

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Commonwealth Grants Commission

Question: BET 26

Topic: Differences in non-wage costs

Reference: Hansard page no. 90 - 01 June 2015

Senator: Ketter, Chris

Question:

Senator KETTER: The 2015 review notes in paragraphs 50 to 52 some adjustments that have been allowed to account for differences in non-wage costs. Can you outline how these adjustments were assessed for each state?

Mr Spasojevic: Not beyond what is provided in the report. If you want to know the detail, I would have to take that on notice.

Senator KETTER: Would you mind taking that on notice?

Mr Spasojevic: Certainly.

Answer:

BET 26 - Paragraphs 50 to 52 describe how these judgements were made for each State. We have no further details on how the Commission arrived at these judgements. Paragraph 50 describes the rationale for the adjustments to Western Australia and the ACT. Paragraph 51 describes the rationale for Tasmania and the Northern Territory. We have repeated this text below:

- 50 We consider HFE outcomes would be improved if we made a judgment based non-wage cost assessment for Perth and Canberra based on 25% and 50% respectively of the regional costs allowance they would have received had they been classified as inner regional cities. This would recognise that Western Australia needs to spend an additional amount of \$70 million and the ACT \$30 million because of higher non-wage costs than other major cities.
- 51 The change in the regional classification has meant that Tasmania and the Northern Territory have received significantly more regional costs allowances. Compared with the non-wage cost allowances they received in the 2010 Review, this appears excessive, and may be due to some double counting of intra and interstate non-wage cost differences. We consider these States should not retain this full additional amount because Hobart and Darwin have some attributes of capital cities, as well as some attributes of inner regional and outer regional areas respectively. As a result, we consider we should reduce the impact of the regional cost assessment for both Darwin and Hobart by 50%. This reduces Tasmania's assessed expenses by approximately \$30 million, and the Northern Territory's by approximately \$55 million.
- 52 As a result of this, we have made the following judgment based assessments:
- Western Australia plus \$70 million
 - the ACT – plus \$30 million
 - Tasmania – minus \$30 million
 - the Northern Territory minus \$55 million.