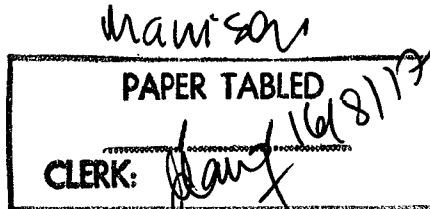


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Doc reference 17/82624
Your reference:

Mr P Harris
Chairman
Productivity Commission
GPO Box 1428
CANBERRA ACT 2601

Attention: Mary Cavar

ORIGINAL PAPER
No. 364.....
Laid upon the Table
16/8/17

Dear Mr Harris

State submissions to the Inquiry into Horizontal Fiscal Equalisation

I am writing on behalf of my Heads of Treasury colleagues from all States and Territories (States), with the exception of Western Australia.

As you are aware, the Productivity Commission has recently invited interested parties to provide initial submissions to the *Inquiry into Horizontal Fiscal Equalisation*, with a deadline of 30 June 2017. The Commission has published a guidance note to assist in the preparation of submissions for the inquiry.

The Commission raises more than 20 questions in its guidance note, many of which require careful and considered responses, and the Commission has asked that submissions be "evidence heavy".

While I appreciate that the Commission's Terms of Reference require the Final Report to be provided to the Australian Government by 31 January 2018, and this has driven the Commission's timeline, the short response period does not allow sufficient time for States to prepare the detailed "evidence heavy" submissions requested by the Commission. A number of States' clearance processes for submissions to the Productivity Commission require Cabinet approval, which will consume up to three of the six weeks allowed.

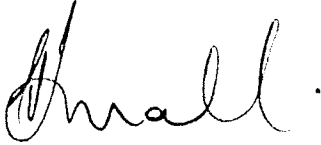
You will be aware that States are also currently preparing submissions to the Commonwealth Grants Commission's 2020 Methodology Review staff discussion paper on the *Principle of HFE and its Implementation*, which are due by 28 July 2017. These competing priorities will make it difficult to prepare detailed submissions to the Inquiry.

The GST is an important source of revenue to all States and therefore it is crucial that they are given sufficient time to prepare detailed submissions to the Inquiry. I note that States will not be given another opportunity to contribute to the Inquiry until the Commission's Draft Report is released in October 2017, by which time the Commission's views may have solidified.

In this context, such a short period for States to prepare, clear, and provide submissions to the Inquiry is inappropriate. I therefore seek a more reasonable timeframe of 1 August 2017 for submissions for all jurisdictions.

Should you have any questions or wish to discuss this matter further, please do not hesitate to contact me on 03 6166 4440.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ferrall', with a small dot at the end.

Tony Ferrall
Secretary

26 May 2017

CC

Rob Whitfield, Secretary, New South Wales Treasury

David Martine, Secretary, Department of Treasury, Victoria

Jim Murphy, Under Treasurer, Queensland Treasury

Michael Barnes, Under Treasurer, Department of Treasury, Western Australia

David Reynolds, Under Treasurer, Department of Treasury and Finance, South Australia

David Nicol, Under Treasurer, Department of Treasury, Australian Capital Territory

Craig Graham, Under Treasurer, Northern Territory Treasury