



PRIME MINISTER

FOR MEDIA

Monday 22 April 1985

Cabinet decided today that the Government would present a major statement on expenditure to the Parliament in May.

The statement will cover major expenditure savings decisions, contributing to a reduction of at least one billion dollars in 1985-86 Commonwealth outlays.

The statement is to be made in May rather than in the August Budget to secure savings over the full financial year commencing 1 July 1985.

The statement will not cover matters related to Federal-State financial relations, which will be the subject of Premiers' Conferences in May and June.

Together with further savings to be announced in the August Budget, and the outcome of the Premiers' Conferences, the measures covered by the May statement will allow the Government to meet its trilogy commitments for 1985-86.

The trilogy commitments require us to reduce the deficit in money terms and Commonwealth outlays and tax revenue as shares of Gross Domestic Product.

It is likely that the recent depreciation of the Australian dollar will lead to upward revisions of expected revenue for 1985-86, in excess of upward revisions of the costs of on-going priority programmes.

Part of this net revenue benefit to the budget will occur through the crude oil pricing decision taken today.

The Cabinet today decided that none of any increased crude oil excise revenue resulting from today's decision will be used to support new spending programs, or to avoid spending cuts which would otherwise have been made. These receipts, and any other net revenue benefits flowing from the \$A depreciation, will be applied to strengthening the economy and preserving the advantages won by the depreciation, through either the reduction of the deficit or subsequent reductions in taxes and charges.

The recent depreciation provides Australia with a great opportunity to boost production and employment in export and import-competing industries. To seize this opportunity, we must avoid the dissipation of our improved competitiveness through a new inflationary cycle.

The Government is determined that a firm fiscal policy will play its full part in the national effort to sustain recovery and preserve the benefits of depreciation.