional costs associated with delivering training activities for local government officers and subsidising airfares in regional areas.

Commission response

- 74 Western Australia raised the inclusion of regional costs in the business development assessment in the 2020 Review.
- 75 The Commission’s view in the 2020 Review was that:
‘The amounts allocated for grants and subsidies are set amounts with no provision for regional or other costs. The Commission therefore does not agree that regional cost disabilities should apply to business development expenses.’⁶
- 76 Western Australia has not provided evidence that states consider the regional or other costs in determining state expenditure on grants and subsidies for business development. Similarly, the Commission is not aware of evidence supporting the inclusion of regional costs in the business development assessment.

⁵ Commonwealth of Australia, [Final Budget Outcome 2022–23](#), Commonwealth of Australia 2023, p.g. 84, accessed 2 February 2024.

⁶ Commonwealth Grants Commission, [R2020 Report Volume 2 Part B \(Ch19-33\)](#), CGC 2020, p.g. 361 accessed 2 February 2024

Commission draft position

77 The Commission proposes to continue to assess business development expenses as equal per capita with a wage cost adjustment.

Draft 2025 Review assessment method

78 Following consideration of state views, the Commission proposes to:

- replace total factor income in the business regulation assessments with a volume driven indicator of industry size
- separately assess state COVID-19 business support expenses, using an actual per capita assessment.

79 Table 1 shows the proposed structure of the 2025 Review services to industry assessment.

Table 1 Proposed structure of the services to industry assessment

Component	Driver of need	Influence measured by driver of need	Change since 2020 Review?
Agriculture regulation	Economic environment	Recognises the cost of providing regulatory services to the agricultural sector is determined by the level of economic activity in the sector measured by volume of production	Yes
	Wage costs	Recognises the differences in wage costs between states	No
	Regional costs	Recognises the higher cost of providing services in more remote areas	No
Mining regulation	Economic environment	Recognises the cost of providing regulatory services to the mining sector is determined by the level of economic activity in the sector measured by volume of production	Yes
	Wage costs	Recognises the differences in wage costs between states	No
	Regional costs	Recognises the higher cost of providing services in more remote areas	No
Other Industries regulation	Economic environment	Recognises the cost of providing regulatory services to 'other industries' is determined by the level of economic activity in the sector measured by volume of production	Yes
	Population	Recognises that some regulatory functions such as consumer protection services target the total population rather than businesses or industries	No
	Wage costs	Recognises the differences in wage costs between states	No
	Regional costs	Recognises the higher cost of providing services in more remote areas	No
Business development	EPC	This is an equal per capita (EPC) assessment. The driver of these expenses is state population	No
	Wage costs	Recognises the differences in wage costs between states	No
COVID-19 Business support	Actual per capita	Recognises that actual spending on COVID-19 Business support reflects differences between states in the need for spending	Yes

Indicative distribution impacts

80 The impact of the proposed method changes on the GST distribution in 2024–25 is shown in Table 2.

Table 2 Indicative impact on GST distribution (difference from an equal per capita distribution), 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total Effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
U2024 using R2020 methods	33	-153	-128	292	-41	2	-23	18	345
U2024 using draft R2025 methods	335	296	-535	167	-224	-33	-26	19	1098
Effect of draft method changes	302	449	-407	-124	-183	-36	-3	1	753
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
U2024 using R2020 methods	4	-22	-23	99	-22	4	-47	70	13
U2024 using draft R2025 methods	39	42	-95	57	-119	-58	-53	76	40
Effect of draft method changes	35	64	-73	-42	-97	-62	-6	5	28

Note: Based on no change to either the wage costs assessment or the measure of socio-economic status. The effect of these changes is shown in the wage costs and socio-economic status chapters. The data included in the table have not been subject to full quality assurance processes and as such, should be treated as indicative only. Indicative GST impacts are provided for illustrative purposes only and should not be used to predict impacts on GST distribution for 2025–26.

- 81 The largest driver of the change in assessed GST needs is the actual per capita treatment of state spending on COVID-19 Business support (Table 3). This will lead to an increase in the GST distributed to New South Wales, Victoria and the ACT. At the same time, the GST distributed to all other states will fall relative to the 2024 Update. Most state spending on COVID-19 business support occurred in New South Wales, Victoria and the ACT in response to lockdowns in 2021–22. All other states spent significantly less on COVID-19 business support under the national partnership agreements.
- 82 The net impact of the COVID-19 business support assessment is the GST impact after accounting for the offsetting revenue and expenditure effects of Commonwealth payments. Under the Commonwealth-state national partnership agreements the Commonwealth contributed 50% of state expenditure on COVID-19 business support. The increase in revenue to the states from Commonwealth payments is exactly offset by state spending (Table 3). As a result, the net impact of COVID-19 spending represents the actual per capita assessment of state own-source spending.

Table 3 Indicative impact on GST distribution of proposed method changes (disaggregated), 2024–25

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Commonwealth payment for COVID-19	-469	-542	476	298	185	46	-17	25	1,029
Spending of Commonwealth payment for COVID-19	469	542	-476	-298	-185	-46	17	-25	1,029
State own source COVID-19 spending	435	541	-452	-306	-170	-38	17	-26	992
Net effect of COVID-19 treatment	435	541	-452	-306	-170	-38	17	-26	992
Update regulation/development shares	-79	-89	2	159	-2	8	-14	14	183
Updated measure of industry size — ABS industry output	-54	-3	43	22	-11	-6	-5	14	79
Total	302	449	-407	-123	-183	-36	-3	1	753
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Commonwealth payment for COVID-19	-55	-77	85	101	98	78	-36	98	38
Spending of Commonwealth payment for COVID-19	55	77	-85	-101	-98	-78	36	-98	38
State own source COVID-19 spending	51	77	-81	-103	-90	-66	35	-102	36
Net effect of COVID-19 treatment	51	77	-81	-103	-90	-66	35	-102	36
Update regulation/development shares	-9	-13	0	54	-1	14	-30	53	7
Updated measure of industry size — ABS industry output	-6	0	8	7	-6	-9	-10	54	3
Total	35	64	-73	-42	-97	-62	-7	5	28

Note: Based on no change to either the wage costs assessment or the measure of socio-economic status. The effect of these changes is shown in the wage costs and socio-economic status chapters.

The data included in the table have not been subject to full quality assurance processes and as such, should be treated as indicative only.

Indicative GST impacts are provided for illustrative purposes only and should not be used to predict impacts on GST distribution for 2025–26.

- 83 The indicative GST impact of the new methods also includes revisions to the average state business regulation and business development weights from the 2020 Review using data provided by the states. The weights are presented in Table 4.
- 84 Excluding the impact of assessing COVID-19 business support, under the proposed new methods, the GST distributed to Western Australia and the Northern Territory will increase. In the case of Western Australia, this is the result of the update to the mining business regulation and development weights (Table 4). The increase in the weight of mining regulation compared to mining business development will lead to an increase in assessed mining regulation spending, and a reduction in the equal per capita assessed mining business development expenditure. The assessed need for mining regulation in Western Australia is significantly higher than other states reflecting the large scale of the mining industry in the state.

- 85 The Northern Territory will also have an increase in its GST distribution because of the change in business regulation and development weights for agriculture and mining.
- 86 In addition, the change in the driver of business regulation to the volume of industry output will also increase the GST distribution to the Northern Territory. This has resulted in an increase in the share of national agricultural and mining production occurring in the Northern Territory.

Table 4 Average state business regulation and business development weights

	2010 Review	2020 Review	2025 Review
	%	%	%
Agriculture			
Regulation	50	50	63
Business development	50	50	37
Mining			
Regulation	na (a)	80	90
Business development	na (a)	20	10
Other industries			
Regulation	37	53	62
Business development	63	47	38

Note: These weights are based on data from 8 states except for agriculture which is based on 7 states. The agriculture weight will be updated if new data is provided to the Commission by the states before the final 2025 Review report.

- 87 Under the proposed methods, New South Wales, Victoria, and the ACT will receive less GST, because of the increase in the weight of business regulation compared to business development for agriculture and mining (Table 4). This results in less spending being allocated to the equal per capita assessed business development which benefits states with a smaller than population share of industry activity.