



Deputy Premier  
Treasurer  
Minister for Aboriginal and Torres Strait Islander Partnerships

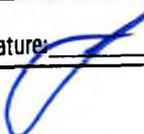
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24 MAY 2018

The Honourable Scott Morrison MP  
Treasurer of Australia  
PO Box 6022  
Parliament House  
CANBERRA ACT 2600

Queensland Legislative Assembly	
Number: 5618T904	
 15 JUN 2018	Tabled <input checked="" type="checkbox"/>
MP: Hon Trad.	By Leave <input type="checkbox"/>
Clerk's Signature: 	

Dear Treasurer *Scott,*

I note that the Productivity Commission handed its final inquiry report into horizontal fiscal equalisation (HFE) to the Australian Government on 15 May 2018. As you can appreciate, given the critical importance of GST revenue to states and territories and the significant impacts proposed in the draft report, the Queensland Government is extremely concerned that there is yet to be any formal consultation on the final report.

Media statements from the Prime Minister and yourself suggest that you are working on transition strategies rather than preparing to consult with states and territories on how to respond to the report and improve the implementation of the current system of HFE without abandoning the central fundamental principle of HFE between the states. The finalisation of the report provides a clear opportunity to better achieve the aims of HFE, in collaboration with all jurisdictions.

The Productivity Commission has proposed significant changes to the current system of HFE which would undermine the fairness of the system and would have, as advised in the draft report, seen Queensland's share of GST revenue cut by \$1.588 billion in 2017-18. This is equivalent to employing 5,000 teachers, 5,000 nurses, 3,000 police officers and 1,135 firefighters.

This is in addition to the very favourable treatment provided to other states and territories by your direction to the Commonwealth Grants Commission to exclude some Commonwealth payments from the calculation of GST distribution. This leaves Queensland without its fair share of the funding that would be spent delivering important services to Queensland communities.

The Tasmanian Government has been assured that it will not be worse off from the proposed and unseen changes in the final report. The Northern Territory Government has been given a special deal because its relativity fell in 2018. And the Western Australian Government has been given several special payments. The cost of assurances and special deals for other states will need to be borne by others,

Queensland included. I ask that Queenslanders be given similar assurances that they will be no worse off, now and in the future, from changes that flow from the final report.

I sincerely hope that you will promptly provide states and territories with a copy of the report and embark on a detailed consultation process with jurisdictions. Only then can we have a sensible discussion on the future of HFE.

Yours sincerely



**JACKIE TRAD MP  
DEPUTY PREMIER**

**Treasurer**

**Minister for Aboriginal and Torres Strait Islander Partnerships**