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GST Distribution Reform Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

To who it may concern,

GST Distribution Reform - City of Launceston Submission

1. Introduction

The City of Launceston welcomes the opportunity to provide a submission to the Productivity Commission on the importance of maintaining and strengthening Australia's system of **horizontal fiscal equalisation (HFE)** as it applies to the distribution of Goods and Services Tax (GST) revenue.

As a major regional city and service hub for Northern Tasmania, Launceston plays a critical role in supporting a diverse and dispersed population, delivering essential municipal services, and facilitating regional economic development. A robust and equitable GST distribution system is fundamental to ensuring that the State Government has the fiscal capacity required to support local government and the broader community.

2. LOCAL GOVERNMENT CONTEXT

Local government in Tasmania operates within one of the nation's most constrained revenue environments. Councils face rising service standards, increasing regulatory responsibilities, and significant long-term infrastructure renewal demands. These pressures are compounded by Tasmania's structural characteristics, including lower average incomes, an ageing population, and geographically dispersed communities.

As a regional centre, Launceston provides services and infrastructure that extend well beyond municipal boundaries—supporting neighbouring councils, regional industries, and the broader Northern Tasmanian economy. The fiscal strength of the State Government, supported by HFE, directly influences the resources available to councils to meet these demands.

3. IMPORTANCE OF HORIZONTAL FISCAL EQUALISATION

3.1 Ensuring Equity

The principle underpinning HFE—that all Australians should have access to comparable levels of public services regardless of where they live—is essential for maintaining equity. Smaller and less fiscally advantaged jurisdictions such as Tasmania rely on this principle to achieve service levels comparable to those of larger states.

HFE recognises that Tasmania faces higher per-capita service delivery costs and has more limited revenue-raising capacity. Without a strong equalisation mechanism, Tasmania would face material reductions in its ability to fund essential services.

3.2 Supporting the Financial Capacity of the Tasmanian Government

GST revenue, distributed according to HFE, represents the single largest source of untied funding for the State Government. This funding supports the operation of essential services—health, education, transport, emergency management—and directly influences the State’s ability to partner with local government on region-shaping projects.

A fiscally stable State Government is a necessary foundation for a fiscally sustainable local government sector.

3.3 Enabling Local Government Stability and Long-Term Planning

For the City of Launceston, a stable and equitable GST arrangement:

- enhances predictability in State funding contributions to local infrastructure,
- promotes coordinated regional planning,
- reduces cost-shifting risks, and
- supports long-term asset and financial planning.

The equalisation framework helps protect local governments from volatility in the broader national economy by ensuring that the State remains able to meet service delivery expectations even as its own circumstances change.

3.4 Supporting Regional Economic Development

Launceston’s role as a regional economic centre means that population growth, business attraction, and investment depend heavily on the quality and reliability of public services. HFE ensures Tasmania has the revenue capacity needed to maintain and improve the infrastructure that supports regional productivity—transport networks, public facilities, recreational assets, and economic precincts.

Strong State funding translates into strong regional economies and improved community wellbeing.

4. IMPLICATIONS OF UNDERMINING HFE

Any erosion of equalization - whether through floors, caps, or modified relativities - would disproportionately disadvantage smaller states and regional communities. Tasmania, with its unique demographic and economic characteristics, would face a reduced GST share, putting pressure on State-delivered services and increasing the likelihood of financial and infrastructure burden shifting to local government.

For the City of Launceston, such changes would risk:

- reduced state investment in regional infrastructure,
- higher reliance on councils to fill service gaps, and
- increased financial pressures across the local government sector.

Maintaining full and fair HFE is therefore essential for the long-term sustainability of Tasmania’s local government network.

5. SUPPORT FOR THE TASMANIAN GOVERNMENT'S POSITION

The City of Launceston supports the Tasmanian Government's consistent advocacy for full horizontal fiscal equalisation and its position that recent reforms have diluted the integrity of the system. We endorse continued engagement by the State Government to ensure that Tasmania receives a fair distribution that accurately reflects its service delivery needs and revenue-raising limitations.

6. CONCLUSION

The City of Launceston strongly supports the continuation of a full horizontal fiscal equalisation model as the most effective and equitable means of distributing GST revenue across Australia.

A fair and stable HFE system is essential to the financial sustainability of the Tasmanian Government, the operational capacity of local governments, and the well-being and liveability of communities throughout Northern Tasmania.

The City of Launceston appreciates the opportunity to contribute to this inquiry and would welcome the opportunity to participate in further discussions.

Yours sincerely

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