

Submission to the Productivity Commission's GST Distribution Reforms Interim Report

September 2026



Chair Cr Kevin Beatty, Mayor, Cabonne Council

30 September 2026

Productivity Commission
GPO Box 1428
Canberra City ACT 2601

By email: gst.reforms@pc.gov.au

Dear Commissioner,

Re: Submission to the Productivity Commission Inquiry into GST Distribution Reforms

The Central NSW Joint Organisation (CNSWJO) welcomes the opportunity to provide a submission to the Productivity Commission's inquiry into the 2018 GST distribution reforms.

CNSWJO speaks with a unified voice for its collective priorities. This region has a proud history of working collaboratively, representing over 180,000 people covering an area of more than 53,000sq kms comprising the local government areas of its membership- Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes, Weddin.

Central NSW is a region that contributes significantly to the Australian economy through agriculture, mining, manufacturing, freight, tourism and renewable energy development. Our member councils are responsible for extensive road networks, water and sewer infrastructure, community facilities and local services that underpin regional productivity and liveability.

CNSWJO supports the Productivity Commission's examination of whether the 2018 GST distribution reforms are operating efficiently, effectively and as intended, and whether alternative arrangements would deliver better outcomes. The Joint Organisation believes the evidence now demonstrates that the 2018 reforms have increased complexity, reduced transparency and produced outcomes that are increasingly difficult to justify from both an equity and productivity perspective¹.

The Current System Is Not Delivering Equitable Outcomes

The principle of ensuring Australians have access to comparable government services regardless of where they live remains important and should continue to underpin GST distribution arrangements. However, the current system is no longer delivering transparent or equitable outcomes.

The Productivity Commission's interim findings have identified concerns that the 2018 reforms have made the GST distribution system less equitable, less consistent and more complex than intended. Likewise, the

¹ <https://www.pc.gov.au/inquiries-and-research/gst-reforms/>

NSW Government notes that the reforms have imposed substantial costs while failing to deliver the intended policy objectives².

The outcomes generated by the current arrangements highlight the need for reform. For 2026-27, NSW will receive just 82 cents in GST revenue for every dollar contributed, representing its lowest relativity since the introduction of the GST. This is down from 86 cents in 2025-26 and 92.4 cents in 2023-24. At the same time, NSW is expected to receive approximately \$1.4 billion less GST revenue than Victoria despite having around 1.5 million more residents³.

The Commonwealth Grants Commission has also estimated that Western Australia will receive approximately \$6.6 billion more in 2026-27 than it would have received under the arrangements that existed prior to the 2018 reforms, illustrating the significant fiscal impact of the current system⁴.

The Impact on Regional Councils

While GST distribution is often debated as a state government issue, its practical consequences are felt most acutely in regional communities and local government.

Regional councils across NSW are facing growing demand for infrastructure and services while simultaneously managing escalating costs, workforce shortages, disaster recovery obligations and ageing assets.

The ability of the NSW Government to invest in regional infrastructure is directly influenced by the level of GST revenue available to the State. When NSW receives a reduced share of GST revenue, funding available for critical regional projects is constrained.

For councils, this translates into reduced opportunities for partnership funding and increased pressure on local government to respond to community needs within existing revenue constraints.

The impacts can be seen across multiple areas of regional importance, including:

- regional roads and bridges;
- housing-enabling infrastructure;
- water security projects;
- passenger rail and public transport improvements;
- disaster mitigation and resilience works;
- health and community infrastructure; and
- economic development initiatives.

Regional NSW already carries a significant responsibility for supporting national productivity through food production, mining, energy generation, freight movements and export industries. Reduced investment in enabling infrastructure ultimately restricts the economic potential of both regional NSW and the nation as a whole.

A Productivity Issue, Not Just a Fiscal Issue

The Productivity Commission's inquiry appropriately recognises that GST distribution should be assessed not only through the lens of fiscal equalisation, but also in terms of broader economic outcomes⁵.

² <https://www.nsw.gov.au/nsw-government/fairer-gst>

³ <https://www.nsw.gov.au/ministerial-releases/gst-grants-formula-should-be-simple-predictable-and-transparent>

⁴ https://www.cgc.gov.au/sites/default/files/2026-03/U2026%20Media%20Release_Final.pdf

⁵ <https://www.pc.gov.au/inquiries-and-research/gst-reforms/>

CNSWJO believes the current arrangements can have unintended consequences for national productivity by reducing the capacity for investment in high-growth states and regions that support economic activity across Australia.

Central NSW provides a clear example. The region is experiencing increasing demand for freight infrastructure, renewable energy investment, workforce housing, water security projects and transport connectivity. These challenges require coordinated investment from all levels of government.

A GST distribution system that significantly reduces the revenue available to NSW limits the State's ability to support these priorities and can delay investments that would otherwise deliver broader economic benefits.

The current arrangements therefore risk undermining the very productivity outcomes that Australia requires to support future economic growth and fiscal sustainability.

Support for a Fairer and More Sustainable GST Distribution Model

CNSWJO supports reform of the current GST distribution arrangements to deliver a system that is fairer, simpler, more transparent and better aligned with the long-term productivity needs of Australia.

The current arrangements have become increasingly complex and difficult for communities to understand. At the same time, the outcomes generated by the system are raising legitimate questions about equity, efficiency and whether the distribution of GST revenue is supporting the infrastructure and service needs of a growing population and economy.

Rather than advocating for a single predetermined model, CNSWJO encourages the Productivity Commission and governments to consider reforms that strike an appropriate balance between fiscal equalisation, economic productivity, transparency and long-term sustainability.

Any future model should:

- be transparent and easily understood by governments and the broader community;
- provide greater certainty and predictability for long-term infrastructure planning;
- recognise the infrastructure and service demands associated with population growth;
- maintain appropriate support for jurisdictions with lower fiscal capacity;
- minimise distortions that may adversely affect national productivity and economic growth; and
- support all levels of government to deliver essential services and infrastructure to their communities.

CNSWJO supports reforms that result in a more equitable distribution of GST revenue and better outcomes for regional communities across Australia.

A reformed system should ultimately strengthen the capacity of governments to invest in the infrastructure, housing, transport, water security and community services that underpin productivity, economic development and quality of life in regional Australia.

Conclusion

The Productivity Commission's inquiry provides an important opportunity to reset Australia's GST distribution arrangements and restore confidence in a system that has become increasingly complex, costly and difficult to justify.

From the perspective of regional local government, the issue extends well beyond state budgets. GST distributions ultimately influence the infrastructure, services and investment that shape the lives of regional communities.

The current arrangements have contributed to a situation where NSW receives only 82 cents in GST revenue for every dollar contributed, despite supporting Australia's largest population and economy. At the same time, regional councils face growing infrastructure backlogs, increasing disaster resilience responsibilities and escalating service delivery costs.

CNSWJO therefore supports reform of the current GST distribution arrangements to deliver a fairer, more transparent and more sustainable system that better balances fiscal equalisation, population growth, productivity and infrastructure investment.

CNSWJO would welcome the opportunity to discuss this submission further and to be included in any targeted consultation.

If you require further information or clarification on comments in this submission, please do not hesitate to contact the CNSWJO's Executive Officer, Ms Kate Barker, on 0428 604 513.

Yours sincerely,

Cr Kevin Beatty

Chair

Central NSW Joint Organisation (CNSWJO)

Mayor of Cabonne