

PRESS CONFERENCE FOLLOWING PREMIERS' CONFERENCE.

29 JUNE 1979

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There are three aspects of the Premiers' Conference and Loan Council meeting to this point that I want to mention. Perhaps I should recall just for a moment two quite significant matters that were determined yesterday: the very full co-operation between the States and the Commonwealth in relation to energy matters, the willingness of all the States, but particularly NSW and South Australia, to reconsider the emission standards with the objective of getting a 10% better usage out of available petrol supplies that we do have in Australia. That was against the background of a number of other measures.

I am hopeful that the States will follow our lead in moving to gas fired cars, but the general consultative arrangements we have established on energy are important and very necessary.

The other matter yesterday that we came to an agreement about concerned industrial relations and a willingness to examine the very fundamentals of the arrangements between the States and the Commonwealth. That obviously will involve the State Ministers, the Attorneys-General, with the objective of reporting back to a special Premiers' Conference later in this year. All Premiers entered into that willingly, recognising the very real and grave importance of those particular matters.

So far as progress in other areas of the Premiers' Conference and Loan Council are concerned, I wanted to draw attention to the very significant movement towards the fulfillment of the commitment to local government, moving to 1.75% of income tax for local government, which will give them a substantial increase this year. On the general financial arrangements between the Commonwealth and the States, I know the States are, to some extent, concerned about the provision of loan funds. But I would point out that if there is to be any cutback in loan areas or in housing areas, that will be a very clear decision by the States themselves because the financial reimbursement grants resulted in an increase of \$644 million, or a little more. That is an increase of between 13% and 14% -- much, much more than is need to meet increased costs as a result of inflation. The States can switch those funds into any area that they like. The surplus in that area after it has looked after increased inflation, inflationary costs, should make up a very large part of any shortfall in loan funds.

I think it is worth noting that over the last five years the State Public Services have grown at a much greater rate than the Commonwealth and the signs of stringency in State expenditure are not as severe by any means as those in the Commonwealth's. The States, as a result of the decisions that

have been reached, are left with a wide area of discretion to look after their own priorities as they see fit. There is no reason why any particular area should go short. It will be a question of the States making judgements about their own priorities as they believe best and they'll have to carry the responsibility for the decisions that they make. Now, having said that, on another matter I'd like to say that I believe this particular Premiers' Conference is of far-reaching and great national significance because it was brought to a successful conclusion. Agreements on the outstanding matters relating to the Seas and Submerged Lands Act. We all know the problems that were caused by this particular dispute by the High Court decision, which gave effective power to the Commonwealth from the low-water mark out and there have been long and patient negotiations over the last 2½ years, designed to resolve in a practical way the problems that arose as a result of it.

The Commonwealth has approached the issue on the basis, not of following the Court and saying, we have a power, we're going to assert it, we're going to use it. We've approached this whole matter on the basis of saying, well, all right, the Court has presented us with a practical problem, which we've got to overcome as practical people. The States don't lose an interest in what happens, matters of concern to the State at low-water mark. They're obviously very much interested and concerned with what happens out to sea and in the territorial sea and so we've come to arrangements over a wide range of specific areas, mining and fisheries, pollution and navigation and shipping control. A number of specific agreements, many of them based on the concept of joint authorities between the States and the Commonwealth, which have finally put to rest any disputation and argument or disagreement between any of the States and the Commonwealth.

I think it's a classic example of the way in which patient negotiation can bring about a successful conclusion. There's been good-will on both sides and I'd certainly like to pay a tribute to the manner in which the Commonwealth Officers and States and the Ministers concerned, the functional Ministers and the Attorneys-General of the Commonwealth and the States have negotiated this matter to a final conclusion.

The last outstanding matter was negotiated to a successful conclusion only last night and this morning, but it was the one matter outstanding and it does represent a very significant advance. The whole arrangement is a significant example of the way in which Governments ought to negotiate, ought to consult on matters of importance to both. From now on, on any detailed matters relating to the financial matters, the Treasurer is here and in relation to the Seas and Submerged Lands Act, because there are a number of detailed matters in that area that you might well be interested in, the Attorney-General is here. So one of the three of us ought to be able to answer your questions.

Question

Mr. Howard, firstly, the Premiers have come out of the Loan Council meeting saying that is it a farce; that if the Commonwealth Government keeps giving them this offer virtually that they can't refuse, you may as well just post it to them and they won't bother travelling here. What's your response to that?

Mr. Howard

I think that's an over-reaction, intemperate over-reaction. The fact is that we've have four Loan Council Meetings in the last year and I don't think you've heard any Premiers saying that after the last Loan Council meeting or the one in Melbourne in November which approved the infrastructure programmes. The Premiers naturally want more than they get at Loan Council Meetings. We have our problems. We gave a lot of thought to the offer which we put on the table at this meeting. We don't believe in Dutch auctions. The proposal that we made to the Premiers was the proposal that we felt we could afford, that we thought was consistent with the sort of things that the Federal Government should be doing, given our present economic circumstances, and was couched against the background of the very large increase in general funds of 13 1/2 percent that the States will get under the tax sharing arrangements in 1979/80.

Question

If you will pardon my ignorance, could you tell me how many States have so far legislated to make it possible to make it possible to go into this next stage of Federalism in which they can put on taxes (inaudible).

Prime Minister

I don't think any of them have.

Question

None? Do you think this really indicates that they are not taking the new Federalism very seriously?

Prime Minister

The option is there. That's their decision. We are not urging it upon them. What we do urge is that States make their own decisions and don't hide behind decisions of the Commonwealth. We didn't see any reason why we should put up our taxes to enable other governments to spend more.

Question

Were there any negotiations as to a tax sharing formula for next year?

Prime Minister

We haven't discussed that yet.

Question

Would you anticipate that the level would remain as it is, with the State provision...

Mr. Howard

We wouldn't anticipate discussion on that.

Question

Senator Durack, do the offshore proposals involve any approach to the Imperial Parliament? Would they require any action by the Imperial Parliament?

Senator Durack

No. It has been a very firm decision that we have made and have maintained in these discussions, that these matters must be resolved within Australia and through the Australian Parliament. I will hopefully now be introducing legislation and my colleagues in respect of functional areas will be introducing the legislation to give effect to this very great package. It will be a major legislative exercise and we hope to be able to get it introduced - the Bills introduced - in the Budget session. But certainly we will be moving along as quickly as possible. What we did discuss was the possibility of a once and for all review of some of these old United Kingdom legislation as affects the States and that's been decided to refer that matter to the Standing Committees of Attorneys-General for study with no commitment by the Commonwealth Government or indeed any of the Governments to make that approach. I've got to emphasise that. But we are putting it to study because there is, in old United Kingdom legislation, some restrictions on States.

Question

This would involve ...Privy Council?

Senator Durack

That was one of the matters, yes.

Question

Prime Minister, some of the Premiers have said that they will either have to increase taxes or raise taxes and charges, or else take decisions which will result in higher unemployment. Do you think those are their only alternatives, and which alternative would you recommend?

Prime Minister

I wouldn't recommend to the Premiers. I've got no doubt that they are independent people and will make their own independent decisions. But I would point out, and this was something which Premiers were not all that willing to acknowledge -- I would point out that the tax reimbursement grant increase of \$644 million, of 13% to 14%, is very much more than would be needed to cover increased costs in that particular area if you are maintaining the same level of activity in that area. They can spend those sums, therefore, in whatever way the States want to. If they want to transfer some of that recurrent money to capital purposes, which they have often done in the past, then they can do so. In what they have been saying, I've got no doubt the Premiers have concentrated on the very real restraint in the capital area; a restraint that we believe is right for a number of reasons. We do need to point out that that increase of \$644 million is a very substantial one. It is between 13% and 14% and it does give enormous flexibility to the States as to how they order their own affairs.

Question

Mr. Fraser, you have already extended once from three years to four years the period of the Whitlam guarantee on the revenue funds. Are you quite firm that you won't be extending it any more. That four years is the end of that?

Prime Minister

I think since that matter is still to be debated I should advise the Premiers of our view before I advise other people. But I would be very happy to answer any questions about that later in the day.

Question (Bowers)

Mr. Howard, a moment ago you used the phrase "we have our problems". May I assume you are referring to the financial problems that you foresee for the financial year 1979/80. Did you spell out these problems to the Premiers and would you like to spell them out to us?

Mr. Howard

I can't give you a preview of the 21st of August but the sort of things I am referring to is the fact that there are some re-emerging inflation pressures in the community. We still have too large a budget deficit. Indeed, we have two big a public sector borrowing requirement all together. It is not just a Commonwealth deficit. It is all the money that governments try and extract from the capital markets that put pressure on interest rates. We have certain expenditure responsibilities of an ever-increasing kind, such as social security commitments which aren't carried by the States. The point that we have made at this Conference is very simple this: that the Commonwealth Government has taken a number of very very difficult decisions against the background of these circumstances because we believe it was responsible to do so and we are not prepared to increase Commonwealth taxation to support the priorities of other governments. I think it is also

Mr. Howard (continued)

worth observing as a footnote to Mr. Kruger's question a moment ago, that Mr. Wran stood on the steps of this building 12 months ago and said the unemployment level in Australia would go from 6% to 10% as a result of the decisions that were announced at the last Premiers Conference. Now we all know that hasn't. The point I simply make is that a certain degree of reactive rhetoric after these conferences is often the case.

Question (Kruger)

In view of your reply sir, can you guarantee there won't be increases in taxes in the budget?

Mr. Howard

I am not going to speculate what's in the Budget.

Question (Lockyer)

Mr. Howard, what was the decision regarding infrastructure financing. Was there some relaxation for the States of that three year freeze?

Mr. Howard

Well, I will be putting out a detailed statement on that but it is no premature disclosure to say that we have approved in essence the draw-downs put forward by the States under the projects which we approved last October. We have indicated that we will support, as an infrastructure proposal, the first stage of the electrification of Brisbane railway line which picks up a commitment made in the 1977 policy speech. We have said that we will give in principle, support to a transmission proposal of Alcoa's in Victoria. In those circumstances because both of those projects would, as it were, vary the embargo of three years that was announced in October of last year, that we would consider any appropriate infrastructure proposals from other States. I should mention, in that context, that there have been a number -- there is likely to be some inevitable slippage on the programme that was approved last October. There has already been an agreed deferment of one of the larger projects for a year or so and they are all the sort of things that we take into account. But that particular decision that I have just detailed is one that we took several days ago and it was our intention all along to indicate that attitude towards the infrastructure proposals. It wasn't in response to anything that arose during the course of the past day and a half. It had always been our intention to do that just on the basis of fairness.

Question(Kruger)

Prime Minister, has the Government given any consideration as to how it will apply the windfall revenue which will come to us through the OPEC decision.

Prime Minister

That would be entering into the vein of speculation on the next budget.

Question

Mr. Fraser, in one area where the Commonwealth has not really restrained its expenditure, rather the reverse, has been in what the private sector would claim to be excessively generous superannuation for Commonwealth Public Servants. Is there any review of this to get it under control before it really does become a bottomless pit in your budget.

Prime Minister

There is no specific review. I think it is worth noting that when the scheme was under negotiation a number of measures were pruned back quite significantly. I am aware of the concern in some elements of the private sector, of the facts lying behind your question though.

Question

Senator Durack, I refer you back to the decisions in your statement that we've just been handed, the Joint Commonwealth State Authority being set up to regulate offshore petroleum mining. Is there implied in that that agreement has been reached on royalty arrangements for any minerals found outside the three mile limit?

Senator Durack

No. The royalty arrangements have not yet been resolved. There is of course existing royalty arrangements as you know, in relation to petroleum, but there isn't really any immediate urgency about minerals.