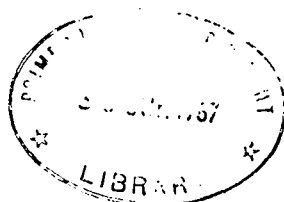


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P. M. No. 68/1967

PREMIERS' CONFERENCE AND LOAN COUNCIL MEETING

Statement by the Prime Minister, the Rt. Hon. Harold Holt, M. P.

Decisions taken at the Loan Council meeting and Premiers' Conference which concluded today provide for substantial increases in 1967-68 in the funds available to the States and their authorities for their capital works activities, and also for an increase beyond what existing arrangements would have produced in financial assistance grants from the Commonwealth to the States for their general budgetary purposes.

Funds for Capital Works Activities

In 1966-67 funds available to the States and their authorities for capital expenditures under borrowing programmes approved by the Loan Council and from specific purpose capital payments by the Commonwealth (e.g. for roads, Universities, rail standardisation and so on) will total approximately \$1,340 million, made up as follows:

	<u>\$ million</u>
State works and housing programmes	645
Semi-governmental borrowing programmes	363
Local authority borrowing programmes (a)	<u>70</u> (b)
Total Loan Council Programmes	908
Specific purpose capital payments	<u>257</u> (b)
	<u>1,340</u>

(a) Authorities borrowing \$200,000 or less in a year.

(b) Estimate.

The Commonwealth put before the States proposals which would have produced an increase in the total funds available to the States and their authorities from these sources in 1967-68 of about 10 per cent.

As a result of the discussions with the States, however, the prospective increase is now estimated at nearly 13 per cent.

The Commonwealth agreed to support a borrowing programme for State works and housing purposes in 1967-68 of \$677 million. This is \$32 million more than the 1966-67 programme.

It was also agreed that the total borrowing programmes of "semi-governmental" authorities in the States should be \$311 million in 1967-68, or \$43 million more than the 1966-67 programme.

It was also decided that there would be no limit on the overall level of borrowings by State authorities which borrow less than \$300,000 in a year. This means that authorities which had previously proposed to borrow between \$200,000 and \$300,000 a year will no longer have to be accommodated in the States' "semi-governmental" borrowing programmes. Consequently, the "semi-governmental" borrowing programme will now be shared by a smaller number of authorities. In addition, those authorities whose borrowings have been less than \$200,000 will, with the approval of their State Premiers, be able to increase their borrowings up to a maximum \$300,000 without coming within the "semi-governmental" borrowing programmes.

The estimates the States had prepared envisaged "local authority" borrowings of about \$73 million in 1967-68. As a result of the increase in the limit to \$300,000 it seems highly likely that borrowings by local authorities as now defined will be considerably higher in 1967-68.

The Commonwealth also agreed to provide direct financial assistance to Tasmania in respect of the financing of its hydro-electric programme associated with developments in the Gordon River area. Taking account of this, Commonwealth specific payments to the States for capital purposes are estimated to increase by about \$70 million in 1967-68.

Thus the funds available to the States and their authorities in 1967-68 for capital works purposes under the Loan Council borrowing programmes and from specific purpose capital payments are now estimated to total about \$1,400 million. That will be close to \$160 million or almost 13 per cent more than in 1966-67.

Financial Assistance Grants

The Prime Minister recalled that, at the February 1967 Premiers' Conference, it was agreed to alter the grants formula used to calculate the financial assistance grants so as to reduce the time lag before increases in average wages are reflected in the grants. It was also agreed to pay the States a special, non-recurring grant of \$5 million.

The effect of the decisions taken at the February Premiers' Conference was that the States received a total of \$826.6 million by way of financial assistance grants in 1966-67. This was \$11.8 million more than they would have received if the previous formula had continued to operate and if no special grant had been paid.

At the Premiers' Conference just concluded the Commonwealth agreed that for purposes of calculating the financial assistance grants for 1967-68 (and for future years) the amount of \$5.0 million paid to the States in 1966-67 be treated as an addition to the formula grants for that year. After taking account of this addition of \$5 million to the base for determining the 1967-68 grants, it is tentatively estimated that the formula grants payable to the States in 1967-68 will be about \$900 million. This would be an increase of about \$73 million, or about 8.9 per cent, on the total grants actually paid in 1966-67.

(The final figure of the formula grants will depend on the movement in average wages for the twelve months ended March, 1968 and on the increase in each State's population between December, 1966

and December, 1967. These will not be known until towards the end of the 1967-68 financial year.)

Commonwealth payments to the States in 1967-68 other than the financial assistance grants and specific payments for capital purposes are also expected to show some net increase.

Total Capital and Revenue Funds

As a result of existing arrangements and decisions taken at the Premiers' Conference and Loan Council Meeting, the total funds available to the States in 1967-68 from Commonwealth assistance and from borrowings for works programmes of the States and their authorities will be of the order of \$2,450 million compared with about \$2,200 million estimated to have been received from these sources in 1966-67. This would represent an increase of about 11 per cent.

CANBERRA
29th June, 1967.