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PRIME MINISTER

21 March 1997

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
WITH THE TREASURER, THE HON PETER COSTELLO MP
PRESS CONFERENCE AFTER PREMIERS' CONFERENCE
PARLIAMENT HOUSE, CANBERRA**

E&OE.....

The meeting was shorter and quieter than last year. There was a ready acceptance by the States for the Commonwealth honouring the commitments made last year in relation to the financial assistance grants. We did agree to special requests from both the Australian Capital Territory and Tasmania to defer half of their contributions for this year into next year. That was put forward as a special request from those two jurisdictions because of the particular economic circumstances and it was supported by the other states and the Commonwealth agreed to that. In relation to the specific purpose payments the Commonwealth confirmed the offer document which is the amount of specific purpose payments in the forward estimates and we said as a maximum in the budget process we would cut 1.3% off those specific purpose payments. Last year we said that we would cut three percent as a maximum off the specific purpose payments as outlined in the forward estimates. It is fair to say the States weren't happy with that figure but of course that is not a negotiated figure. The idea that you reach agreement on what we pay another party out of our budget has never been a part of Premiers' conferences. In the end, like any other outlay, the Commonwealth will determine how much is paid out of the budget. The meeting also at the end had a very intense and helpful discussion about what of course is the predominant domestic challenge Australia faces at the moment and that is to find a resolution to the very difficult Wik issue. It was a very good discussion and it was of great assistance to me in the light of my meeting on Sunday afternoon at the Lodge with representatives of the indigenous community, the mining industry and the National Farmers Federation and I took the opportunity fortuitously of this gathering to get the views of the State Premiers. Last night in particular they expressed appreciation of the fact that on this occasion with this government they have been fully consulted and fully involved in discussing matters relating to Native Title. But overall as Premiers' conferences go, it was a fairly straightforward meeting. Inevitably there are disagreements. States rarely express rapture at the financial offers of the Commonwealth; we kept our word on the financial assistance grants; we gave a little special assistance to Tasmania and the ACT; we said that at a maximum we might take

\$139 million out of \$10 690 million of specific purpose payments to the States, that being the figure in the forward estimates.

JOURNALIST:

Is that figure, 1.3 include a one percent additions in the....that you foreshadowed some time ago?

COSTELLO:

The efficiency dividend which was announced in last years budget was in relation to running costs on specific purpose payments. It's already been factored into the specific purpose payments. What our forward estimates have in them, is as the Prime Minister said, an amount for specific purpose payments of \$10 692 million. We said in our budget we couldn't see us affecting that by more than 1.3% and we won't. Now, what it actually is, it may be less but it certainly can't be more. Last year we said we wouldn't affect specific purpose payments by more than 3% - we affected them by two and a half.

JOURNALIST:

They say that you are forcing them to make the tax increases, that you aren't man enough to make yourself. They are going back to....

PRIME MINISTER:

They wanted me to break my commitment to the Australian people about putting up tax. It's always easy to tell somebody else to break his or her promise.

JOURNALIST:

They're going back to their states to galvanise public opinion now, it's the Howard tax, the Costello tax to this service and so on. Are you happy to wear that?

PRIME MINISTER:

Well I think it will be seen as part of the ritualistic aftermath of Premiers' conferences. The public has heard it before. Can I just give you one little statistic. Even if we were to cut the whole \$139 million out of the specific purpose payments, total Commonwealth payments to the States in 1997/98 would rise by about 0.7%. If we didn't cut one dollar out of our own purpose payments in the coming budget, they will be rising by 0.8%. We obviously will cut many millions of dollars out of the forward estimates in relation to the Commonwealth's own purpose payments so the point I simply make is that any suggestion that we are cutting the States harder than we are cutting ourselves is wrong.

JOURNALIST:

... 1.3% as a maximum is a bit bigger for the Commonwealth to be adding to its own purpose outlays in the Budget?

PRIME MINISTER:

I don't want to get into that but we will obviously not....

JOURNALIST:

... inaudible...

PRIME MINISTER:

Well what is relevant is to look at all of the payments to the States and when you lump in the financial assistance grants and the specific purpose payments. In the forward estimates they are up by 1.1 - which will take away the \$139 million that gives you the 0.7 and what I'm saying is that even if we didn't take a dollar out of our payments, we're on 0.8%. We're obviously going to take many dollars out so from what those sort of arguments and comparisons are worth... it can hardly be said that we are asking them to carry a burden that we are not carrying ourselves.

JOURNALIST:

... limit the cuts in the budget to your own purpose payments to 0.2%, you're saying now that that's not the case?

PRIME MINISTER:

Well, I'm saying the figures are as I describe them.

COSTELLO:

Can I give you the actual figures? The actual figures are....

PRIME MINISTER:

... are better. Well they are!

COSTELLO:

Of course they are Prime Minister! In 1996/97 the actual payments to the States are \$33 billion \$188 million. Our forward estimates show including the increase in the FAGS, the financial assistance grants, that in 1997/98, it would be \$33 billion \$553 million, that is a 1.1% increase. We reserve the right to reduce that \$33 billion \$553 million dollars by \$139 million. We reserve that right. If we exercise that right the increase would be 0.7% rather than 1.1% - that's the worst the States could do. The point the Prime Minister is making is the best the Commonwealth could do, that is if

no money were cut out of Commonwealth owned purposes - is 0.8%. That's the best the Commonwealth could do.

PRIME MINISTER:

And I can assure you that won't be the case because we will be cutting out of our own purpose outlays, so that sort of disposes of the argument that in some way we're being harder on the States than on ourselves.

JOURNALIST:

Can you tell us what the difference would be for the second fiscal year, 1998/9 which is your target fiscal year?

COSTELLO:

Well this was only in relation to 1997/8. In relation to 1998/9, there would be the real increase plus the fact that it's only been reduced by 50% would lead to substantive increases. I can't give a figure but it would be greater in 1998/99 on current policy, but we haven't discussed specific purpose payments for 1998/9 yet with the States. But the point that the Prime Minister makes is, the Commonwealth has never agreed on specific purpose payments announced with the States.

PRIME MINISTER:

It's an alien notion to the whole Premiers' Conference procedure. You don't negotiate an agreement on specific... I mean, last year I didn't negotiate an agreement with the states, I told the Premiers that in response to a question, that we did not expect that the reductions in the specific purpose payments would be greater than 3% off the forward estimates and they expressed satisfaction with that assurance, and it ended being 2.5% but you don't reach an agreement on these things. I mean, you listen and you are courteous and we were and we did.

JOURNALIST:

Mr Howard what was your position in terms of the States arguing this afternoon for a significant change in the rights to negotiate process under the Native Title Act?

PRIME MINISTER:

Well that issue along with a number of other issues has been under discussion for quite some time and I'm not going to in the interests of keeping all the options that ought to be on the table on the table. I'm not going to get into the detail of what was discussed this afternoon or last night or what was discussed about 10 days ago when I had a meeting with Mr Borbidge. I'm trying to get an agreed outcome and I want to express my appreciation of the very constructive attitude that the Premiers have taken, and I include all of the Premiers in that. I include the Premier of New South Wales as much as I include the Premiers of the other States. I think they are genuinely trying to reach an agreement. It's going to be very hard because the parties are still a long way apart.

JOURNALIST:

Can I ask what's your expectation after your talks today on the timing of a decision by you on this? Secondly, we were talking a little earlier by Tracker Tillmouth, that they are hoping to see you I think on Tuesday. Can you confirm whether that will be...?

PRIME MINISTER:

Well the answer to that second question is yes and I'm also having a meeting with all of them together on Sunday and I am having second meeting with...

JOURNALIST:

This Sunday?

PRIME MINISTER:

This Sunday - in two days' time, and on Tuesday I am having a meeting with a group of the indigenous leaders including Tracker Tillmouth, so the answer to that is yes. My expectation on timing? It is really no different from what I've been saying up until now. I've said about Easter. Well we are getting pretty close to about Easter. Obviously if we are on the verge of a breakthrough in this area and you need another week or two or three, well, nobody's going to quibble about that. On the other hand if it looks over the course of the next week or two we are not on the verge of breakthrough I may well shortly after I come back from China be putting certain recommendations to the Federal Cabinet.

JOURNALIST:

Did you put a package to the Premiers this afternoon, did you put forward a proposal?

PRIME MINISTER:

No, I had a discussion with them last night and then there were some discussions from the... I then had some discussions this morning with one or two of them and then there were some discussions between my office, federal offices and state officers and then there was further discussion around some proposals that came out of those discussions this afternoon. It's one of these things that just keeps rolling on and on and on.

JOURNALIST:

Have you put a central proposal of ... to put to the various parties?

PRIME MINISTER:

Look I'm trying to reach an outcome that respects the opposition of the indigenous people to extinguish but delivers the certainty to which I believe the farmers of this country are rightfully entitled, and it is very hard.

JOURNALIST:

Are you more confident now than you were say, a week ago?

PRIME MINISTER:

About the same. Going in a straight line. Reasonably flat but nonetheless straight.

JOURNALIST:

After last night's discussion on this matter were you disappointed when this morning Mr Court and Mr Borbidge came out with very strong statements saying that they basically settled for nothing short of extinguishment?

PRIME MINISTER:

I didn't actually see those statements. Seriously, I don't want to sound disingenuous but the only Premier I heard this morning was the epitome of sweetness and reasonableness. I heard the Victorian Premier being interviewed on Radio National and he correctly described my determination to bend over backwards to try and reach an agreement which was satisfactory to all parties. I understand the feelings of people on this and I am trying hard to get an agreement within the parameters I described to Laura and it's very hard and I can't say that I'm overwhelmingly confident that it can be achieved but I do understand the view of the Aboriginal community about extinguishment but they must also understand that if there is to be an alternative to extinguishment, if we are to stop short of extinguishment, we have got to reach an agreement that delivers certainty to the farmers of Australia and also a regime which prevents scores of Century Zincs.

I mean, the Century Zinc thing has been a disgrace and essentially Century Zinc has been a disaster. It's a condemnation of the Native Title Act as it now stands and perhaps the most interesting development in this whole debate is the growing incidence of Aboriginal elders and people in the Aboriginal community condemning the existing Native Title Act, the Waanyi elders who came to see me three or four weeks ago were bitterly critical of the operation of the Native Title Act so, I mean, I understand the concern of the Aboriginal people about extinguishment. They must understand that we've got to have some very dramatic changes to the present system otherwise it won't work.

JOURNALIST:

(inaudible) as a result of the consultations? How much is your own view of how this..

PRIME MINISTER:

My broad view hasn't changed. Look, you have a view. I've had from the very beginning an idea as to how you might reach an accommodation in this area if there was some goodwill from all parties and I have been trying all sorts of proposals and you put a set of proposals in some discussion and then people react to that and you add a bit and then you try somebody else and you take a bit away and you add a bit more and you just keep trying until you get something that everybody clicks on. Now in the end that might happen. In the end it mightn't. Then I've got to decide what recommendation I put to the Government.

JOURNALIST:

You've described this as a ritualistic aftermath of the states (inaudible) in the Premiers' Conference. Is it a ritualistic aftermath to have the Treasurer of Victoria accusing you of abandoning Federation and saying that (inaudible) your own expenses (inaudible)

PRIME MINISTER:

Yes. I've heard worse than that.

JOURNALIST:

...the aftermath to have the Premiers and Treasurers leave without an agreement on financial payments to the states which we have..

PRIME MINISTER:

Look there's no, the agreement stands. They made it clear in the room.

JOURNALIST:

The state Treasurers said that there was a total conflict between yourself and the Treasurer about exactly what was going on. Mr Egan said that when he asked a question of you, you nodded and Costello shook his head. I mean, why...

PRIME MINISTER:

Mr Egan has a particular way of putting things.

JOURNALIST:

Why was there so much confusion about...

PRIME MINISTER:

There wasn't any confusion about it but Mr Egan always likes to add a bit of colour.

JOURNALIST:

Why were all of the Treasurers confused about it and saying that you were ambiguous?

PRIME MINISTER:

I wasn't ambiguous because they introduced into the discussion a figure that wasn't in the offer document and a figure which hasn't been discussed in the discussions that I had had privately with the Premiers last night. I mean, let's get this straight. Last night we had a discussion and the Premier of Victoria I think it was, said to me, "Well, we seem to have got a very civilised outcome on the financial assistance grants and the commonwealth is offering its deal. Now what about the specific purpose payments?" And he said, last year you put a ceiling of 3% on any cuts? You know, what sort of figure have you got in mind this year? And I said, in the order of 1 - 2. He said, we'd like it closer to one than two. If it goes close to two there will be a lot of trouble.

JOURNALIST:

What was the figure that the Treasurers made up?

PRIME MINISTER:

Some figure of 0.8. And it was on the figure of 0.8 that this question, various questions were put to me. Look, it's always been the case that Treasurers and Premiers complain about specific purpose decisions by the Commonwealth.

JOURNALIST:

Aren't you nevertheless (inaudible) the point there, some services simply can't keep being cut, like public hospitals and so on?

PRIME MINISTER:

Actually, if you look at the contributions to public hospitals, the commonwealth contribution to public hospitals over the past five years have gone up and the state contributions have gone down.

JOURNALIST:

Mr Kennett suggested the possibility of another meeting next week.

PRIME MINISTER:

I'm too busy next week, Alan, I'm going to China on Wednesday and I've got one or two other things on.

JOURNALIST:

Mr Howard, on native title, in terms of the discussions (inaudible) in respect of native title and Century Zinc, to what extent have Aboriginal people put a view to you that some of these so called Aboriginal leaders, they're not actually representatives?

PRIME MINISTER:

Look, I'm trying to get an agreement and I am simply not going to be drawn on that. It's not helpful. I'm not into that.

JOURNALIST:

Mr Costello, do you feel that your relations with the premiers and the treasurers have improved since last year's meeting?

COSTELLO:

Actually I thought they were very warm.

PRIME MINISTER:

Yes.

COSTELLO:

In fact, very warm indeed.

PRIME MINISTER:

Almost mellow.

COSTELLO:

In fact, I actually thought it was a very warm conference.

PRIME MINISTER:

It was.

COSTELLO:

As the Prime Minister said, the agreement which was handed out in relation to the fiscal grants, the general revenue was maintained and agreed. In relation to specific purpose payments, they have never been agreed. Can I make this point about specific purpose payments. These are when the Commonwealth decides to run a programme and makes a specific purpose payment to the states to run it. Now the Commonwealth has never in the past come to an agreement about what it will spend or whether it will get out of one and into another. The Commonwealth has always made those decisions in the budget context and that has been the position at every Premiers' Conference.

Last year for the first time ever we gave an indicative figure. We gave another indicative figure this year but these are not negotiated matters.

JOURNALIST:

So the Treasurers were just stunting?

COSTELLO:

No the Treasurers are arguing a case for a status quo position. That is they don't want any further tightening in relation to..

PRIME MINISTER:

They wanted more money than we were willing to offer. Now there is nothing particularly revolutionary about that.

COSTELLO:

And we have reserved under the Budget the right to vary specific purpose payments. And all we've said is we've reserved the right to vary them but they won't be varying particularly much if the ceiling is 1.3%.

PRIME MINISTER:

If it's not a negotiated position, why did you leave the room to consider their counter offer to your 1.3%?

PRIME MINISTER:

You often go out to have a chat to each other. That happens.

JOURNALIST:

If it's not negotiated, why bother?

PRIME MINISTER:

Well we are infinitely courteous people.

JOURNALIST:

Mr Howard, we've had a confirmation that the Australian Defence Force has been put on an increased state of readiness because of Papua New Guinea. Was that merely on the possibility of evacuation of Australian nationals or was it also to give assistance to the civil calm in Papua New Guinea.

PRIME MINISTER:

Well it was in response to a routine determination by the head of the Australian Defence Force, General Baker, and it wasn't specifically in response to, it certainly wasn't in relation to the latter of the alternatives that you have suggested but it was a normally prudent, sensible thing and it was a very sort of modest acceleration of the state of readiness and the sort of thing that you would expect the commander of the ADF exercising normal commonsense and prudence to do.

JOURNALIST:

Prime Minister, what contact have you had with your emissary to PNG?

PRIME MINISTER:

Well he's returning to Australia right now and I hope to be briefed by him in either Canberra or Sydney later this evening and I have had some telephone messages relayed to me through my office but I will be seeing him as soon as possible to get an extensive debriefing from him, and I want on behalf of the Government to thank Mr Flood and Mr White and Mr Taylor for the job that I think they have done. I think they are three first class public servants who I believe have done a very good job and I am looking forward very much to hearing what they've got to tell me.

JOURNALIST:

Do you have a preliminary feeling on what's going on over there?

PRIME MINISTER:

Well it's obviously still very unstable but the calming influence being exercised by the former head of the Defence Force, General Singirok, is to be welcomed. We remain of course very strongly opposed to the use...

...do you have a preliminary feeling on what's going on over there?

PRIME MINISTER:

Well it's obviously still very unstable but the calming influence being exercised by the former head of the defence force, General Singirok, is to be welcome. We remain, of course, very strongly opposed to the use of the mercenaries and every indication we get that the mercenaries have, in some cases, gone or are going is to be welcomed. And overall the more that that is accelerated the better. We remain willing to discuss the reasonable alternatives that were put on the table at my meeting with Sir Julius Chan in Sydney last Sunday week. It's a country that's important to us and the internal stability of Papua New Guinea is something that we take very seriously. But we respect the fact that it's a sovereign country and it does have a very difficult situation in Bougainville. The impression is that things are domestically a little calmer today than what they were yesterday but I don't want to emphasise that too strongly.

JOURNALIST:

Is your information that Sir Julius Chan is now rather more inclined to look at those reasonable alternatives favourably?

PRIME MINISTER:

Well he has certainly changed his position on the mercenaries, there's no doubt about that. The mercenary contract has been suspended and there's an inquiry and it's been suspended for at least two weeks. That does represent a very significant change. I don't want to put it any more strongly than that.

JOURNALIST:

...on the specific alternative arrangements that you put to him.

PRIME MINISTER:

Well, the two were linked when I put it to him and it's obvious that there has been movement on one. I don't want to presuppose what is in his mind and I don't think it's sensible of me to try to do so. But I do note there has been movement on one.

JOURNALIST:

(inaudible)...expressed concern that money from the Natural Heritage Trust would only be paid out if the States matched it on a dollar-for-dollar basis. They said they had no idea this was the case. Is this in fact the case or would you reconsider?

PRIME MINISTER:

Well, I did receive some questions from the Premiers about that. I said that I would investigate what had taken place at the meeting between the Commonwealth and State Ministers. The preliminary advice I had was that that was not the case, but there may well have been a misunderstanding. But I'm going to find out some more information and come back to the Premiers. But we obviously, in providing a lot of extra money for the environment, we don't want that money as it were to replace State expenditure, we don't want the States to use the provision of that money as an excuse, a reason, an opportunity to reduce their own spending. But equally it's meant to be money over and above what is already being spent by the Commonwealth and the States on the environment. But I'll look into that and obviously the Commonwealth's policy in that area will be observed.

Thank you very much.