



PRIME MINISTER

STATEMENT BY THE PRIME MINISTER, THE HON P.J. KEATING, MP

SOUTH AUSTRALIA'S DEBT AND PAYMENTS PROBLEM

Recognising that the Commonwealth's responsibility for the health and well being of the national economy necessarily involves a concern for the economic and financial position of the individual States, the Commonwealth has for some time been concerned that the debt burden imposed on South Australia as a consequence of the actions of the State Bank of South Australia has placed an extraordinary and unfair burden on the people of South Australia and constrained the State in its ability to participate in the economic recovery now underway.

The Prime Minister and the Premier have recognised that the debt burden imposed by the SBSA goes beyond the capacity of South Australia to resolve without placing an undue burden on the citizens of the State.

The Commonwealth Labor Government is prepared to provide special financial assistance to South Australia in order to help the State in reducing its current debt burden. This action is consistent with decisions the Government has taken in recent years to assist Tasmania, Northern Territory and Victoria.

The Keating Government is prepared to provide special assistance to South Australia of a net present value of \$600 million. This assistance will take the form of a combination of cash grants and debt waivers over this year and the next two years and is conditional on the Bank being sold.

In recognition of the Commonwealth's decision, the Premier will recommend:

1. the sale of the SBSA as quickly as practicable consistent with achieving a fair market price.
2. that the SBSA be brought into the Commonwealth's tax net free of tax losses from 1 July 1994 or upon sale, whichever comes first and the State will make no further claims
3. that all existing tax losses will be extinguished
4. that the SBSA be brought under the prudential supervision of the RBA no later than 1 January 1994 by legislation.

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South Australia has indicated that it will be introducing a debt management plan designed to return the State's debt burden to sustainable levels. South Australia will be consulting with the Commonwealth on the details of the plan.

This package of measures to be implemented by the Keating and Arnold Governments will lead to a reduction in South Australia's debt by well in excess of \$1 billion. This deals in a dramatic way with South Australia's ongoing debt problems. The Commonwealth is confident that this will provide South Australia with the capacity to fully and properly participate in the economic recovery of Australia.

The Commonwealth has agreed to give effect to this agreement upon its re-election.

ADELAIDE
Wednesday, 17 February