

FOR PRESS:

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PREMIERS' CONFERENCE

Statement by the Prime Minister, Mr. William McMahon

There have been frank discussions today between the State Premiers and the Commonwealth Treasurer (Mr. Snedden) and me relating to the financial position of the States during the Budget year 1970/71.

Unanimous agreement has been reached on amounts of special additional financial assistance to be provided to the States by the Commonwealth in respect of that year.

There was agreement about the need for continued strong resistance to the inflationary trends in public authority expenditures on goods and services but at the same time recognition by the Commonwealth of the difficulties confronting the States in financing their prospective Budget deficits for 1970/71.

The Premiers laid great stress upon the need to reduce their prospective cash deficits which still remain despite the measures they had taken since February to improve their financial positions.

With this in mind, the Commonwealth offered additional revenue assistance in 1970/71 of \$43 million. This would be distributed between the States in proportion to the financial assistance grants (see attached table).

The Commonwealth's offer was unanimously accepted on the firm understanding that this additional assistance would be used to reduce the States' revenue deficits and not to increase expenditure in 1970/71 above that following the measures recently taken by the States.

Following the latest revision to the estimated increase in average earnings for the twelve months ended March 1971, the grants to which the States will now be entitled under the financial assistance grants formula for 1970/71 have been revised upwards by \$5.6 million. Taken with the \$43 million special assistance offered by the Commonwealth, this increases the revenues available to the States in 1970/71 by \$48.6 million.

Although there has been some preliminary discussion of the financial problems likely to be facing the States in 1971/72, to which I briefly referred in my opening statement (copies have been circulated), it was also unanimously agreed that it was not practicable to proceed to any definitive proposals about the States possible cash requirements at this Conference. These questions will be taken up again between the Commonwealth and the States at a further meeting towards the end of this financial year.

I welcome the degree of co-operation shown between all the Premiers and the Commonwealth. I feel it was an example of the sensible working of Commonwealth/State relationships.

CANBERRA
5 April 1971

PROPOSED ADDITIONAL ASSISTANCE TO THE STATES 1970-71

	<u>\$ million</u>		
	<u>Proposed Special Revenue Assistance (a)</u>	<u>Estimated Additional Financial Assistance Grants (b)</u>	<u>Total Additional Assistance</u>
New South Wales	14.1	1.9	16.0
Victoria	10.6	1.4	12.0
Queensland	6.6	0.9	7.5
South Australia	4.6	0.6	5.2
Western Australia	5.0	0.6	5.6
Tasmania	2.0	0.2	2.2
<u>Total</u>	<u>43.0</u>	<u>5.6</u>	<u>48.6</u>

- (a) Total of \$43 million divided between the States in proportion to their estimated financial assistance grants, including additional grants of \$2 per head to New South Wales and Victoria, of \$12.5 million to Western Australia and of \$10 million to Tasmania as well as the additional grants to Queensland resulting from the \$2 million addition to its base.
- (b) That is, additional to the estimates last supplied to the States on 11 March. The estimated additional grants result from a recent upward revision to the estimate of the increase in average wages in the year ended March 1971 from 8.25 per cent to 8.75 per cent. The final estimate of the increase in average wages, and hence of the grants, is still subject to considerable uncertainty.