



Treasurer; Minister for Transport; Emergency Services

Our ref: 30-31619

Hon N Greiner AC, Hon J Brumby and Mr B Carter
GST Distribution Review
Treasury Building
Langton Crescent
PARKES ACT 2600

Dear Messrs Greiner, Brumby and Carter

GST DISTRIBUTION REVIEW

Please find enclosed Western Australia's final submission for your consideration which includes modelling in support of the national economic and fiscal benefits that horizontal fiscal equalisation (HFE) reform would bring. Two versions are attached, noting only the second version, which excludes Attachment B containing sensitive budget information, should be made public.

Western Australia welcomes the first interim report's acknowledgment that aspects of the implementation of HFE must be fixed to address unrecognised costs incurred by the States in supporting economic development. However, Western Australia believes the Panel did not sufficiently address the case for fundamental reform, including the extent to which fairer outcomes might be achieved while also reducing the drag of HFE on national productivity and growth.

Along with New South Wales, Victoria and Queensland, Western Australia considers that the only reform option that will fully resolve the inequities, perverse incentives, uncertainties and complexities in the current HFE system is to transition all States and Territories to an equal per capita (EPC) share of the GST pool.

This could occur over five to ten years, with the Commonwealth providing top-up payments to South Australia, Tasmania, the Australian Capital Territory and the Northern Territory funded from the fiscal dividend that it will receive from the productivity gains this reform will bring.

The transition could involve distributing part of the GST pool on an equal per capita basis (40 per cent moving to 60 per cent), with the remainder subject to relativities calculated using the whole pool.

I look forward to the Review Panel's consideration of this submission, and a preparedness to recommend bold reform in the national interest.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Troy Buswell', with a long horizontal line extending to the right.

**TROY BUSWELL MLA
TREASURER**

Att.