



PRIME MINISTER

14 June 1996

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
AND TREASURER HON PETER COSTELLO MP
PRESS CONFERENCE PARLIAMENT HOUSE, CANBERRA**

E&OE.....

PRIME MINISTER:

Well, ladies and gentlemen, I just want to briefly say that the financial side of the Premiers' Conference has been completed. The Commonwealth and the States have agreed to an arrangement whereby the wholesale tax exemption in relation to private plated vehicles owned by the Commonwealth, the States and Local Government will be removed with effect from the 11th of June. The States indicated to us that they had very strong reservations about the proposal to extend wholesale tax or withdrawal of the exemptions into other areas. You will recall that the offer made by the Commonwealth indicated that the maintenance of the agreement concerning financial assistance grants was conditional in relation to acceptance of the wholesale tax proposal. Given that the States expressed those reservations and put forward alternative proposals we have accepted those alternative proposals. The effect of those is to reduce the Commonwealth's general revenue payments to the States by a sum of over \$1.5 billion over a three year period. The proposal that was put by the States to the Commonwealth last night was in the order of \$1.2 billion over that period and as a result of some discussions this morning that figure has risen to \$1.5 billion in net terms. I emphasise that the Commonwealth in putting forward the sales tax proposal had a number of things in mind. It had in mind the belief that the change proposed was good policy. It had in mind the fact that the States ought to make a contribution to the Commonwealth Budget problem and we were also concerned about abuses. In its far more limited form the third limb is covered. The second limb, that is the contribution to the Budget, is covered and I think covered very, very adequately. It is true that the good policy objective is not achieved but given the strength of the States' feeling and the fact that we were imposing it in respect to the States' own activities the Commonwealth took the decision that that was a

reasonable compromise in the interests of maintaining cooperative arrangements. Premiers' Conferences ought not to be simply arguments about who wins particular debates. We regard the bottom line outcome as more than satisfactory and there has obviously been some compromise. I have indicated in general terms to the States that the reductions that might be made by the Commonwealth in its current budget round to specific purpose payments will not exceed in aggregate 3% in relation to the specific purpose payments that go directly to the Commonwealth as distinct to those that go through the Commonwealth to other bodies. I should also indicate to you that the Premiers' Conference has now moved into the COAG meeting. We have approved the new procedures regarding treaties and we'll be considering matters relating to health and housing and gas reform when we go back shortly after this news conference. Could I just add, on another matter, that the Treasurer and I are particularly pleased at the decision of the National Bank and the Commonwealth Bank to further reduce housing interest rates. They are now, in relation to those two banks, down to a figure of 9.75%. These bigger than anticipated reductions indicate, yet again, the enormous advantages that accrue to the generality of Australian families when you have a competitive climate in the Australian banking industry, and the daughter of Campbell proposal ...

TREASURER:

The Wallis proposal.

PRIME MINISTER:

The Wallis, well the Wallis inquiry, Wallis the daughter of Campbell inquiry will further I think reinforce the competitive elements of the Australian banking system. Now, we have time for no more than three or four questions.

JOURNALIST:

Mr Howard can I ask you about the interest rates...

PRIME MINISTER:

Sure.

JOURNALIST:

Do you both believe that there's room for further reductions in home loan rates by the major banks?

PRIME MINISTER:

Well that's a matter for their commercial judgement. What we do believe that the boost to Australian families for housing interest rate reductions is about the best boost they can get. Nothing quite equals a cut in housing interest rates for the generality of Australian families. It

really is a huge confidence boost for the property market for the real estate industry. I think it's a light at the end of the tunnel for a lot of people to see housing interest rates coming down and it does reinforce the point that if you have competition then the consumer benefits and that is a point that ought not to be lost on anybody when you're looking at economic issues.

JOURNALIST:

Mr Costello, how did it feel to have the Prime Minister undercut you at the Premiers' Conference?

TREASURER:

I wouldn't know would I...

JOURNALIST:

Is that because you weren't at the meeting this morning?

PRIME MINISTER:

What meeting are you...are you referring to the meeting between myself and the Premiers? Well of course I had a meeting with the Premiers. There were no Treasurers, either Commonwealth or State. John, can I tell you, it is perfectly normal practice at Premiers' Conferences, I know.

JOURNALIST:

.... Keating as Treasurer under Hawke....

PRIME MINISTER:

Well, you know, I can tell you that as far as...I've been to a lot of Premiers Conferences where from time to time the Prime Minister has had meetings with the Premiers without my being present. I can also tell you that in relation to today, it is true that I had two meetings with the Premiers without any Treasurers being present. It is also true that in relation to both of those meetings, matters to be discussed were discussed between the Treasurer and I before the meetings and after them, and none of the decisions about financial matters were agreed to by the Commonwealth without total consultation between myself and the Treasurer. I think any suggestion that there's been any undercutting of the Treasurer by me is wrong, and I reject it completely. We discussed everything, and the view of the Commonwealth that I took to those discussions was a view jointly arrived at between the Treasurer and myself in previous discussions.

JOURNALIST:

(inaudible)...total bottom line is \$1.5 billion over three years will include specific purpose payments reductions or what is the total Commonwealth....?

PRIME MINISTER:

No. Well we haven't made our final decisions in relation to specific purpose payments. We have indicated that the outer extremity is a particular figure in relation to all of them, but in some cases, for example, I've indicated to the Premiers, so I might as well indicate it to you, we have indicated that we won't be making any changes to the payments made to the States for schools' education, for example, we'll be maintaining the real value of those payments. Now there are other decisions yet to be taken but the totality of them in the specific purpose area is not going to go below...it would not exceed the 3% figure.

JOURNALIST:

Mr Howard, you hardened your decision overnight on the deal and then you softened it again. Can you explain that change? Secondly, you seem, both of you, to have been all over the place in the last few days. Do you think that there's anyway that you could have handled the run up to this Premiers' Conference better than the past two days?

PRIME MINISTER:

Well there are a number of propositions in that question that I naturally don't accept. In relation to the final deal, I'm not going to talk about hardening and softening. What I am going to tell you is that the final outcome as far as the contribution of the budget bottom line is concerned is very good from our point of view.

JOURNALIST:

Could you have stopped this shamozzie?

PRIME MINISTER:

Well the Premiers' Conferences always involve a lot of putting and taking and coming and going, and there's always a certain amount of posturing at Premiers' Conferences. They are the normal stock in trade of such gatherings and I don't feel particularly concerned about that for a moment.

JOURNALIST:

So is Mr Costello's posturing earlier this week when wasinaudible...

TREASURER:

Can I make it clear that our opening offer - and it was in the documentation - was an offer to maintain the value of FAGs conditional on the WST. And I also said at that time that we would entertain back bids. Now, the Premiers said that the WST was acceptable to them in respect of the privately plated vehicles, but their back bid was a 1.5 billion dollar over three year contribution to the Budget bottom line. We were able to agree on that. We put our proposal, a counter proposal came in. At the end of the day we were able to agree, as the Prime Minister says, we cover the wholesale sales tax in the area of most concern to us and we get a contribution to filling in the Budget deficit.

JOURNALIST:

Whatever became of the economic policy objectives you said you were pursuing when you announced the \$300 million figure on wholesale tax?

TREASURER:

Well, the Government position we argued at the time was that this was good tax policy for all of those reasons of competitive neutrality and transparency, and to stop rorting. Now, we didn't convince the Premiers of that. The Premiers took the view that they would agree to the wholesale sales tax to stop rorting. But in relation to the contribution to the Budget deficit, they'd prefer to do it in another way.

JOURNALIST:

So if there's a structural measure how do you rate this... (inaudible).

TREASURER:

Well no, I think you're going a bit overboard. As the Prime Minister said, it achieves the rorts objective. We didn't convince them as to the transparency. We didn't convince them in relation to payroll tax either.

JOURNALIST:

Mr Costello if the withdrawal of wholesale sales tax on cars and everything else was up to negotiation, why then did you implement the wholesale sales tax withdrawal on cars in Tuesday's announcement?

TREASURER:

Well I announced that it would have effect from Tuesday - you've got to have an announcing date - and it will in relation to private plated vehicles. The announcement date, the date from which it takes effect, stands. The coverage is only in relation to the privately plated vehicles.

JOURNALIST:

Have you indicated to the States that if the Budget bottom line improves in its second and third year that the \$1.5 billion may not be required?

PRIME MINISTER:

I think the arrangement is on the understanding if there is a wholly unexpected return, dramatic return to surplus in the course of the next 18 months, well it might be up for review but it has been couched, can I say in those very, very general terms. So don't, I mean, don't anybody run away with the impression that, barring some miracle, the arrangement will stand. And I've got time for one more question.

JOURNALIST:

Mr Howard, did you call Mr Egan a "prick"?

PRIME MINISTER:

No.

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