



THE HON JOSH FRYDENBERG MP
TREASURER
DEPUTY LEADER OF THE LIBERAL PARTY

Ref: MS20-000230

Mr Greg Smith
Chairperson
Commonwealth Grants Commission
Second Floor, Phoenix House
86-88 Northbourne Ave
BRADDON ACT 2612

Dear Mr Smith

I am writing to you to convey the enclosed final supplementary terms of reference for the *2020 Methodology Review of GST Revenue Sharing Relativities (2020 Methodology Review)*, regarding my decisions on exemptions from the Commonwealth Grants Commission's assessment of the GST revenue sharing relativities. The terms of reference also direct that the 2020 Methodology Review final report be released publicly on 16 March 2020.

Thank you again for the considerable work of the Commonwealth Grants Commission on the 2020 Methodology Review. I look forward to receiving the final report.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'JF', written over a light blue horizontal line.

THE HON JOSH FRYDENBERG MP

25 / 2 /2020

Enc: 2020 Methodology Review – Final Supplementary Terms of Reference

2020 Methodology Review – Final Supplementary Terms of Reference

COMMONWEALTH GRANTS COMMISSION ACT 1973

I, Josh Frydenberg, Treasurer, pursuant to sections 16, 16A and 16AA of the *Commonwealth Grants Commission Act 1973*, hereby provide final supplementary terms of reference for the Commission's 2020 Methodology Review.

Background

2. On 28 November 2016, the former Treasurer the Hon Scott Morrison MP issued terms of reference for the 2020 Methodology Review (initial terms of reference) directing the Commission to inquire into and report upon:
 - a) the methodological approach used to calculate the per capita relativities to distribute Goods and Services Tax (GST) revenue among the States, the Northern Territory and the Australian Capital Territory (collectively referred to as the States) from 2020-21 (*Methodology Review*); and
 - b) the per capita relativities recommended to be used to distribute GST revenue among the States in 2020-21.
3. On 6 October 2019 the Treasurer the Hon Josh Frydenberg MP issued supplementary terms of reference directing the Commission as follows:
 - a) in undertaking the Methodology Review, the Commission should not change the mining revenue assessment methodology.

Final supplementary terms of reference

4. These final supplementary terms of reference are to be read in conjunction with the initial terms of reference and the supplementary terms of reference.
5. The Commission should prepare its assessment on the basis that the following Commonwealth payments should not directly impact the per capita relativities:
 - a) Payment to South Australia of up to \$37.5 million relating to Remote Indigenous Housing;
 - b) Payment to South Australia of \$80 million relating to the SAiGEN Cancer Institute;
 - c) Payment to Tasmania of \$56 million relating to the Marinus Link project;
 - d) Payment to the Northern Territory of \$70 million relating to the Kakadu roads upgrade; and
 - e) Payment to Western Australia of \$121 million relating to remote housing.
6. The Commission should prepare its assessment on the basis that the waiver of \$157.6 million in 2019-20 of Tasmania's housing related debt should not impact the per capita relativities.

7. The Commission should prepare its assessment on the basis that up to \$10 million of the proceeds from the sale of water under the Water for Fodder program that is used to establish a Drought Resilience Fund should not impact the per capita relativities.
8. The Commission's final report will be released publicly on 16 March 2020.



JOSH FRYDENBERG

25 / 2 / 2020