

PRIME MINISTER'S PRESS CONFERENCE FOLLOWING LOAN COUNCIL MEETING
MELBOURNE - 6 NOVEMBER, 1978

PRIME MINISTER: I believe today in Melbourne we had an historic meeting of the Loan Council. The history of Commonwealth and State cooperation for the development of Australia is a long one, going back many years to the original provision of road funds, moving through the development of the Snowy Mountain Hydro-Electric Scheme by special agreement between New South Wales, Victoria and the Commonwealth - after that, special agreement for a number of water resource projects, and railway standardisations. Now, we do enter, I think, a new phase in the developmental relationship between the Commonwealth and the States. It ought to be understood that today represents a culmination of virtually two years work -

the philosophy was originally brought forward by Sir Charles Court, and that led to substantial discussions between the Commonwealth and State officials. That led to a decision, in principle, at the last June Loan Council/Premiers' Conference meeting. And since then, Commonwealth and State officials have been going over the projects in detail to get the package ready to put to a formal meeting of the Loan Council - and that has just occurred. The Commonwealth has felt able, under the present circumstances, to agree to the proposals put forward by the States, It should be noted that the proposals generally fall into categories that are going to strengthen the basic infra-structure of Australia, strengthen Australia's industrial base, strengthen Australia's export potential, and generally add to the growth and development of the Commonwealth. I believe the proposals put together form a very significant development programme, which is going to help, not only the individual states, but will help Australia as a whole. The fact that this programme is in place is one of the reasons why I look forward to the decade of the 1980's with very great confidence. I believe that view is shared by the Premiers. I believe also that the Premiers, as a whole, feel that not only their own projects, but the projects put forward by their colleagues are going to add very significantly to Australia's development. So, we do enter a new phase in cooperation between the States and the Commonwealth and its one in which the States and Commonwealth have played a constructive role, looking only to what is of advantage to this nation. There are one or two things which ought to be said in addition. The total programme obviously appears to be a relatively large one, but the annual borrowing requirement is a responsible one in the light of Australia's circumstances. For example, the borrowing this year of about \$158m is not unrealistic at all - the whole programme is based in realism, and based in getting Australia moving.

QUESTION: Prime Minister, just a few minutes ago, one of the Premiers said that all of a sudden Simon the Gree starts behaving like Santa Claus, there has got to be a catch. Is there?

PRIME MINISTER: I don't think there is a catch, but one of the bases on which these particular proposals have been put to us, of course, is that subject to Loan Council approval of the terms and conditions, the States are responsible for the repayment of the loans, they are responsible for the terms and conditions, and

none of its appears on our Budget. The fact that this Loan Council meeting was going to take place was well known to us when our last Budget was prepared, well known to us really from the moment the in principle decision was made at the June meeting of the Loan Council. Again, you have got to look at the phasing of these particular projects. I think they are going to assist State undertakings very greatly, and quite plainly the Premiers are not deterred by the fact that they are responsible for the repayments, they are responsible for any interest charges arising out of the borrowing.

QUESTION: Prime Minister, can I read from this situation that the Government is recognising the need for stimulation albeit through the Premiers to boost employment?

PRIME MINISTER: No, I think that is the wrong way of looking at it. We believe that the main stimulation is going to come from the Australian economy by getting inflation down further, by getting interest rates down, and continuing a sustainable and steady downward movement in interest rates. We don't believe that significant additions to Government expenditure, especially off our own Budget for example, is the sort of thing that the Australia economy requires. It is worth noting that these particular borrowings overseas, based over a period of eight or nine years are related for the large part to business undertakings or major developmental projects which are dependent upon other private enterprise decisions, for example, the Redcliffe project in South Australia is now dependent on a company decision, a corporation decision, and the Dampier Pipeline decision, while we have given the clearance to that is dependent upon the North-West Shelf project getting underway. We hope the decision of the Loan Council today will assist the private enterprise in both circumstances in making final and firm and positive decisions. In this instance, the Governmental decision was necessary before the private enterprise decision to take place.

QUESTION: Won't these decisions help employment?

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PRIME MINISTER: Of course it will help employment, but/all of the difference in the world between projects of this kind, financed in this way, designed to add to the productive base of Australia, the export capacity of Australia, and the sort of financial stimulus that people so often look for through Budgets and through an increase in deficit finances.

QUESTION: Prime Minister, your not worried about an upward pressure on interest rates as a result of this decision?

PRIME MINISTER: No, because by and large these funds, this year, anyway will be raised overseas, and that wouldn't lead to an upwards pressure on interest rates within Australia.

QUESTION: .. money supply?

PRIME MINISTER: The increase in the money supply would tend in the opposite direction.

QUESTION: Mr Fraser, it would appear that your aim in giving greater overseas investment in Australia hasn't succeeded, and therefore you have to allow the States to borrow the money overseas for these projects. Is that true?

PRIME MINISTER: No, that is not true. There has been a very substantial increase in private overseas investment in Australia over the last six or nine months, and the Treasurer will be able to give more details. But one of the things which needs to be understood is that this is part of a long-term strategy, this began two years ago, there has been nothing sudden about any of this. We made the decisions to examine the matter 18 months, or two years ago, that led to exhaustive discussions between Commonwealth and State officials, that led to the "in principle" decision last June. So right through it has been part of a long-term strategy, and no part of the decision making process in relation to these matters has been determined by passing matters of the moment.

QUESTION: Why the World Trade Centre Mr Fraser?

PRIME MINISTER: Premiers believed, and accepted, the Victorian view that this would assist greatly in developing and strengthening Australia's exports.

QUESTION: I would like to ask the Treasurer something if I could. Looking at it from a purely economic point of view and looking at considering the fight against inflation, is this a good or a bad move?

TREASURER: It is a good move. I think what is forgotten is that we are talking about a borrowing requirement of \$1,700million over a total period of eight years, and it is something which hasn't just arrived, hasn't been plucked out of the air. It does relate to essential industrial infra-structure, it does relate to adding to the nation's assets, and when you look at it in terms of the total addition to borrowing of \$1,700m over a period of eight years, I think it is seen as a very responsible perspective.

QUESTION: Mr Fraser, is the World Trade Centre for Melbourne at the expense of Sydney's development?

PRIME MINISTER: It is not at the expense of anybody's development. I think there was a general view amongst Premiers that one World Trade Centre for Australia is probably what the nation needed. And if there is an acceptance for the development of a Trade Centre, in this city, then that would be it so far as that sort of development is concerned.

QUESTION: Does that mean that Melbourne is the capital trade centre of Australia?

PRIME MINISTER: That might be disputed by the Premiers of some States - I am sure it will be asserted by the Premier of Victoria.

QUESTION: Mr Fraser has there been any limited placed upon the amount of money that the States can borrow, for example, in two years time can they come back and between them borrow another \$1767m?

PRIME MINISTER: We have indicated our quite strongly-held view that there shouldn't be further approvals given within a 3 year period - and that is a view that the Commonwealth would want to maintain. Against that, one or two of the States had indicated that if you get a project which was, or which needed a decision from Government, so that private enterprise could make its own long-term decision, maybe going years ahead, then they might want that considered by the Loan Council - and we didn't preclude that kind of examination. In the Dampier project, for example, where we have made the decision now, the borrowing requirement is in 1982-1983 - a very, very long lead time. If there were other projects in that category they could be considered, but in our view there shouldn't be further approvals for borrowing within a 3 year period.

QUESTION: Will there still be a meeting of the Loan Council in June next year?

PRIME MINISTER: There will obviously be a meeting of the Loan Council in June - there is each year, and there is the normal borrowing activities which have to be approved. I have got no doubt also that at its meeting the Loan Council would be wanting a report on these particular projects and on their further development.

There is one other aspect which the Commonwealth stated, and wanted it to be a requirement which was very willingly accepted by all the Premier - to the maximum extent practicable the funds raised on these particular projects would be spent in Australia for the advantage of Australian industry in trade and commerce. If contracts can be let - in other words to Australian firms - they ought to be. That was a requirement which the States very readily adhered to.

QUESTION: Mr Howard is there any limits to the amount which State and Federal government can borrow in any one year before it affects money supply and before it affects our domestic economic situation?

TREASURER: There are obviously dimensions, there are obviously some limits, it is never possible to quantify down to the last \$50m, You have to look at proposals in the context of the economic conditions at the time when they are made, That is what we did in respect of the proposals - we looked at them in terms of present economic circumstances, the type of phased additions to borrowings that would be involved over the next eight years, and came to the view that they could be very responsibly accommodated within the Government's overall monetary and fiscal policy.

QUESTION: Is this a maximum figure?

TREASURER: It is a responsible figure in present circumstances.

QUESTION: Is the decision, Prime Minister, on the World Trade Centre and the fact that this meeting is being held in Melbourne simply coincidental with Mr Hamer's electoral pattern?

PRIME MINISTER: If the truth was really known, when the Treasurer and I discussed the timing for a particular meeting, we also looked at our other commitments. Originally, we had proposed the meeting on the 1 November - but anyway in relation to other commitments it was going to be convenient to have the meeting in Melbourne, so when it was shifted to the 6th we still had it in Melbourne. By that time the Premier had offered to make this rooms and offices available for the meeting.

QUESTION: Is there any question that the general approval given today was given contrary to very strong Treasury advice?

PRIME MINISTER: Good heavens no.

QUESTION: Prime Minister, when will the economic stimulus from these projects start to ease the unemployment problems?

PRIME MINISTER: You can't look at any one aspect of policy in relation to employment and its impact on policy - you have got to look at the total workings of policy. Let me take what has happened with General Motors over the last few months - they have put on about 1400 people, they have advised me that between now and next April another 500-600 people will be put on. They have introduced a new model, the motor industry is in a more buoyant position than it has been for a long while - Ford Australia will be introducing their new model next year which should further help the motor industry. This sort of thing has become possible because costs are coming under control, there is stability in the cost base, we are getting inflation down below that of a number of other countries and I have been advised that significant sections of the motor industry believe that the Australian industry is now competitive with major elements of the motor industry overseas and is now rebuilding export organisations. This is the sort of thing that is going to help employment and one of the quite exciting things in Australia at the moment are the number of industries that are looking to exports. Some of them are smaller, some of them are larger, but we have colour television sets into Hong Kong, fishing boats made and designed in Western Australia being sold to half a dozen countries, womens' underwear being made in Australia and sold to Japan, furniture being made in Brisbane being sold to the major furniture exporting nation of the world - Sweden. These are things that Australian firms are now doing. They can do it because of a cost base under control, inflation down below that of our major trading partners, and it is this kind of enthusiasm, this kind of performance on the part of Australian industry which is obviously going to flow through and affect the employment situation. We all know, unfortunately, that unemployment is one of the last economic indicators to start to improve but the policies we have set together with the general improvement in the position of the rural industries right across Australia, and coupled also with the kind of initiative we have seen today from the Premiers Council are going to take this nation forward into the 1980's in a new era of

development and progress which I believe all Australians can share in and be proud of - and it is bound to have an impact on employment and activity.

QUESTION: Can you .. how many more people will be employed arising out of these projects?

PRIME MINISTER: No, I don't think you can do that. I don't think that kind of sum really makes - it is very, very difficult to do, as I think you will understand, but more activity of the kind we have indicated, the fact that the sums are going to be spent to the maximum extent practicable on Australian industry, within Australia with Australian contractors, is bound to have an impact on employment.

QUESTION: Is the Commonwealth satisfied that all the projects which have received approval today are economically viable, or is it purely a matter of State responsibility, that they pick up any losses which may be made - for instance, exchange losses, borrowings overseas?

PRIME MINISTER: The States recognise their State responsibilities. On these particular matters where the Commonwealth could have some expertise in terms of the location of borrowing, they ask the Commonwealth for advice, advising the available to them, and of course it would. But right from the very outset the States have put it to us that they wanted an access to funding that wasn't dependent upon a Commonwealth Budget, for which they would be responsible in terms of repayment, and interest rates, and any of the other associated factors going along with raising of the funds. So the States are recognising their own responsibility in this particular way, and I think that is one of the very praise-worthy aspects of the programme.

QUESTION: ... the Commonwealth hasn't examined on a project by project basis whether they are viable, or not, it hasn't made a judgement?

PRIME MINISTER: They have been examined between Commonwealth and State officials, but the main carriage of the project has to be with the States.

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