

Prime Minister:

Today's meeting of the Loan Council will be an historic meeting. Over a long period of years co-operative devices have developed between the Commonwealth and the States to promote Australia's national development. The original programmes in support of State road construction, the agreements with NSW and Victoria for the Snowy Mountains development, the general support of State Loan Programmes were all landmarks in the general co-operative approach. Today's meeting will be of major and historic significance because it will put into practical effect the 'in principal' decision made at the June Loan Council meeting, which indicated that States would be able to borrow overseas for major infrastructure projects important for development, important to support the economic expansion of States.

There is a common thread running through a number of the projects--they add to power for development, they add to export potential, they increase the strength of basic infrastructure in Australia, they are related to economic progress.

Without pre-empting the decisions of Loan Council, I am sure that substantial decisions will be made, in partnership between the States and the Commonwealth, which will enable a new phase of Australian development to begin. The policy is not related to the short-term problems. The original approach and suggestion came from Sir Charles Court about two years ago, and has been discussed at successive Loan Council meetings, and there have been very intensive officers meetings between the Commonwealth and the States - going into

the particular projects in detail, going into the philosophy and approach in detail - and after that two years of discussions we have come to the decision-making day.

Question:

It sounds pretty optimistic from what you are saying.

Prime Minister:

I am optimistic. But what I do want to do is put it in the long-term setting, the long-term development policy. Without pre-empting any particular decision, and without implying that all projects will get approval or full approval - because I can't imply that, that's a Loan Council decision - but it is important that it be in the long-term setting, it is important that it be understood that what is decided today was certainly in Ministers' minds when our own Budget was framed.

Question:

So this isn't any extension on the Budget strategy?

Prime Minister:

No. It doesn't represent any alteration on Budget strategy at all, because these projects had been under examination for months before the Budget. We knew the extent of them, we knew the extent of possible borrowings this year - even if all of them were approved - and that was all in mind, and it was certainly in Ministers' minds at that time that there would be a positive result.

Question:

Do you accept the view, Mr Fraser, that the allowing of States to borrow overseas like this can upset the economic strategy of the Federal Government?

Prime Minister:

No, I don't, because it depends upon the extent of the borrowing in any one year. It depends upon the nature of the borrowing, it is subject to Loan Council approval, and the voting procedure is a simple majority of which the Commonwealth must be a part - which means we have got to be in agreement - and that, therefore, is a very simple reason. We have got responsibility for overall monetary policy, overall economic control, so it can't upset Budget strategy.

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