

PRIME MINISTER INTERVIEWED FOLLOWING PREMIER'S CONFERENCE
LIVE ON ABC'S "P.M."

Question

The Premiers have been painting you over the last couple of days, you and your Treasurer I suppose, very much as the financial villains. How much do you believe though that the Premiers and the States that they run are capable of reining in their expenditure in the circumstances in which we all find ourselves now.

Prime Minister

I believe they could rein in expenditures much more than many have. You've only got to look at the growth of State Public Services over the last five years compared to the growth of the Commonwealth. The growth in the States has been very great indeed. I haven't seen the signs of stringency that we have in the Commonwealth. In most of the recent State budgets there have been pretty generous expenditure programmes and generally tax cuts in addition and very few increases of taxes. But I think one of the things that might be misunderstood is that on the revenue side, because of the formula, the Commonwealth was extraordinarily generous to the States and of course the Premiers wouldn't be emphasising this. But in revenue they got \$644 million more - 13% to 14% more. That's more than enough to make up for the shortfall in loan funds. If they want to spend that revenue money on capital works, on housing, then it is entirely their decision to do so. I would certainly hope that they do so.

Question

Are you worried particularly, given that you felt that you had to make cuts somewhere, about the consequences of the cuts in capital works, particularly unemployment.

Prime Minister

I would certainly be worried about it if the States use all that vast addition to recurrent expenditure on recurrent expenditure. You see it is nearly 14% more. Much more than enough to cover inflation. If they put a large part of that, as they can if they want to, into capital works, well then the capital works industry is not going to be harmed at all.

Question

Mr. Hayden is forecasting I think an extra 20,000 unemployed as a result of those cuts. Is that, do you think, a reasonable figure?

Prime Minister

Mr. Hayden is always forecasting various things and I don't want to comment on that. If I could say one or two other things about this Premiers Conference.

Question

Do you think there will be more people unemployed, though, as a result of the cuts in capital works.

Prime Minister

I can see no need for it at all, providing the States transfer that great excess in the revenue account to capital. That is within their capacity to do so and I hope that as they get back to their own States they will do what is best for their own people and make that transfer. Many of them have in past years. You've only got to look at the very great increases in revenue funds year after year after year and at the exception of this year, the very great increases in the semi-government loan programmes which I think have nearly doubled in four or five years.

Question

Is it fair to say that one of the objectives of the Premiers Conference, from your point of view, was to try and keep the States out of the money markets in loan raising activities to some extent.

Prime Minister

Not only the States, but also the Commonwealth. Because Governments have sought to raise much more money in recent years there has been pressure on the money markets. It has put pressure on interest rates. A lot of institutions, after they are holding so much Government paper, they just don't want any more Government paper. They think their portfolios get unbalanced. There is a general view in the Commonwealth that there has been too much Government paper, too much Government borrowing and that it needed to be restrained.

Question

Mr. Howard, your Treasurer, indicated yesterday that money supply was running at something like 12 percent. Do you think that anything that's been achieved over the last two days is going to help bring it under control.

Prime Minister

The mini-Budget in May was a necessary first step in that. I would believe that the decisions we've made now will also help the money markets. We will have to wait and see, but of course the most important instrument will be our own Budget. I think Mr. Howard has made quite clear the reasons for that increase in money supply. We didn't like it. But it wasn't all bad news; a good wheat crop and better wheat prices and more capital inflow. That all in part is good news for Australia but it does have some other consequences as well.

Question

Do you think that we can anywhere near to the Budget target between I think it was 6% and 8% money supply.

Prime Minister

That was in this financial year and how much of 1978/79 have you got? No. It is going to be over that by about the amount that Mr. Howard indicated. If I could, while I am speaking to you mention one or two other aspects of the Premiers Conference.

It is not only financial matters that we discussed. At this particular meeting we put the final touch to a historic argument that has gone on between the Commonwealth and the States and has disturbed governments for years. That comes out of the Seas and Submerged Lands Act. We've now got to final agreement with the States on all the issues involved; offshore mining, fisheries, marine parks, and all the things that affect the States offshore, whether it is within the territorial sea or outside the territorial sea. There will be a package of legislation I believe in the Budget session which has been agreed with the States and this has shown how governments working together can put to rest an argument that had been created by a High Court decision. But they've put the argument to rest by rational and sensible discussion over a couple of years period. I haven't got the slightest doubt that the decision we made in the Premiers Conference today on this issue will be regarded as a historic landmark in the constitutional development of Australia.

Question

Can we look at another issue, not directly related to the Premiers Conference. What is the Government intending to do about the Telecom dispute which is having very serious effect at the moment.

Prime Minister

We were examining this a few moments ago with Telecom officials and Ministers who are in Canberra. We will be on Monday morning seeking leave to appear before Mr. Justice Staples and have the matter referred to a Full Bench. Telecom have been wanting the matter heard to the Full Bench for some time. They have been wanting the matter arbitrated. They have not been able to achieve that. It is becoming very serious. The first step is to try and get it to a full bench. The Government of course has other options open to it, but we hope the matter can be arbitrated.

Prime Minister (continued)

We fail to understand why the normal system has not achieved that up to the present time because it is not a question of saying Telecom are right and the union is wrong. It is a question of getting the matter to arbitration.

Question

Are Telecom acting under Government instructions at the moment, or at least under Government advice.

Prime Minister

We discussed the matter together, but they have been trying to get the matter to arbitration for days and days. We support them in that. They weren't doing that under Government direction. It was their own inclination; here's a problem, they've got people making claims. They don't want to go off into a sweetheart deal outside the indexation guidelines because if we did that we certainly would jump on any Government instrumentality. What we are saying is "let it go to arbitration. Let it be arbitrated". That seems to me to be pretty reasonable. Telecom will abide by the result of that arbitration and of course the Government will have to whether we like the result or not. But at the moment, because of some strange views around, we can't even get it to arbitration within the Conciliation and Arbitration Commission.