



## PRIME MINISTER

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**PRIME MINISTER'S OPENING REMARKS  
1990 PREMIERS CONFERENCE  
CANBERRA - 28 JUNE 1990**

Premiers and Chief Ministers, I extend a warm welcome to you all. There are certainly a number of new faces around the table since we last met: Wayne Goss, Michael Field, Trevor Kaine and, of course, Australia's first woman premier, Carmen Lawrence. The older hands are welcome back too; I am pleased to see John Bannon, John Cain, Nick Greiner and Marshall Perron joining us once again.

On this year's agenda I see two major issues: the need for continuing fiscal restraint by all levels of government and the need for Commonwealth-State co-operation on micro-economic reform. These issues are critical, and not unrelated.

The end product of micro-economic reform is greater efficiency: the provision of better services at lower cost. That is a desirable end in itself - both for us as service providers and for the members of the community for whom the services are provided. But pursued in tandem with fiscal restraint, micro-economic reform is also essential if we are to make progress in improving Australia's long-term economic outlook.

So this Premiers' Conference is again focussing on the essential fundamental national tasks - and that is as it should be.

Let me now address these two elements separately.

You are all aware of the Commonwealth's views about and commitment to fiscal restraint. The serious economic problems confronting Australia require a continuing - indeed a renewed - fiscal effort from all levels of government.

My Government has been taking steps on all policy fronts to tackle our major immediate economic concerns, namely inflation and the balance of payments. An integral part of our policy approach has been to push the Commonwealth budget into surplus. We have done this to give the domestic private sector greater scope to fund the recent strong investment surge, and so reduce the demand for foreign savings. This will help the balance of payments in the short-term and in the long-term, the benefits of that investment will filter through in the form of more import substitution and production for export.

However, the impact of this strategy on total public sector savings was frustrated in 1989-90 by an increase in borrowings by the States. The statistician estimates that the Commonwealth sector's net financial surplus in 1989-90 will be \$5.6 billion. In contrast, it is estimated the States will be in deficit to the extent of \$3.6 billion.

Given present economic circumstances, I believe the Commonwealth offer before you is a fair and reasonable one. It proposes that, while general purpose payments decline, net payments to the States increase in real terms, and that global borrowing limits be maintained, at least in nominal terms.

As managers of nearly half of the total public sector outlays in Australia, you understand the impact your actions and decisions have upon the economy. The crucial role you play in the economy is also very evident when we consider the need for concerted action on micro-economic reform. Inefficiency has been rife at all levels of government in post war Australia. We have a sorry record of ill-considered interference to look back on: over-regulation, heavily subsidised Government business operations, price and marketing controls. We could all add many items to this list.

My Government firmly believes that there is much to be done to improve the efficiency of our economy; to improve the competitiveness of our industry; to improve the way in which Government delivers services to the public.

To that end, my Government embarked on a substantial program of micro-reform in our last term and we're committed to further progress now. Some of you have also taken initiatives in this regard.

There is much more that remains to be done. We must get better returns out of scarce public resources.

Inefficient production in the public sector can impose major cost penalties on the private sector. Charges for electricity, rail transport, shipping and port services, communications, and so forth, feed into the cost structure of local industries. Our export industries are particularly disadvantaged by such cost penalties, since they have to sell into competitive world markets.

By improving efficiency in the public sector we can therefore free up resources for productive use elsewhere in the economy, and remove implicit cost penalties that we currently impose through regulation or excessive charges on the private sector, especially export industries. This is a contribution that we, as Governments, must make to a more efficient, more productive, more competitive Australian economy.

In asking for your co-operation on micro-economic reform, I am asking you to join us on a difficult task. It involves changing your fundamental outlook on what Government can and should do. It involves tackling entrenched interests, and pricing services according to realistic economic criteria. Most importantly, it involves assessing the total impact of decisions on the community as a whole: not only on the groups or industries directly involved.

Later in the day I will be seeking your agreement to joining us in a special Premiers' Conference to be held later this year, and I will be writing to you suggesting a mechanism to co-ordinate work in preparation for such a conference. I make it very clear that I am not proposing Commonwealth hand-outs to increase capital infrastructure expenditure, because to inject money without taking steps to reform basic structural defects would be a waste of public resources. But I do believe we can, through co-operation and further discussion, significantly improve the use we make of the resources available to us.

Having outlined these immediate issues facing us, I want to make very clear that I and my colleagues in the Commonwealth Government fully recognise that there are other aspects of Federalism - other issues in the management of Commonwealth/State relations - which are of great importance.

The economic and social health of our nation is in no small part dependent upon the most efficient possible management of relations between our Governments - relations beyond the scope of our fiscal ties and our micro-economic co-operation, as fundamental as they are. We are all participants in a Federal system of great breadth that has substantial impact in virtually every area of daily life. We all have an obligation to make that system work as well as we possibly can.

This is no longer merely an imperative in terms of trying to ensure the most efficient delivery of the services provided by government programs to Australians who need them, but an imperative in terms of our aspiration for an Australia in the best possible shape to face the 21st Century. I have no doubt that that is an aspiration shared by all of us around this table.

I am concerned that we should manage our relationship across the wider range of Federal issues more effectively and co-operatively than in the past - not solely longstanding and important issues of Commonwealth-State relations such as the allocation of functions, but newer issues facing governments at all levels, of which the protection of the environment is perhaps the clearest and most important example. Indeed I would like to believe that there is scope in 1990 - only a decade or so away from the centennial of the Australian Federation - not merely to correct this or that particular defect in the relations between our Governments but to begin a process leading to a genuine partnership, a modern partnership.

I have been giving careful, quiet consideration and reflection for some time now to the need for such a partnership and how we might make progress towards it. It is clear from comments a number of you have made, and from discussions I have had with several of you that you have been thinking to some extent along parallel lines. This is very healthy and I welcome it.

So I say to you that these wider matters have not been forgotten or neglected, despite our necessary but narrower focus on fiscal restraint today, and that I shall be elaborating upon them in a major speech I shall be giving in the near future.

I'll now ask the Treasurer to speak in greater detail about the economic outlook to help us get a clearer picture of the situation within which we must consider our agenda today.

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