

Submission to the Productivity Commission: Review of GST Distribution Reforms

Date: [Insert date]

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Introduction

I am a full-time carer with decades of experience supporting family members with disabilities. This submission focuses on how GST distribution arrangements affect states' capacity to fund essential services, including health, disability, education, and community supports. For people with disability and their carers, stable and equitable state revenue is not abstract fiscal policy—it directly determines service continuity, quality, and accessibility.

Impacts of the 2018 GST Distribution Reforms

The 2018 GST distribution reforms have improved predictability for some states through the introduction of a relativity floor, Commonwealth top-up payments, and the No Worse Off Guarantee. However, these mechanisms have also shifted significant fiscal risk to the Commonwealth and created long-term uncertainty about sustainability once transitional arrangements expire.

States with higher structural service needs remain exposed to funding instability, particularly if top-up or No Worse Off arrangements were withdrawn. Such an outcome would place immediate pressure on health, disability, and education services.

Horizontal Fiscal Equalisation

Horizontal fiscal equalisation should be assessed by whether states can deliver comparable essential services, not merely by whether relativities meet a benchmark. While the post-2018 system reduces extreme outcomes, it represents a partial retreat from full equalisation and risks entrenching service disparities between states.

A reasonable level of equalisation must continue to account for population need, remoteness, and service cost differences, particularly for disability and health systems.

Volatility, Certainty, and Planning

States require predictable revenue to undertake effective fiscal planning. While the reforms have reduced the most severe volatility, GST revenue remains sensitive to economic shocks such as commodity cycles, natural disasters, and demographic change.

Further smoothing mechanisms, longer averaging periods, or clearly defined stabilisation payments could improve certainty without undermining responsiveness to genuine changes in fiscal capacity.

Impact on State Reform and Service Delivery

GST distribution arrangements should not discourage service reform or efficiency improvements. Where states achieve better outcomes through reform—particularly in disability, health, or community services—those gains should not translate into reduced fiscal capacity.

Carefully designed neutralisation mechanisms or reform incentives could support productivity improvements while preserving equity.

Conclusion

GST distribution remains a cornerstone of Australia's federal system. The review should prioritise equity, service adequacy, and long-term sustainability. Near-full horizontal fiscal equalisation, combined with improved volatility management, offers the most reliable way to ensure Australians receive comparable essential services regardless of where they live.