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## PRIME MINISTER

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### ELECTORAL TALK

Last weeks Premiers' Conference was one of the most significant ever held.

It was significant for two major reasons.

First, it broke new ground in the way in which both State and local government will share Commonwealth tax revenue in future.

State and local government will receive major elements of their financial entitlements automatically in future.

Second, the conference was significant in that decisions were made during a crucial period of Australia's economic recovery.

Spending in the public sector over the past few years has run away from reality.

The Commonwealth was spending too much of peoples' earnings. The States had come to expect too much from the Commonwealth. They promised new programmes without having the resources to pay for them. They then expected the Commonwealth to foot the bill.

At the Premiers' Conference the Government made it clear that it was standing firm in its resolve to reign in spending. The Government made it equally clear that all States had the same responsibility. Our purpose was to protect the taxpayers of Australia.

The Commonwealth Government alone cannot cure the economic ills. It needs the support of States and citizens.

Figures show that growth in State bureaucracies and in spending levels were generally just as high as the Commonwealth.

There was little indication however that the States had been prepared to act with the same economic responsibility as we believe we have shown in the last six months.

They now understand they have a great responsibility to slow their own growth back to realistic levels. If that doesn't happen, taxes can only go on being increased. And taxes are already too high.

However - even allowing for the necessary restraints in money allocation - the States will receive an extra 16.4 percent in money terms, in this forthcoming year.

This is a substantial increase.

It will cover reimbursement grants, loan programmes, semi-government loan programmes, payments to local government and welfare housing.

The Government stressed that the overall 16.4 percent increase was as much as the nation could afford at this time. We pointed out that our concern is to protect taxpayers. All Government programmes have to be paid for by a tax on individuals.

The Government also put it plainly that when high unemployment, high inflation and high interest rates are running together that you simply cannot buy your way out of the problem.

Countries that have tried this have added to inflation and added to unemployment.

Some people have looked at our new Federalism proposals merely as a device for providing States with extra money.

This view underestimates what Federalism is all about.

It is designed to give the States greater flexibility in how they spend Commonwealth money.

It is designed to give States greater responsibility for their own activities.

If they want more money for programmes they are going to have to go to the people and ask for that money. And they will have to justify spending that money.

No longer will the States be able to hide behind the back of the Commonwealth for their failure to keep promises or for their failure to meet the needs of the people.

Victoria's Premier (Mr Hamer) is resolute in his support for this ideal. He wants responsibility for the money he spends.

Those Premiers who have attacked this concept have not been prepared to accept the responsibility that Government brings. They have wanted the cash and the kudos but not the responsibility.

One of the most important matters finalised at the Premiers' Conference was the arrangement that will make local government a real partner in the Commonwealth's Federalism reforms.

Local government will be part of the tax sharing reforms which will set a new pattern in Commonwealth/State financial arrangements.

In future, a fixed percentage of personal income tax will be earmarked for distribution through the States to local government.

This is a vital change. Municipalities and shires throughout Australia will be able to calculate their annual revenues with greater certainty. As a result they will also have very much greater independence of action.

In 1976/77 - the first year of the new arrangements - the Commonwealth will provide a total of \$140 million in general revenue assistance to local government authorities throughout Australia. This is an increase of \$60 million or 75 percent over the amount provided by the former Government last year under the old arrangements.

The Premiers' Conference agreed on the State by State distribution of this financial assistance for local government.

It is now up to the States to urgently make sure that every local council is now made aware of its entitlement.

The finance decisions taken at the Premiers' Conference were made with one major thought in mind - that is, the control of inflation.

Until inflation is overcome there is not going to be the kind of reinvestment in the productive capacity of Australia that we would want.

And until Australia can demonstrate it is getting on top of inflation, businessmen are going to stand off and be wary of new investment. Unless there is new investment there are not going to be the kind of productive jobs that are required in Australia.

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