



## Department of Treasury and Finance

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Mr Keir Delaney  
Secretary  
Standing Committee on Economy and Infrastructure  
Parliament House, Spring Street  
EAST MELBOURNE VIC 3002

07 MAR 2014

Dear Mr Delaney

### **RE: INQUIRY INTO THE IMPACT OF THE CARBON TAX ON HEALTH SERVICES**

Thank you once again for giving the Department of Treasury and Finance (DTF) the opportunity to provide evidence at the Legislative Council Standing Committee On Economy and Infrastructure's inquiry into the impact of the carbon tax on health services. Below is our response to questions that were taken on notice at the 19 February meeting.

#### **1. Whether the impact of the carbon tax was a consideration in negotiations regarding the national health partnership agreement and whether the agreement was designed with anticipated growth in costs in mind.**

The impact of the carbon tax was not an explicit consideration when negotiating the National Health Reform Agreement.

Calculation of the Commonwealth funding contribution to Victorian health services is based on the National Efficient Price (NEP), as determined by the Independent Hospital Pricing Authority (IHPA). The NEP is based on the projected average cost of public hospital activity and is derived from the actual reported cost of public hospital activities from previous years. The NEP would account for costs associated with the carbon tax to the extent that those costs are captured by NEP reporting requirements.

The NEP 2013 methodology included data from 150 hospitals across most states and territories. The NEP is explained in detail in the IHPA Pricing Framework for Australian Public Hospital Services 2014-15 (link below).

[http://ihpa.gov.au/internet/ihpa/publishing.nsf/Content/CA25794400122452CA257C1B0001F452/\\$File/Pricing-Framework-Aust-PublicHospitalServices-2014-15.pdf](http://ihpa.gov.au/internet/ihpa/publishing.nsf/Content/CA25794400122452CA257C1B0001F452/$File/Pricing-Framework-Aust-PublicHospitalServices-2014-15.pdf)

**2. Has the Commonwealth contribution to Victorian health services increased by more than \$13.5 million in the years mentioned.**

Commonwealth payments to support Victorian health services increased by \$203 million in 2012-13 and \$223 million in 2013-14 compared to the previous financial year.

<b>Commonwealth payments (\$million) to support Victorian health services</b>	
2011-12	3 060
2012-13	3 263
2013-14	3 486

Please see links below for more information.

*2011-12 Commonwealth Final Budget Outcome, page 67*

[http://budget.gov.au/2011-12/content/fbo/download/FBO\\_2011-12\\_Consolidated.pdf](http://budget.gov.au/2011-12/content/fbo/download/FBO_2011-12_Consolidated.pdf)

*2012-13 Commonwealth Final Budget Outcome, page 71*

[http://www.budget.gov.au/2012-13/content/fbo/download/2012-13\\_FBO\\_Consolidated.pdf](http://www.budget.gov.au/2012-13/content/fbo/download/2012-13_FBO_Consolidated.pdf)

*2013-14 Commonwealth Budget, page 24*

[http://www.budget.gov.au/2013-14/content/bp3/download/bp3\\_03\\_Part\\_2\\_all.pdf](http://www.budget.gov.au/2013-14/content/bp3/download/bp3_03_Part_2_all.pdf)

**3. What percentage of the overall cost of the carbon tax to Victoria is dedicated to health.**

DTF has not undertaken detailed analysis to calculate the cost of the carbon tax across the Victorian government as a whole.

**4. What grants/funds have or will be made available to health services wanting to invest in their own energy efficiency, and any examples.**

To date, no health services have applied for loans dedicated to investment in energy efficiency. Two health services have signed contracts to finalise the scope of energy efficiency projects, and are expected to lodge funding applications in 2014-15.

**5. With reference to p.26 of the *Victorian Climate Change Adaptation Plan*, provide information regarding cooperation between DTF and DH on climate change related events.**

The Victorian Government's Climate Change Adaptation Plan, released in March 2013, outlines its position on the impact of climate change and the risk of bushfires, floods and other natural disasters. Page 26 of the Plan notes the collaborative, cross-agency process that apply to emergency and natural disaster events.

*Victorian Climate Change Adaptation Plan*

[http://www.climatechange.vic.gov.au/data/assets/pdf\\_file/0006/158640/4493\\_DSE\\_Climate\\_Change\\_Adaptation\\_Plan\\_WEB.pdf](http://www.climatechange.vic.gov.au/data/assets/pdf_file/0006/158640/4493_DSE_Climate_Change_Adaptation_Plan_WEB.pdf)

Following a severe or significant natural disaster such as a bushfire or flood, the Victorian and Commonwealth Governments jointly provide a range of financial assistance measures under the Natural Disaster Relief and Recovery Arrangements (NDRRA). This can include assistance to state departments and agencies, individuals and households, municipal councils, Catchment Management Authorities (CMAs), primary producers, small businesses and not-for-profit organisations.

The NDRRA is activated between the State and Commonwealth Governments once there is an expectation that total eligible state expenditure for a particular event is in excess of a "small disaster" criterion (i.e. greater than \$240,000) for the standard set of measures in the days following a natural disaster.

Assistance below this small disaster criterion is provided under Victoria's 'Natural Disaster Financial Assistance' (NDFA) scheme to Councils and CMAs for activities associated with counter disaster operations as well the repair and restoration of essential public assets.

For more information please visit:

<http://www.dtf.vic.gov.au/Victorias-Economy/Natural-disaster-financial-assistance> or

<http://www.disasterassist.gov.au/NDRRADetermination/Pages/default.aspx>

The Victorian Government also provides assistance under the NDFA to Victorian departments and agencies to alleviate some of the financial impact of a natural disaster. Specifically, financial support is provided to assist departments and agencies with costs associated with:

- certain counter disaster operations, including repairs to assets damaged by counter disaster operations;
- the restoration and emergency protection works to essential public assets; and
- some additional operational costs mainly associated with the provision of emergency food, clothing or temporary accommodation and personal and financial counselling.

The Victorian Managed Insurance Authority also provides insurance and risk management services to the Victorian Government and related organisations. Entities insured include public hospitals, Victorian Government departments and some statutory authorities and agencies.

*VMIA website*

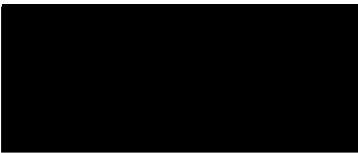
<http://www.vmia.vic.gov.au/>

**6. Whether the Greener Government Buildings program has resulted in higher costs to Government than would be the case under a 'normal' government building program.**

No. The investments in energy efficiency under this program are aimed at the retrofit of existing buildings and are not relevant to the construction of new buildings that might be pursued under a 'normal' government building program.

I trust this information is of assistance. Please contact Mark Johnstone on 9651 1720 for more detail on any of the points raised above.

Yours sincerely



**David Martine**  
**Secretary**