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The Review Panel  
GST Distribution Review  
The Treasury  
Langton Crescent  
PARKES ACT 2600

27 JUL 2012

Dear Sirs

#### **GST Distribution Review - Tasmanian Government Submission to the Interim Reports**

The Tasmanian Government again welcomes the opportunity to contribute to the GST Distribution Review (the Review). As a strong supporter of horizontal fiscal equalisation (HFE), Tasmania is always happy to discuss the merits of HFE and its contribution to a stable and prosperous Australian Federation.

The focus of the enclosed Tasmanian Government submission, to the first and second Interim Reports, is to respond to those issues where the Review Panel has explicitly indicated that it is seeking further comment. Tasmania has previously provided detailed submissions to the Review Panel's two Issues Papers, which included detailed comments on issues raised in both the first and second Interim Reports. It is not the aim of this submission to restate positions already conveyed. Specifically, this submission makes the following key points:

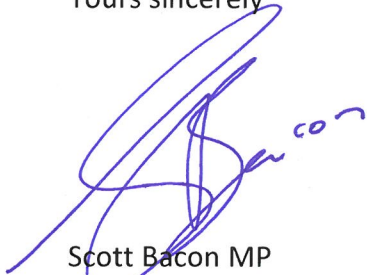
- The overriding principle of the Review should be the achievement of equity – that is, state governments should be given materially equal capacity to provide services and infrastructure to their residents.
- HFE, as currently practised in Australia, is robust and fair. This view has been borne out by the Review Panel's findings in the Interim Reports, which make it clear that there is not much wrong with the current system. It is also consistent with previous independent reviews of the system, which have confirmed the system as a very important foundation stone of the successful federal system of government and societal outcomes in Australia.
- Whilst Tasmania accepts that there is always scope for improvement and refinement in systems as important as HFE, as the review's preliminary findings indicate, there is no compelling case for mandating significant change. Tasmania's view is that these improvements are primarily in the domain of the Commonwealth Grants Commission through its normal methodological review process. The CGC was established as an independent authority with this as a key objective. The CGC performs a very important role, free from the

biases, vested interests and uninformed perceptions, such as were part of the reasons for instigating this review.

For this reason and as many of the Review's findings relate to important methodological issues or refinements, Tasmania sees merit in governments formally presenting the very important work of the Review as guidance for the CGC to consider in its assessments.

Once again, I wish the Review Panel well with its deliberations and the release of its Final Report.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Scott Bacon', with a large, stylized initial 'S' and 'B'.

Scott Bacon MP  
Minister for Finance

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