

From: Secretary@CGC
Sent: Tuesday, 8 May 2018 10:30 AM
To: 'secretary@putwesternaustraliafirst.com.au'
Subject: FOI Request [SEC=UNCLASSIFIED]

Dear Mr Leigh

Thank you for your interest in the work of the Commonwealth Grants Commission (the Commission) and your Freedom of Information (FOI) query as to the origins of the definition for horizontal fiscal equalisation (HFE) applied by the Commission.

I would refer you to the [Commission's Position Paper CGC 2017-21 The Principle of HFE and its implementation](#) released in September 2017 as part of its 2020 Methodology Review. Paragraphs 1.11 to 1.20 describe the Commission's position on the task it has been set. Under all variations of terminology for expressing the task (providing services at the same standard, not appreciably different services, average standard of services) the Commission considers that its role is the same — to identify factors (also referred to as 'disabilities') affecting State finances that are beyond their direct control and which would cause their fiscal capacities to diverge. Paragraph 1.17 (reproduced below) outlines the Commission's views on the different terminologies:

"The Commission does not consider there is any benefit in changing the wording to 'similar', or 'acceptable', rather than 'same', as it would potentially lead to debates about how 'similar' standards of service and revenue raising capacity should be, or what 'acceptable' means. 'Same' is aspirational but the Commission will deviate from this only for reasons of practicality. The Commission prefers to have a clear objective and does not consider changing the definition would lead to a simpler or more transparent system."

Following from this, the Commission does not consider that it has made any moves between equalising under different terminologies as ascribed to it in your request. This is consistent with the Productivity Commission's (PC) findings in its draft report on HFE. In Box 1 The evolution of HFE in Australia (page 6) the PC observes:

"The full equalisation principle initially referred to '... standards not appreciably different from the standards of government services provided by the other States'. Since then, there have been further revisions by the CGC to the equalisation principle, which now refers to States being able to function at the 'same standard', but essentially the CGC has been recommending relativities based on full equalisation since 1981."

All the Commission's recommendations for the distribution of general revenue assistance to the States (from 1982 onward) have been accepted by the Commonwealth government.

Consequently, there are no documents that come within the scope of your request.

Regards

FOI Coordinator
Commonwealth Grants Commission

From: secretary@putwesternaustraliafirst.com.au
[<mailto:secretary@putwesternaustraliafirst.com.au>]
Sent: Friday, 4 May 2018 1:53 PM
To: Secretary@CGC
Subject: FOI Request

This is a Freedom of Information request about a CGC decision.

Please provide the following:

Documents that support the CGC's decision to move to the application of an HFE model that distributes funds that enable States to have the capacity to provide services at the **same standard** as opposed to the model achieving standards **not appreciably different** from other States or providing **average** standard of State-type public services as described in the CGC Review Terms of Reference in years up to and including 1999.

Documents that show the results of modelling of the impact of this change on individual States and documents that show the sensitivities applied to the input parameters to the modelling.

Documents that either show that this change was directed by the Federal Government or documents that advise the Federal Government and/or COAG that this change had been made and the impact it would have on individual States.

Regards

Peter Leigh

SECRETARY



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