



PRIME MINISTER

12.12.71

COMMONWEALTH OFFER TO THE STATES OF FINANCIAL ASSISTANCE FOR THE RELIEF OF NON-METROPOLITAN UNEMPLOYMENT

Statement by the Prime Minister, Mr William McMahon

The Prime Minister said today that following fruitful discussions between Commonwealth and State officials, which he had proposed in his letter to the Premiers on 1 December, he had now written to the Premiers putting the Government's offer in final form.

The Government's view is that the arrangements which have been developed for the administration of Commonwealth funds provided to the States for the relief of unemployment under the schemes of drought assistance should serve broadly as a model for the scheme now proposed. In particular, it was envisaged that in the present case, funds would be provided in the form of advances paid monthly.

As to the types of work to be undertaken, the Prime Minister said that the Government sees this as a matter which the States are well equipped to determine, but recognises a need to emphasise labour-intensive activities, of as productive a kind as possible. There are, however, limits to the proportion of expenditure which could usefully be devoted to labour costs. Thus, in all the circumstances, the Government would now be prepared to regard it as appropriate if up to one-third of the funds provided over the balance of this financial year was, on average over all the projects undertaken, devoted to expenditure on other than labour costs.

As to the kind of labour to be employed, the Prime Minister continued, the Government believes this also to be a matter for each State to decide in the light of its own particular requirements and priorities. However, the Government believes that as far as possible, those employed should have been registered for employment with the Commonwealth Employment Service, and envisaged that the Department of Labour and National Service would be closely associated with the scheme.

The Prime Minister then referred to the question of the amount and distribution of the funds which the Government is now offering on a firm basis to the States.

In approaching this question, the Government had commenced from the figure of \$2 million a month which, as the Prime Minister had said in his statement to the House of Representatives, was the order of cost which the Government had in mind. At the same time,

in the light of various complexities associated with the working out of the detailed application of the scheme, the Government had not had a closed mind on the matter of the funds to be provided. For example, the decision to increase the proportion of the total funds which might be applied to expenditure on other than labour costs was a factor which had been taken into account in determining the Government's final position.

Another important consideration in this respect has arisen out of the consideration of how the total funds should be distributed between the States. This is, of course, a very complex matter. In reaching the position finally adopted, the Government had sought to take into account, as far as possible, the particular problems and needs of the unemployment situation in the non-metropolitan areas of each State. While any pattern of distribution arrived at must necessarily be open to debate, that now proposed is, in the Government's view, the most equitable which could be devised in all the circumstances.

Against that background, the Government has offered to the States grants of \$2.25 million a month, and is willing to apply that figure as from 1 December last. The total amount of grants payable to all the States during the balance of this financial year would therefore, be \$15.75 million, distributed as follows :-

	<u>\$ million</u>
New South Wales	6.065
Victoria	3.545
Queensland	3.150
South Australia	0.940
Western Australia	1.100
Tasmania	0.895
	<u>15.750</u>

The Government intends that the scheme will be subject to review within six months or so (i.e. before 30 June 1972), in the light of the then prevailing conditions.

The Prime Minister emphasised that, on the assumption that it can be put into gear immediately, the Government is prepared to base the scheme as from 1 December last and, on that basis, the amount available to each State would be as indicated. He concluded by saying that, so far as the Government was concerned, the States would be free to put work in hand immediately.

CANBERRA,
12 December 1971