



MINISTER FOR FINANCE AND ADMINISTRATION

Mr Alan Morris
Chairman
Commonwealth Grants Commission
Cypress Court
5 Torrens Street
BRADDON ACT 2612

Dear Mr Morris

I am writing to convey to you Part 1 of the terms of reference for the Commonwealth Grants Commission to review the methods used to determine and report upon the question of the per capita relativities for distribution of GST revenue grants and health care grants which the Commission would regard as appropriate to apply after 2003-04.

The terms of reference are as follows:

- '1. Pursuant to sections 16, 16A and 16AA of *the Commonwealth Grants Commission Act 1973*, I hereby refer to the Commission for inquiry into and report upon, by 25 February 2004 at the latest, the question of per capita relativities which the Commission would regard as appropriate to apply after 2003-04 for the distribution of the combined pool of GST revenue grants and health care grants among the States, the Northern Territory and the Australian Capital Territory.
2. The Commission should review whether the allowances for special circumstances granted to the Australian Capital Territory continue to be necessary and, if so, make appropriate assessments.
3. The Commission should commence a work programme for improving methods of assessment and consult with the States and the Commonwealth in deciding the priorities for the work programme.'

Further terms of reference will be provided to the Commission at a later date in light of consultations with the Commonwealth and States.

Yours sincerely

JOHN FAHEY