

EXECUTIVE OVERVIEW

CHAPTER 1.

In Australia, Federation has sought to unite, integrate and establish patterns of society that foster the growth of the whole of the country. Canberra is in a rare position of being a young national capital with a relatively flexible system of governance espousing these virtues. As a caretaker of one of this country's significant processes of Federation, it is incumbent upon the Commonwealth Grants Commission to reflect in its assessments the concept of the national capital and its associated overheads.

The Territory, because of its position as the National Capital and Seat of Government, as well as the Commonwealth legislation governing its planning, land management and environmental responsibilities, is unlike any other Australian jurisdiction. The influence of the national capital on the ACT economy and life of its citizens permeates all aspects of the Territory's activities.

INTRODUCTION

- A number of factors combine to create the ACT's unique circumstances, including:
 - its city-State legislature, combining responsibility for State and local government;
 - its unique role as the National Capital and Seat of Government;
 - the continued existence of Commonwealth legacies from the pre self-government era; and
 - an economic base disproportionately reliant on the public sector and lacking in substantial manufacturing, primary industries and resources.
- The application of fiscal equalisation in respect of the ACT has its consequential difficulties. The Territory considers that its citizens still have to bear costs associated with these special circumstances which should be rightly shared by the whole Australian community.
- The ACT requests the Commission to give full consideration to the issues raised as part of this Review. The Territory cannot be said to be fiscally equalised without taking account of these circumstances.

CHAPTER 2.

State governments should receive funding from the Commonwealth such that, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each would have the capacity to provide services at the same standard'

2004 REVIEW – COMMONWEALTH GRANTS COMMISSION TERMS OF REFERENCE AND ASSOCIATED WORK PROGRAM

- The Terms of Reference for the 2004 Review differ from those for the 1999 Review, the last time the Commission reported on methods. Part I of the current ToR does not mention the principle of Horizontal Fiscal Equalisation (HFE). Instead, it refers to 'the per capita relativities for distribution of GST revenue grants'. Guidance on the principles on which the relativities are to be based must therefore be obtained from past reviews and the context in which the 1999 *Intergovernmental Agreement on Commonwealth State Financial Arrangements* was signed.
- The *A New Tax System (Commonwealth-State Arrangements) Act 1999*, specifies in Schedule 2

(which is the IGA) that GST revenue is to be distributed among the States on the basis of the principle of HFE. Thus the Commission and States have agreed that the relativities recommend recommended by the Commission in this review should be based on the HFE principle as articulated in the 1999 Review Report.

CHAPTER 3.

The ACT supports the role of the Commission and the fundamental principles of fiscal equalisation as the current arrangements have served the Federation admirably to date.

HORIZONTAL FISCAL EQUALISATION

- The ACT's above average relativity is primarily due to its lack of the substantial revenue sources including:
 - significant business activity from large corporations;
 - substantial resource wealth, such as minerals, petroleum and gas; and
 - locational advantage resulting in high wealth bases, such as that accumulated in real estate property.
- The Independent Review conducted by NSW, Victoria and WA is a thinly veiled attempt to pressure for a redistribution of GST funding towards the sponsoring States.
- The importance of the current HFE arrangements cannot be underestimated as it allows all States to provide basic government services to their residents regardless of where they live. The equitable transfer of funds between the States along the current lines achieves this goal.

CHAPTER 4.

The role of Canberra as the national capital impacts on the physical, social and economic structures of the Territory and is without parallel in the States. National capital influences permeate through all aspects of ACT Government operations. This imposes additional costs on and demands for ACT Government services and impacts on the manner in which services are provided.

SPECIAL CIRCUMSTANCES OF THE ACT

- The ACT contends that the financial impact of the special circumstances arising from the Territory being the national capital and seat of government continue to be underestimated.
- The ACT has identified claims for national capital disabilities of a State nature totalling \$48.8m (or gross +\$37.7m above the current allowance of \$11.1m) in the following assessments and requests the assessment of national capital allowances accordingly:
 - Education – \$4.0m;
 - Housing – \$13.0m;
 - Administration of Justice – \$0, to cease;

- Public Safety – \$3.3m, offset by a possible ‘reverse’ claim of -\$4.5m;
- Culture and Recreation – \$3.2m;
- National Parks and Wildlife – \$0.5m;
- Urban Transit – \$2.8m;
- Economic Activities - Roads - \$4.7m;
- General Public Services – \$11.3m;
- Economic Activities - Primary industry; mining fuel and energy and manufacturing and other industry - \$0.3m; and
- Economic Activities - Tourism – \$5.7m.
- The ACT requests a continuation of the assessment of special fiscal needs in relation to:
 - corporate affairs compensation; and
 - compensation for lack of policy control over the terms and conditions of Australian Federal Police officers employed in ACT community policing.

CHAPTER 5.

The use of ACT services by non-residents imposes additional costs on the ACT Government, for which it is not fully compensated, either through existing cross border agreements or the Commission’s assessments. Furthermore, these arrangements do not contribute to the ACT’s revenues, as non-residents do not recompense the ACT Government for the services used.

CROSS BORDER ASSESSMENTS

- As the regional centre for South Eastern New South Wales, the ACT faces significant use of its services by non-residents, who do not contribute to the ACT’s revenues. Non-resident use:
 - places additional demand on a range of ACT services; and
 - increases the costs of providing these services.
- The ACT believes there are deficiencies in the cross border assessment which underestimate the Territory’s service provision costs. These include the:
 - failure to acknowledge the socio-demographic differences between the ACT and regional populations accessing Territory services;
 - application of too narrow a definition of the NSW regional area that is serviced by the ACT; and
 - underestimation of the proportion of the regional population accessing ACT services (population weights).

CHAPTER 6.

The ACT anticipates that the Commission will provide a detailed explanation of expenditure and revenue category assessments affected by the changes to the standard budget, as well as any adjustment to the distribution of funding emanating from these changes.

SCOPE AND STRUCTURE OF THE STANDARD BUDGET

- The Commission, in its discussion paper *CGC 2001/12, Scope and Structure of the Standard Budget*, put forward a suggested scope and structure of the standard budget for the 2004 Review.
- The ACT is generally agreeable to the Commission's suggested changes, however the Territory does have the following views:
 - opposition to the inclusion of State expenditure assisting industry within the scope of the standard budget;
 - qualified support for the re-allocation of Regulatory and Other Services expenditure to the revised functional categories;
 - support for the inclusion of administrative scale within each category as a proportion of the total expense to reflect head office costs; and
 - an expectation that the Commission will provide an explanation as to the affect on the distribution of funding of the transfer of expenditure from one category to another.

CHAPTER 7.

The ACT considers that the existence of administrative scale has been demonstrated, although it acknowledges that the measurement of the disability is not exact. The Commission's position that outsourcing and technological change do not reduce the relative disability faced by States is also supported by the ACT.

ADMINISTRATIVE SCALE

- The ACT supports the Commission's conclusions regarding the existence of, and the need to continue assessing the diseconomies of small scale for smaller (less populous) States. These States face higher expenditure per capita to provide the standard range of government services.
- The ACT supports the continued use of Administrative Scale disabilities assessed for the current range of expenditure assessment categories and supports the proposal to extend the assessment of administrative scale to the following Economic Activities categories:
 - Electricity and Gas;
 - Water, Sanitation and Protection of the Environment; and
 - Non-urban Transport.
- In addition to these categories, the ACT considers that an administrative scale factor

should also be assessed in the Economic Activities – Urban Transit category.

- The ACT gives qualified support to the removal of the scale-affected variable cost factor from the administrative scale assessment. Support for this proposal is qualified because it is:
 - not yet clear how Administrative Scale will be assessed; and
 - the ACT considers that the ‘weights’ derived in the 1999 Review were determined in conjunction with the scale-affected variable costs, and that these ‘weights’ should be reviewed in the 2004 Review if variable cost impacts are not to be assessed.

CHAPTER 8.

The ACT endorses the assessment of the input of differences in the key input costs of wages, energy and rent.

INPUT COSTS

Wages and Salaries disabilities component

- The ACT supports the continued assessment of differences in input costs, as evidence available supports the view that there are a large number of non-policy influences (demand and supply side) which affect wage differentials between the States.
- The ACT supports the inclusion of Commonwealth public sector wages with private sector wages in developing an independent benchmark.
- The ACT requests that:
 - the current practice of standardising State employment by the national employment distribution be re-examined; and
 - the discounting of the raw wage input cost factor be revised downwards from 50% to 25%.

Electricity cost disabilities component

- The establishment of a national electricity market has equalised energy prices for all interconnected States.

Weight applied to electricity and accommodation disability components

- The ACT supports the current assumption that accommodation costs represent 2% of total service costs, however, due to real declines in prices, the proportion of costs assumed for energy should reduce to 0.4%.

CHAPTER 9.**USER GUIDE**

- In this submission to the Commission's 2004 Review, the ACT has designed a summary table intended to provide a picture of the processes that the Commission utilises in the assessment of the expenses and revenue categories.
- The ACT has also included a summary chart to be produced at the front of each expenses chapter. This chart is intended to illustrate the outcome, for each jurisdiction, of the Commission's processes in the assessment of the expenses and revenue categories.

SPECIFIC EXPENSES ASSESSMENTS**CHAPTER 10.****PRE-SCHOOL EDUCATION**

The current approach takes no account of the complexity of provision and the diversity of the population groups using pre-school services within and across the States.

- The ACT considers that the current assessment does not reflect the complexity of provision and the diversity of the population groups using pre-school services within and across the States.
- Current assumptions about the socio-demographic influences on pre-school enrolments are not supported by the evidence. A comprehensive re-examination is required.
- The use of primary school data to predict diseconomies of service delivery scale for small and remote pre-schools is not valid.

CHAPTER 11.**GOVERNMENT PRIMARY AND SECONDARY SCHOOL EDUCATION**

Three matters that the ACT believes should be reviewed in the Primary and Secondary school education categories are the costs:

- *generated by the dependants of temporary residents;*
 - *associated with the provision of education services to students with disabilities; and*
 - *faced by schools regarding vandalism and security*
- The ACT faces additional costs for non-diplomatic dependents of temporary residents including special language classes.
 - The ACT school system accommodates a large number of students with disabilities, the costs of which are not adequately recognised.
 - Vandalism is an unfortunate fact of all schooling systems and not just confined to highly urbanised environments.

CHAPTER 12.**ISSUES IN SCHOOLS EDUCATION ASSESSMENTS - POST COMPULSORY SCHOOL PARTICIPATION**

In the Territory's view, the current use of Australian standard age participation rates adjusted for socio-economic status significantly underestimate the demand and cost influences which higher post-compulsory school enrolments place on the ACT schools system.

- The ACT faces high participation rates in the post-compulsory years of schooling relative to the other States, driven by a range of non-policy issues and results in an above standard demand for education, increasing the cost of service provision.
- Empirical evidence demonstrates that observed differences in participation rates across the States is due to a range of non-policy influences, and not due to policy differences. The Commission is urged to develop an assessment which takes account of the higher retention rates existing in the ACT.

CHAPTER 13.**VOCATIONAL EDUCATION AND TRAINING**

Data shows that student to staff ratios for the Canberra Institute of Technology (CIT) are 20.3% higher than for secondary schools.

- The ACT seeks a review of assumptions underpinning the calculation of scale effects for smaller and more dispersed Vocational Education and Training (VET) systems.

CHAPTER 14.**INPATIENT SERVICES**

The assessed needs for the ACT in the 1999 Review, is questionable given that the Territory has the second smallest hospital system in Australia measured in terms of volume of separations, with associated constraints on allocating overhead and other system wide costs over a small population size.

- The assessment for diseconomies of scale should be broadened to incorporate system wide costs that extend beyond central hospital based administration.
- These system wide costs include:
 - greater reliance on high cost teaching hospitals in smaller health systems;
 - unviable throughput for complex and technological advance treatments; and
 - higher cost of specialist medical staff in smaller health systems.
- The ACT continues to be short-changed under the AHCA cross border arrangements.

CHAPTER 15.**NON-INPATIENT AND COMMUNITY HEALTH SERVICES**

The proposed new category brings together services for which the ACT plays a major regional role. This role places a demand on emergency department,

- A cross border factor to recognise is the additional demand for non-ACT residents for Emergency Departments and Outpatients services and the Queen Elizabeth II Family Centre.

outpatient, community health and community mental health services which is unique compared to any other State.

- The existing socio-demographic composition does not take account of the requirement for emergency department services in a major referral hospital to be continuously available and capable of responding to emergencies regardless of underlying demand.

CHAPTER 16.

The assessment of relative needs for the Population and Preventative Health category should have regard to the significant changes that are occurring in the health care system in order to improve health outcomes.

POPULATION AND PREVENTATIVE HEALTH

- These broad based health services are provided to the whole state population and, in the ACT's case, to a significant number of non-ACT residents. The current assessment of a narrower user group is inconsistent with the nature of the services.

CHAPTER 17.

The Territory's population in poverty has a large component of single persons and sole parent households, who are particularly dependent on welfare services. This group represents a comparatively high cost impost to the ACT.

FAMILY AND CHILD SERVICES

- The current assessment ignores significant population cohorts which require welfare assistance.

CHAPTER 18.

The supply of high dependency aged care facilities is a Commonwealth responsibility. The ACT has the lowest per capita number of operational high care residential places per 1000 people aged 70 years and over, with such services being 21% below the national average.

AGED AND DISABLED SERVICES

- The ACT faces a chronic under-supply of high dependency aged care facilities relative to all other States, placing additional cost burdens on the Territory Budget.
- The disproportionate number of frail and elderly NSW persons entering the ACT for aged services, including residential aged care add to these costs.
- An economic environment factor to reflect the supply side constraints placed on aged care services in the Territory and the subsequent cost shifting to the Territory in delivering aged care services should be included in the Commission's assessment.

CHAPTER 19.

In the ACT demand for Supported Accommodation Assistance Program (SAAP) services is 40% above the Australian average and the cost of providing SAAP

HOMELESSNESS AND GENERAL WELFARE

- The current SAAP socio-demographic composition factor does not accurately measure the demand for, and cost of providing SAAP services as it relies on a blunt approach which does not adequately recognise the nature of

services is 49% above the Australian average.

groups relying on these services.

CHAPTER 20.

At self-government the ACT inherited a level of housing stock twice the national average. Further, that housing stock requires higher maintenance because of its age and in many cases does not match the requirements of tenants.

HOUSING

- The ACT requests the recognition of the Territory's above average social housing costs (and related welfare support services costs) driven by a relatively high per capita youth population.
- The housing services category should include an adjustment to reflect the ACT's higher aboriginal housing costs given that the Territory receives no CSHA Aboriginal Rental Housing funding to assist with the increasing social costs driven by a growing Aboriginal population.
- The ACT seeks the assessment of a national capital allowance of \$13.0m per annum, equal to the unfunded maintenance liability arising from the:
 - age profile, the type of construction of housing and the condition of the housing stock portfolio inherited from the Commonwealth;
 - high value of the public housing related debt inherited by the ACT and the high cost of servicing this debt;
 - unfunded liability inherited for future maintenance obligations to replace and upgrade rental properties; and
 - lack of alternative affordable rental housing arrangements that increase the demand on the public rental housing system.
- The higher than average public housing stock adds to the Territory's costs while reducing the obligation of the Commonwealth for rental assistance.

CHAPTER 21.

The ACT has a relatively high proportion of its population in the male, 15 to 24 age population cohort, which is the group with the highest propensity to be engaged in criminal activities.

POLICE

- The AFP records suggest that the cost weight for young males should be increased from 2.5 to a cost weight of 4 or 5.
- The ACT also requests the Commission to increase the Territory's cross border factor from the current assessment of 16% to 18%, to more accurately reflect the proportion of non-residents contributing to police activity.

CHAPTER 22.

The ACT contends that there are a substantial amount of criminal and civil matters generated by non-ACT residents.

ADMINISTRATION OF JUSTICE

- The ACT requests the continuation of an assessment for cross border influences to reflect the level of demand for court services faced by the Territory.

CHAPTER 23.

Non-ACT residents comprise a significant proportion of people managed by the Territory's corrective services system.

CORRECTIVE SERVICES

- The cost of housing ACT prisoners in NSW prisons is underestimated by the existing assessment methods. Moreover, a disproportionately number of prisoners are resident outside the ACT and the costs of this group are not adequately recognised in the current cross border factor.

CHAPTER 24.

The ACT considers there is no compelling case for the current assessment framework to attempt to quantify differences between States in the risk and potential losses from fires, particularly in a metropolitan environment.

PUBLIC SAFETY

- The current assessment based on an estimate of the value of property at risk and the frequency of fire insurance claims is not valid. Fire services must maintain a ready capacity and meet appropriate response targets regardless of property values or frequency of call outs.

CHAPTER 25.

The use of cultural and recreation facilities in the ACT by non-residents is estimated to be 15% per annum.

CULTURE AND RECREATION

- The ACT is seeking that the Commission address a number of perceived weaknesses in the application of the following components:
 - cross border; and
 - national capital influences.

CHAPTER 26.

As a result of the Commonwealth's land planning policies, the ACT has a well above average proportion of reserves, parks and open space areas relative to any other jurisdiction. The total area of protected lands in the ACT is 53%.

NATIONAL PARKS AND WILDLIFE

- The design and development of Canberra as the national capital has provided an extensive network of open space areas. The Territory is seeking acknowledgment of the extent and location of protected open space and its impact on management costs, particularly with regard to the impact of urbanisation.
- The ACT considers that calculation of urbanisation based on the contiguous populations next to National Park and Wildlife boundaries should include all National Capital Open Space System land as these areas are consistent with the adoption of the World Conservation Union National Parks definition.

CHAPTER 27.

Implementation of the principles of microeconomic reform does impact on the Commission's assessment framework.

MICRO-ECONOMIC REFORM

- Overall, the ACT considers that until microeconomic reform processes are complete, the evidence does not lend support for a disability assessment of these impacts. Further, many of the so-called disabilities that States might claim are due to differing State policies in relation to implementation.
- The ACT agrees with the Commission's view that issues can be addressed on a case by case basis.

CHAPTER 28.

The Commission proposes a number of amendments to the assessment framework associated with Concessions and Community Service Obligations (CSO's).

ECONOMIC ACTIVITIES - CONCESSIONS AND OTHER PAYMENTS CATEGORIES

- The ACT is concerned that genuine concessions are clearly differentiated from policy decisions to support industry.

CHAPTER 29.

The former assessment of urban transit was hampered by the lack of comparable data and the differences between States and Territories in the mode of service delivery. This included the shift to commercialisation and privatisation of some services.

ECONOMIC ACTIVITIES - URBAN TRANSIT

- The ACT supports in principle the proposed change from gross expenditure and gross revenues assessment to one based on net concessions and other payments (COP).
- However, the ACT does not support:
 - the introduction of an urbanisation factor which purports to possess congestion subsidies; and
 - an assessment of infrastructure costs as the evidence suggests costs and, therefore, concessions are lower per passenger for larger urban transit systems.

CHAPTER 30.

The ACT contends that a national capital factor should be assessed to reflect the additional costs imposed on the ACT because of the poor quality of the road system built when the Commonwealth administered the Territory.

ECONOMIC ACTIVITIES - ROADS

- The ACT argues that the Commonwealth designed road network has inherent problems that impose additional costs on the Territory.
- These roads, constructed prior to self-government were not built to normal standards and now require additional maintenance to meet their intended economic life.

CHAPTER 31.

Pre-conceived perceptions in the marketplace continues to hinder the ACT's tourism development relative to other jurisdictions.

ECONOMIC ACTIVITIES - TOURISM

- The ACT requests the Commission to incorporate a national capital allowance to reflect the additional costs arising from National Capital Authority regulations in regards to Canberra Tourism and Events Corporation events hosted on Commonwealth land.
- Tourism promotion in the ACT, compared with the more populous States, requires disproportionately higher levels of per capita expenditure to maintain an adequate market position.

CHAPTER 32.

The ACT has 16,200 hectares of land under commercial forest plantation which represents 6% of the Territory's total land area - a significantly higher proportion devoted to forest plantations than in other jurisdictions.

ECONOMIC ACTIVITIES - PRIMARY INDUSTRY: MINING, FUEL & ENERGY AND MANUFACTURING & OTHER INDUSTRY

- The ACT requests that the Commission make an assessment of the national capital impacts on the Territory's commercial forestry operations.
- 6% of the ACT's total land area is designated commercial forest plantation - a significantly higher proportion than in other jurisdictions.
- The ACT experiences higher expenditure and reduced revenues due to the special requirements laid down by the Commonwealth on the ACT to manage these areas through the National Capital Plan and the extent of the integration of the urban areas and commercial forest areas in the Territory.
- The Commission should continue to assess diseconomies of small scale and input costs disabilities experienced by the ACT which are considerable in the services to industry category assessments.

CHAPTER 33.

The dominance of the Commonwealth Public Sector in the ACT, which requires the Territory to offer comparable employment conditions, including superannuation contributions, in order to compete in the local labour market, means the ACT's superannuation policy choices are constrained by the Commonwealth's policies.

SUPERANNUATION

- The ACT Government has been required to meet the above standard employer costs of Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS) accruing to its employees for service since self-government.
- Membership of these schemes result from Commonwealth administration with the ACT being required to meet the schemes' costs and having no control over the associated benefits.

- The ACT requests that the Commission revise the superannuation adjustment upwards as it significantly underestimates the ACT's accruing liabilities.

CHAPTER 34.

Planning and development in the ACT has to achieve a balance between the interests of the nation and the interests of the Canberra community unlike the planning obligations of State counterparts. This has a consequential cost impact.

GENERAL PUBLIC SERVICES (INCLUDES FORMER REGULATORY AND OTHER SERVICES CATEGORY)

- The ACT believes the Commission should continue to assess a national capital disability factor in recognition of Commonwealth involvement in the detailed planning of Canberra, however, the allowance itself should be increased to reflect three separate claims:
 1. the additional cost burden on the ACT's capital works program, the additional 'layers' of planning and negotiation necessary for the ACT to implement its urban planning policies and for development projects, and the impact on the ACT of maintaining the ACT Leasehold System which has administration imposts;
 2. the foregone economic opportunities and associated costs including:
 - revenue losses through a reduced capacity to lease land for residential and/or commercial uses;
 - the underutilisation of infrastructure necessary to support urban populations in the ACT's townships;
 - economic losses to the ACT arising from the inherent delays in negotiating and finalising development proposals that require the input and/or approval of relevant Commonwealth bodies;
 - economic and revenue losses through the release of Commonwealth lands for residential and/or commercial purposes; and
 3. the ACT's role in the strategic planning of the local region.

CHAPTER 35.

DEPRECIATION AND DEBT CHARGES

- All States will have the opportunity to raise any issues arising from a discussion paper to be issued in advance at the Commission's Heads of Treasuries Conference in October 2002.

- The ACT does not discuss the options in this submission. Instead, the Territory proposes to review the Commission discussion paper in advance of the Conference.

SPECIFIC REVENUE ASSESSMENTS

CHAPTER 36.

Enhancing simplicity by applying broader measures of need, such as, the use of global and sub-global revenue base measures, does not provide equitable treatment.

GENERAL APPROACH TO THE ASSESSMENT OF REVENUE RAISING CAPACITIES

- The ACT considers that any decision to move to the use of global and sub-global measures for simplicity reasons in determining States' relative capacities to raise revenue, would incorrectly measure the ACT's revenue raising capacity, as it is unable to tax the activities of the Commonwealth Government – a major component of the Territory's economy.

CHAPTER 37.

The ACT's actual payroll tax collections are close to the national average per capita, notwithstanding its reduced tax base, mainly due to the constitutional exclusion of Commonwealth departments and agencies.

PAYROLL TAX

- The ACT supports the Commission's continued assessment of States' capacities to raise payroll tax, given that the ACT's largest employer, the Commonwealth Government, is exempt from paying payroll tax.
- The ACT considers that the current threshold adjustment based on a business of 20 employees is sound and should be retained.
- The ACT requests that the Commission reflect the ACT's reduced revenue raising capacity for police force payrolls within the payroll tax assessment, as the Territory, unlike the other jurisdictions, is prohibited from levying tax on police force payrolls.
- The ACT also requests that the Commission adjust the Territory's revenue base to reflect the relatively high rates of tax leakage to NSW.

CHAPTER 38.

The ACT supports the Commission's continued assessment of States' capacities to raise land tax.

LAND REVENUE

- Under the Commonwealth State Housing Agreement, public rental housing stock must be maintained at a consistent level. This reduces the private rental stock and consequently reduces the capacity to raise land revenue from private renters.

- The ACT requests the adjustment of all States' land tax revenue raising capacity to account for revenues forgone due to the above average public housing stock levels in some States.

CHAPTER 39.

Changes to ACT legislation in the past few years should be reflected in the assessment.

STAMP DUTY ON CONVEYANCES

- The ACT has broadened the definition of dutiable property in the *ACT Duties Act 1999* and now has a revenue base similar to the majority of jurisdictions.

CHAPTER 40.

This assessment is now outdated given the recent changes to these types of taxes, including the abolition of Financial Institutions Duty.

FINANCIAL TRANSACTION TAXES

- The ACT recommends that the Commission estimate the revenue base using BAD tax collections recognising that this tax base could be subject to change in the future.

CHAPTER 41.

The current assessment implies that the ACT is making a revenue raising effort of only 66% of the national average. This outcome is the result of an inappropriate assessment method.

GAMBLING TAXATION

- A great deal of research has failed to establish a strong link between income and gambling expenditure.
- The current assessment deems the ACT to have the highest capacity to raise revenue from gambling due to its high average Household Disposable Income (HDI).
- HDI is a less than ideal measure of the capacity of a state or territory to raise gambling revenue, as it is only one of a number of factors that explain gambling behaviour.
- In the absence of an improved measure of revenue raising capacity, the ACT suggests an equal per capita assessment.

CHAPTER 42.

INSURANCE TAXATION

- The ACT supports the Commission's current Insurance Taxation assessment methodology and requests that it be retained as it is based on independent actual revenue data supplied by APRA.

