



The
Treasury

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Mr Greg Smith
Chairperson
Commonwealth Grants Commission
Second Floor, Phoenix House
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13 SEP 2017

Dear Mr Smith

CGC 2020 Methodology Review – *The Principle of Horizontal Fiscal Equalisation and its Implementation*

Thank you for the opportunity to provide comment on the staff discussion paper: *The Principle of HFE and its Implementation* as part of the Commonwealth Grants Commission's 2020 Methodology Review.

New South Wales considers that questions raised in its staff discussion paper on HFE directly overlap with those questions under active consideration by the Productivity Commission as part of its inquiry into Australia's system of Horizontal Fiscal Equalisation (HFE).

The New South Wales submission to the Productivity Commission inquiry provides a principled argument for an equal per capita distribution of the Goods and Services Tax (GST). The New South Wales Government maintains that adoption of an equal per capita distribution would comprehensively address those issues raised in the staff discussion paper and provide a fairer and more efficient distribution of GST.

On behalf of the New South Wales Government, I would request that the Commission consider the New South Wales submission to the Productivity Commission inquiry as setting out New South Wales position on the definition of HFE and as a response to those questions raised in the staff discussion paper.

Yours sincerely

Caralee McLiesh
Deputy Secretary
Fiscal and Economic Group