

FOR PRESS

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PREMIERS' CONFERENCE FEBRUARY 1970  
COMMONWEALTH'S OFFER : NEW FINANCIAL AGREEMENT

The Commonwealth today offered the States new bases for improving State revenues in a new financial agreement.

The Commonwealth agreed in principle that there should be an increase in the basic amount of money on which increases in State revenue grants are calculated and offered to discuss this with the States. The Commonwealth however, rejected the proposal that the rate of growth should be tied to the rate of growth of income tax collections.

The Commonwealth also agreed in principle that there should be a change in the betterment factor so that the State revenue grants should grow more quickly year by year. This too will be discussed with the States.

The Commonwealth suggested that it should, progressively over the term of the next agreement, assume full responsibility for a proportion of State debt - suggesting for purposes of illustration a figure of one billion dollars.

The Commonwealth also suggested that in order to prevent State debt growing as fast as it otherwise would do the Commonwealth should provide a portion of the loan programme as, in effect, revenue grants rather than loans.

The Commonwealth indicated it could not agree to vacating part of the personal or company income tax field and said that in its opinion income tax rates in these fields should be uniform and that personal income tax rates should be decreased from their present levels. However it undertook to join with the States in examining any proposals made by the States for an alternative field of growth tax.

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CANBERRA  
26 February 1970