



ACT
Government

COMMONWEALTH GRANTS COMMISSION 2025 REVIEW OF GST REVENUE SHARING RELATIVITIES

*SIGNIFICANT CHANGES SINCE THE DRAFT
REPORT*

ACT Treasury Submission

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ABBREVIATIONS

Term	Definition
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
CGC	Commonwealth Grants Commission
COFOG-A	Classifications of Functions of Government
GST	Goods and Services Tax
NWAU	National weighted activity units
ROGS	Report on Government Services
2020 Review	2020 Methodology Review
2025 Review	2025 Methodology Review

INTRODUCTION

The Commonwealth Grants Commission (CGC) has released a Discussion Paper, *Significant Changes since the Draft Report*, to the states and territories for comment, as part of the 2025 Methodology Review (2025 Review). The paper sets out the substantive and minor changes to the methods proposed since the Draft Report.

ACT Treasury welcomes the opportunity to comment on the CGC's proposed changes outlined in the paper. Overall, ACT Treasury is broadly supportive of the CGC's proposed changes, except the application of the 12.5 per cent discount to the Wage Cost assessment.

CHANGES SINCE THE DRAFT REPORT

SUBSTANTIVE METHOD CHANGES

MOTOR TAXES

In the Motor Taxes assessment, the CGC proposes to reintroduce a differential assessment of stamp duty on motor vehicle transfers. Based on state-provided data on the value of motor vehicle transfers for the 2024 Update assessment years, this assessment is material at the \$40 per capita materiality threshold.

ACT Treasury Position

ACT Treasury supports the CGC's proposal to assess stamp duty on motor vehicles as a separate component within the Motor Taxes assessment. ACT Treasury notes that this proposal is supported by the latest data, and it is now material.

SCHOOLS

In the Schools assessment, the CGC will retain the approach used in the 2020 Methodology Review (2020 Review) for measuring socio-educational disadvantage. The CGC will identify a higher cost per student for the most socio-educationally disadvantaged 25 per cent of students rather than for the most disadvantaged 10 per cent of students as proposed in the Draft Report.

ACT Treasury Position

ACT Treasury supports the CGC's proposal to revert to the 2020 Review approach for measuring socio-educational disadvantage by using the most socio-educationally disadvantaged 25 per cent of students. ACT Treasury agrees that this would allow the CGC to appropriately capture school expenses, given that the costs associated with more moderately disadvantaged students are also significant.

HEALTH

The CGC proposes the following changes since the Draft Report in the Health assessment:

- revert to the 2020 Review approach of using private patient separations as the indicator of non-state sector admitted patient activity;

- continue with the 2020 Review approach of not including socio-economic status as a driver of expenses in remote and very remote areas for state and non-state sector services and use the actual distribution of the Commonwealth grants for First Nations community-controlled health services as the estimate of non-state sector expense needs;
- use the exact calculated estimates for the non-state sector adjustment substitutability levels instead of rounding to the nearest 5 per cent;
- assess expenses on aeromedical services and the Patient Assistance Transport Scheme as part of the admitted patient component in a future update if data for all states are included in national weighted activity units (NWAU) and are available for all 3 years of the assessment period;
- exclude COVID-19 clinics from the list of non-admitted patient allied health services in the proxy indicator of community and public health; and
- discount the non-state sector adjustment for admitted patients, emergency departments, non-admitted patients, and community health by 12.5 per cent.

ACT Treasury Position

ACT Treasury broadly supports all the changes proposed by the CGC in the Health assessment.

ACT Treasury notes differences in private patient benefits paid across states and territories, and therefore reverting to the 2020 Review method is warranted at this stage. Accordingly, the low discount of 12.5 per cent applied to the non-state sector adjustment is appropriate particularly given the method reliance on data from the big five states only. It is also appropriate to use the exact calculated estimates for the non-state sector adjustment substitutability levels to reflect accurate values of the adjustment.

ACT Treasury recommends the CGC's forward work program with regard to the health assessment explores other data sources that would better meet the requirements for the non-state sector adjustment in the health assessment.

HEALTH INVESTMENT

In the Draft Report, the CGC proposed to use all health expenses (including COVID-19 health expenses) in the calculation of health investment needs. The CGC is now proposing to exclude COVID-19 expenses in the health component of the Investment assessment.

ACT Treasury Position

ACT Treasury supports the exclusion of COVID-19 expenses in the health component of the Investment assessment. ACT Treasury supports the CGC's view that it would be inconsistent and create an anomaly to include COVID-related expenses in the health component of the health investment as it was not assessed in the previous Updates.

HOUSING

In the Housing assessment, the CGC will assess net expenses for social housing using an average household size-based approach rather than the individual based approach as proposed in the Draft Report.

ACT Treasury Position

ACT Treasury supports the use of an average household size-based approach, as proposed by the CGC in the Housing assessment, as a pragmatic approach to address overcrowding issues in the social housing. ACT Treasury also supports the CGC to undertake further work to find an appropriate measure for the impact of overcrowding disparities on social housing expenses in consultation with states and territories.

ROADS

In the Roads assessment, the CGC will retain the 2020 Review method for assessing rural road length and include routes to mines, national parks, gas wells and ports.

ACT Treasury Position

ACT Treasury supports the CGC's proposal to retain the routes to mines, gas wells, ports, and national parks in the rural roads assessment.

DISCOUNTING

As part of the 2025 Review, the CGC has undertaken a review of its use of discounting across assessments following the Draft Report.

The CGC will retain the discounts for the Land Tax assessment, Wage Costs assessment, Geography assessment and the community health socio-demographic component in the Health assessment at the same levels as the 2020 Review. New discounts of 12.5 per cent will be applied for the whole of the Roads assessment and for the non-state sector adjustments in the Health assessment.

ACT Treasury Position

ACT Treasury supports the discounts for the Land Tax assessment, Geography assessment and the community health socio-demographic component in the Health assessment be retained at the same levels as the 2020 Review. ACT Treasury also supports new discounts of 12.5 per cent to be applied to the whole of the Roads assessment and the non-state sector adjustments in the Health assessment.

ACT Treasury does not support the application of the 12.5 per cent discount to the Wage Cost assessment. ACT Treasury's view remains that the application of the 12.5 per cent discount to the Wage Cost assessment unnecessarily reduces the differences in wage structures across states and territories, following improvements to the model.

MINOR METHOD CHANGES

WELFARE

In the Welfare assessment, the CGC proposes an alternative method of determining spending on homelessness services for states and territories that are not able to provide data by the ABS Classifications of Functions of Government (COFOG-A).

The CGC proposes to use state-reported data to estimate the average share of state homelessness spending reported in each COFOG-A code. The average shares will then be applied to annually reported homelessness services spending from the Productivity Commission's Report on Government Services

(ROGS) for states and territories that do not provide COFOG-A classified data. The component weights will be updated annually in response to the CGC's annual data request.

ACT Treasury Position

ACT Treasury supports the alternative method proposed by the CGC to determine the spending on homelessness services for states and territories that are not able to provide data by COFOG-A classification. ACT Treasury considers the alternative method as a more reasonable approach than using an arbitrary 50:50 split to estimate the proportion of state homelessness services expenses in the housing and welfare categories.

However, ACT Treasury remains concerned with the proposed Homelessness Services assessment. The drivers proposed for the assessment are too broad and more reflective of needs for social and public housing services in general rather than the specific needs for homelessness services.

TRANSPORT

In the Transport assessment, following advice from Victoria, the CGC will allocate 20.2 per cent of V/Line expenses to urban transport. An analysis by the CGC indicated that 20.2 per cent of total weighted patronage on V/Line services occurred within a significant urban area.

ACT Treasury Position

ACT Treasury supports the CGC's proposal to allocate 20.2 per cent of V/Line expenses to urban transport to ensure that relevant expenses are allocated to the correct component. ACT Treasury notes that the CGC will request relevant data from Queensland and New South Wales to determine if the 2020 Review method of allocating their regional train expenses between urban and non-urban component is suitable. The CGC's decision will be included in an update post the 2025 Review.

GEOGRAPHY

In the Geography assessment, the CGC will not include the gradients calculated for water or electricity subsidies in the general regional cost gradient. The general gradient will be calculated as the weighted average of gradients for state funding of government schools, post-secondary education, admitted patients, emergency departments, non-admitted patients, criminal courts, prisons, and Rawlinsons cost of construction.

ACT Treasury Position

ACT Treasury supports the CGC's proposal to exclude the gradients calculated for water or electricity subsidies in the general regional cost gradient due to data limitations.