



Greater Hobart Strategic Partnership

Submission to the Productivity Commission – GST Distribution Reforms

27 February 2026

The Greater Hobart Strategic Partnership (GHSP), representing the councils of Clarence, Glenorchy, Hobart and Kingborough, supports the Tasmanian Government's call for a return to full Horizontal Fiscal Equalisation (HFE) and the removal of the GST relativity floor.

GST revenue represents approximately 40 per cent of Tasmania's General Government Sector revenue in 2025-26. For a small state with limited own-source revenue capacity, the integrity of HFE is fundamental to ensuring Tasmanians can access comparable services and infrastructure to other Australians.

The 2018 GST reforms weakened full HFE by:

- Lowering the equalisation benchmark below the fiscally strongest state;
- Introducing a GST relativity floor;
- Embedding structural fiscal asymmetry across jurisdictions; and
- Requiring ongoing "no-worse-off" guarantee payments to prevent revenue losses.

The need for these guarantees demonstrates that the revised system is not operating as intended and is not fiscally sustainable.

Greater Hobart's Economic Significance

Greater Hobart is Tasmania's economic engine:

- GHSP councils generated **45% of Tasmania's Gross Regional Value Add** between 2016 and 2023.
- GHSP councils account for **39% of Tasmania's full-time-equivalent employment**.
- GHSP councils are home to **37% of Tasmania's population** and drive a substantial share of the State's population growth.

Despite this central role, evidence shows that GHSP councils receive a disproportionately small share of tied grant funding.

Between 2016 and 2025:

- GHSP councils received **11.6% of total tied grant funding to councils**, compared to 88.4% for non-GHSP councils.
- On average, GHSP councils received lower per capita funding than non-GHSP councils across the period.

This misalignment between economic contribution and funding creates sustained pressure on metropolitan infrastructure and services.



Importance of GST Distribution to Tasmania and Greater Hobart

GST revenue is a critical source of untied funding for Tasmania and underpins the State's capacity to fund essential services and infrastructure. For Greater Hobart, this funding indirectly supports:

- Health, education, and justice services delivered at a regional scale
- Transport, social and community infrastructure essential to productivity and liveability
- Planning and delivery of housing and urban infrastructure in a constrained geographic and environmental context.

Unlike larger metropolitan regions, Greater Hobart faces structural cost pressures associated with remoteness, smaller scale, workforce constraints, and ageing infrastructure, while also experiencing growing service demand linked to population ageing and housing affordability pressures.

Why Full HFE Matters for Tasmania

Tasmania does not seek preferential treatment. It seeks equitable fiscal capacity.

Full HFE ensures that:

- All Australians, regardless of state, can access comparable public services.
- Smaller states are not structurally disadvantaged.
- The Federation operates on principles of fairness and cohesion.
- Fiscal sustainability is achieved without ad hoc guarantees.

The GST floor has created a two-tier system that departs from the long-standing equalisation principle agreed by all states in 2000.

For Greater Hobart, weakened equalisation means reduced fiscal certainty for:

- Transport infrastructure delivery;
- Housing supply and urban renewal;
- Social and community services;
- Climate resilience investments; and
- Support for Tasmania's key economic sectors.

GHSP Position

The Greater Hobart Strategic Partnership:

1. Endorses the Tasmanian Government's call for a return to full Horizontal Fiscal Equalisation.
2. Supports removal of the GST relativity floor.
3. Supports restoration of equalisation to the fiscally strongest state.
4. Emphasises that tied grants and temporary guarantees are not substitutes for a fair and sustainable GST system.

A fair GST system is essential not only for Tasmania's fiscal sustainability but for the integrity of the Federation.



The Greater Hobart Strategic Partnership stands ready to work with the Tasmanian Government and other stakeholders to advocate for a united Tasmanian position in support of full HFE. The Partnership urges the Productivity Commission to ensure that any future GST distribution framework:

- Maintains meaningful horizontal fiscal equalisation
- Provides certainty and stability to support long-term regional planning
- Recognises the structural challenges faced by smaller and regional jurisdictions

A GST system that supports strong regional cities such as Greater Hobart ultimately contributes to a more productive, resilient, and inclusive Australian economy.

Yours sincerely,

Cr Brendan Blomeley
Mayor, City of Clarence

Ald Sue Hickey
Mayor, City of Glenorchy

Cr Anna Reynolds
Lord Mayor, City of Hobart

Cr Paula Wriedt
Mayor, Kingborough Council