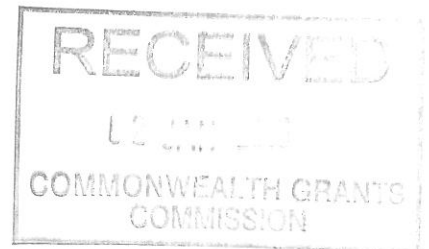





TREASURER



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

19 DEC 2014

Dear Mr Smith 

I am writing to you to convey the enclosed supplementary terms of reference for the Commonwealth Grants Commission's *2015 Methodology Review of GST Revenue Sharing Relativities*.

The supplementary terms of reference deal with the treatment of Commonwealth payments under the Asset Recycling Initiative, certain other infrastructure payments as well as drawdowns from the DisabilityCare Australia Fund.

The supplementary terms of reference also require the Commission to provide the Review to me by 28 February 2015, which will then allow me to provide it to the states at a later date. I appreciate your efforts during the Methodology Review process and look forward to receiving the report.

Yours sincerely,

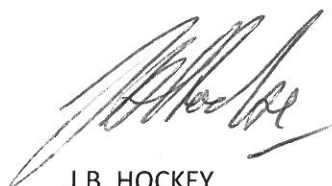
  
HON J. B. HOCKEY MP

## Supplementary Terms of Reference for the Commonwealth Grants Commission 2015 Methodology Review

### *Commonwealth Grants Commission Act 1973*

I, Joseph Benedict Hockey, Treasurer, pursuant to sections 16, 16A and 16AA of the *Commonwealth Grants Commission Act 1973*, refer to the Commission for inquiry into and report upon, by 28 February 2015, the question of the per capita relativities to be used to distribute GST revenue among the states, the Northern Territory and the Australian Capital Territory (collectively referred to as the states) from 2015-16.

1. This supplementary information is to be read in conjunction with the terms of reference provided by the former Treasurer Wayne Swan on 15 June 2013.
2. The Commission should provide its final Report to the Commonwealth by 28 February so that the Commonwealth can provide the Report to the states at an appropriate time, but before the 2015-16 Commonwealth Budget.
3. The Commission should prepare its assessment on the basis that:
  - a) a 50 per cent discount should be applied to the following Commonwealth payments for major roads when assessing the GST relativities;
    - i. \$1.5 billion for WestConnex;
    - ii. \$3 billion for the East-West Link;
    - iii. \$2.9 billion for the Western Sydney Infrastructure Plan;
    - iv. \$0.6 billion for the Toowoomba Second Range Crossing;
    - v. \$0.9 billion for the Perth Freight Link/Roe Highway;
    - vi. \$0.4 billion for the North-South Road Corridor; and
    - vii. \$0.1 billion for the Northern Territory Roads Package.
  - b) Commonwealth payments under the \$5 billion Asset Recycling Initiative should have no impact on the GST relativities; and
  - c) states' drawdowns from the DisabilityCare Australia Fund during the transition phase for the National Disability Insurance Scheme should have no impact on the GST relativities.
4. The Commission should consult the Commonwealth Government and the states before deciding on any changes in methods that arise as a result of a significant change in arrangements which govern Commonwealth-state relations and which are considered appropriate for the Commission to fulfil its obligations in respect of these supplementary terms of reference.



J.B. HOCKEY