

DOORSTOP INTERVIEW WITH PRIME MINISTER

Question

Mr. Fraser, the States' reaction to the Loan Council and the Premiers Conference so far has been quite angry. How do you react in turn?

Prime Minister

I think the States' attitude is, in a sense, predictable. One of the things that hasn't come through I think so far is the massive increase in general revenue grants of \$644 million - between 13% and 14%. Now, that's an increase that's committed by statute, by agreement with the Premiers, with the States, and that of course flows through to them. That's \$644 million which goes into a lot of their recurrent expenditure; can be used exactly as they want. It's much much more than enough to cover inflation. That means that if there is any shortfall in direct housing funds, or direct loan funds, it is for the States to make it up out of the \$644 million, which is a very large amount of money indeed. So if any Premier goes away from the Conference ultimately saying the reduction in housing funds or direct loan funds is going to be bad for the construction industry, for the building industry or for employment, that will be that Premier's own direct decision. Because the reductions are nothing like as great as the increase of \$644 million which the States can use entirely and absolutely as they themselves determine.

Question

Mr. Howard yesterday gave a very broad hint that if the States want more money they can raise it themselves. Now, the interpretation into that is that you want them to raise their own taxes.

Prime Minister

No. We don't want them to raise their own income tax. But, over the last couple of years a number of States, I think all of them, have said we, the Commonwealth, ought to cut taxes. We, the Commonwealth, ought to get interest rates down. But now they are having to recognise that their urging of us to get our income taxes down has consequences for them. It has consequences for the funds we can make available for the States. Quite plainly, we are not in the business of putting up taxes to make more money available to the States. We are not urging the States to put up taxes. What I am saying is that the States can get a proper balance into their own programmes by transferring general revenue funds - some of that \$644 million - which they can spend entirely as they themselves determine. We don't try and say you've got to spend it this way, you've got to spend it that way. They can spend it exactly as they like. I would hope very much that they do transfer substantial sums into the capital works area, I really would.

Question

Nevertheless sir, a lot of the Premiers are saying that in real terms in the overall package, they are worse off.

Prime Minister

In real terms in the overall package they would be slightly worse off, yes. But that doesn't alter the fact that they can transfer those funds. A 13% increase - \$644 million in general revenue funds - is a very very large amount indeed and I am sure you would agree with that. Now, what the States are trying to concentrate on is the reductions in the loan area and in the housing area and they are saying "this is a terrible thing". What they are not saying is that they can make up that shortfall overwhelmingly by a transfer from those general purpose funds and put it into the construction area if they themselves determine to do so. It's only in very recent times that there has been any restraint at all on the growth of State Public Services and over the last three years we have had the most rigorous restraint on our own expenditures. You will find that States have all brought in Budgets which have introduced many new programmes, additional expenditure commitments, and at the same time, tax cuts. I am not saying they are wrong to do that, but being able to do it in Budget after Budget does not indicate any particular stringency on the State Budgets. If you look at the growth of revenue funds over the last three or four years - and these again are the funds they can use any way they like - the growth has been very very large indeed. Much much more than enough to cover inflation and give them additional surplus funds that they can spend any way they like. In the major semi-government programme, the expansion in the that programme over the last four to five years has also been very great. That's why we are holding the programme this year. Governments have been trying to raise too much money on the markets and that has had a pressure in the capital market which I think has been an unhealthy one.

Question

Some of the Premiers also said, sir, there have been no real negotiations here. It has just been a matter of you laying down what they are going to get and that's it.

Prime Minister

We hoped three years ago that it would be possible to come to a genuine negotiation on some of these major matters of concern to the States and to the Commonwealth. But unfortunately the nature of this conference makes it very difficult to achieve that on financial matters. In the industrial relations area and in the energy area, we had a useful and constructive discussion yesterday. But when it comes to money, they are all wanting money from the Commonwealth. But none of them is going to say--if any State ever was prepared to say, this is too much, I would then say a genuine negotiation is possible. But no State has ever been prepared to say that. Every State is always ready to say, this is not enough. That doesn't create a negotiation. To have a negotiation it's got to be possible for both parties to be on either side of the argument. The States have always been on one side of the argument: "Look, Mr. Commonwealth, it's not

Prime Minister (continued)

enough, you are being too mean. We want more dollars from you". That mean more dollars from you as taxpayers. That gets back to the taxes we have to raise. We are not in that business. The general thrust has been to try and get taxes down. The States have supported us in that. But now, when there is some prospect of being faced with the consequences of that, they don't like it too much.

Question

But nevertheless, because you have been unwilling to negotiate on money matters, at least one Premier said this conference has been a waste of time.

Prime Minister

Well, I don't think it's been a waste of time. There have been some very useful discussions on a number of matters. But again, let me only say that if I could see any State being on either side of the financial argument, then I could accept that there could be a proper negotiation. But when you have a situation that no matter what sum the Commonwealth starts with, no matter what we offer, the States say "that's not enough, the Commonwealth's mean", well, that doesn't create the possibility of a negotiation. I think that's one of the very unfortunate circumstances of the Premiers Conference: one of the reasons of course, why in our general philosophy we believe that the States ought to be responsible for raising more of their own revenue and responsible for determining how that revenue is spent - because a State Government can never be truly responsible if it gets a very large amount of its funds from the Commonwealth and then goes back to its own State and says "look, I'm sorry, I'd love to do this but I can't because the Commonwealth hasn't given me enough money." Unfortunately I think every State from time to time wants to hide behind the back of the Commonwealth in that particular way.

Question

Do you have any comment on the industrial stoppages at the moment; Telecom and the Victorian transport strike?

Prime Minister

The transport strike I think is very much in the State jurisdiction. I had some discussions with Mr. Staley and Mr. Viner last night about the Telecom dispute. Ministers will be discussing that again today. It is a very serious one indeed. Again, it is a question of employees, members of the trade union, not being prepared to accept arbitration. I think in Victoria they are striking against an arbitrated decision. People have got short memories. The arbitration system in Australia was established because, a long while ago, the country tore itself apart with industrial disputes and those in charge of our nation's affairs said there must be a better way. So the arbitration system was devised; an impartial third party, the umpire, to determine what should happen when there is a dispute between employer and employee.

Prime Minister (continued)

Broadly, the system has served Australia well. But it will only continue to do that if both employers and employees accept the umpire's verdict, both when it suits them and when they don't like it so much. This is the greatest protection to employees. They don't have to lose wages through time lost which they often never make up no matter what happens at the end of the dispute. The trade union leaders who continually advocate industrial action-- the AMWU who had their own national stoppage in support of wage claims--is utterly destructive of their own interests, of their industry's interests and of Australia's interests. In the discussions that we had with the Premiers yesterday, there was a very genuine desire on the part of all Premiers and on the Commonwealth, to discuss these matters together in great detail with our Employment and Industrial Relations Ministers and Attorneys-General. Discussions also with the peak councils of employers and of the trade union movement to try and sort out some of the difficulties and try and move Australia onto a better path. Again, it will take a degree of goodwill and a real desire, on the part of all of us, to have this nation move forward. I appreciated very much the spirit of the Premiers, of all parties yesterday in that particular discussion, because their earlier knee-jerk reaction hadn't been entirely favourable to the Commonwealth suggestion. That disappeared yesterday against the importance of the national considerations that confront the Premiers and the Commonwealth.

Question

Did you see the Telecom dispute, then, as an example of the need for this particular conference you were seeking?

Prime Minister

I do. But what we've set in train with the States, is a longer term matter; to look at the very fundamentals of our industrial framework to see whether changes are necessary, without any pre-conditions or pre-ideas about what those changes might be.

Question

Do you think those changes would remove such problems as with the Telecom dispute.

Prime Minister

I think in the Telecom dispute it is a question of members in the trade union movement being prepared to accept an umpire's verdict. How we establish that mood throughout the Australian community is very difficult to judge. But I know that all Premiers and the Commonwealth are determined to try and achieve a real advance.

Question

In the meantime, is the Federal Government going to make any initiatives on this dispute?

Prime Minister

The Ministers will be meeting on the Telecom dispute during the course of the day.

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