



**Australian Government**  
**Commonwealth Grants Commission**

**Chairperson**

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Address Block

Dear Under Treasurer

I am writing to inform you that the Commission has received the terms of reference from the Treasurer for the next methodology review. They ask us to review the methods used to calculate the relativities for distributing the goods and services tax (GST) revenue among the States and report by 28 February 2015 with a draft report by 21 June next year. The terms of reference identify priority areas for early consultation with the States including:

- the development of a new transport infrastructure assessment
- the development of a new mining revenue assessment
- the appropriate treatment of mining related expenditure
- the appropriate methodology to capture the changing characteristics of the Indigenous population
- the most appropriate treatment of DisabilityCare Australia
- the recognition of educational disadvantage in the National Education Reform Agreement (NERA) funding arrangements and ensuring no State receives a windfall gain in GST for non-participation.

An essential part of any inquiry is consultation with the States. However, the short time frame for this review means that it will not be possible to hold extensive State consultations or visits. The Commission and the States will need to ensure that we make the most of the time available. In part, this means that the Commission will be able to rely most on State views and submissions which are supported by reliable data. There will be little time to develop or explore new data sources to test unsupported propositions.

Our officials discussed a possible work program on 29 April 2013, based on a draft terms of reference. I attach a copy of our proposed work plan which is consistent with the outcome of those discussions, but which now reflects actual reporting dates.

Compared to the draft, we have decided to delay a number of items to give States additional time to prepare submissions and additional time for the Commission to respond to them. These modifications have already been communicated among officials.

The terms of reference ask us to consult with States early in the review on the priority issues identified in the terms of reference. Our officials have organised high level bilateral meetings between most State Treasurers and the Commission on 12-13 August, with the remaining States to follow when suitable dates can be settled.

The intention is to provide an opportunity for States to directly convey to the Commission their position on issues the State sees as important in the review. While we hope that State presentations will promote a constructive dialogue, we are mindful that it will be very early in the process and we will be very much in a listening mode without positions to advance or options to test with the States. To ensure these bilateral meetings are productive, Commission staff will provide information on any specific issues we may wish to raise in advance of the meeting.

Considering the short time between when your submissions are due and when the meetings are to be held, I kindly ask that your submissions be lodged on time and that you provide an Executive summary that will assist us in our preparations for the meetings. Technical issues associated with individual assessments would more appropriately be discussed between our staff at later meetings.

The work plan does not show any multilateral meetings with States in advance of the draft report, yet such a meeting, along the lines of previous meetings between HoTs and the Commission, would be valuable. For administrative ease these meetings usually occur in the margins of scheduled HoTs meetings and Commission staff will explore the options for such a meeting early in 2014.

Please contact Daniel Dwyer on (02) 6229 8856 or [daniel.dwyer@cgc.gov.au](mailto:daniel.dwyer@cgc.gov.au) if you have any questions or comments about any of these issues.

Yours sincerely

Alan G Henderson AM

24 June 2013

## 2015 REVIEW PROGRAM

Date	Event
<b>2013</b>	
End July	State submissions due on the following: <ul style="list-style-type: none"> <li>• principles and architecture (similar to Chapter 3 of 2010 Review report)</li> <li>• priority issues as outlined in the ToR</li> <li>• other issues of priority for States, including specific assessments and identifying expenses which should not change.</li> </ul>
12-14 August	Bilateral meetings with HoTs/Treasurers to discuss State submissions. 2 hour meetings for each State.
End October	CGC send to States: <ul style="list-style-type: none"> <li>• Commission views on principles and architecture</li> <li>• staff views on priority issues and changes to assessments.</li> </ul>
End November	CGC staff meetings with State officials to discuss issues.
<b>2014</b>	
End January	State submissions due on October papers: <ul style="list-style-type: none"> <li>• principles and architecture</li> <li>• priority issues and changes to assessments</li> </ul>
21 June	CGC release draft report
June/July	Consideration of draft report by Standing Council on Federal Financial Relations
June/July	CGC staff meetings with State officials to discuss draft report
August	State submissions due on draft report
August	Potential HoTs meeting to discuss draft report
End November	CGC to consult with States if significant changes are made to the draft report as required by the ToR
End December	Final State comments due on proposed changes to draft report
<b>2015</b>	
28 February	Release of final report