

PRESS CONFERENCE: FOLLOWING PREMIERS CONFERENCE

(LATE AFTERNOON)

Tape begins as follows:

Prime Minister

I think there was a very keen disappointment that the matter was again held up today.

The Governments of Victoria, South Australia and Tasmania and the Commonwealth have decided to establish an inquiry into an integrated south east Australian electricity power group, through co-operative enterprise and to see whether better planning arrangements will enable this to take place.

For example, one of the matters that will be discussed is the prospect of linking up the Victorian and South Australian grids at Mt. Gambier. The prospect of a major aluminium smelter in Western Victoria makes this all the more sensible than might otherwise have been the case. Tasmania is involved, because as we know, the ready availability of hydro-power is diminishing in that State; much less than it was. Now there are those who are beginning to look and perhaps in the longer term to plan for a power link from Victoria to Tasmania. Tasmania actively wanted to be involved in this particular study.

The Commonwealth is involved because of its general concern, even though these matters are in the prerogative of the States. The three States and the Commonwealth hope that N.S.W. might well join the study at some future time. Because quite plainly, it makes a great deal of sense, especially a bit close to the State boundaries, to plan the development of power sources and supply and lines and development in an integrated way.

Why N.S.W. is unwilling to take part at this stage I don't think I or the other Premiers quite understand that. This matter was first raised by the Commonwealth with Victoria and South Australia I think two or three years ago. But in any case, the States that I have mentioned - South Australia, Victoria and Tasmania, and the Commonwealth - will now be launching that study so that there can be the best possible planning and use of resources.

The other element of the decision was that there was a general desires amongst Premiers in future years to discuss road funding in the Premiers Conference rather than with the functional Ministers. They also wanted to have an opportunity of discussing education funding. The Commonwealth has offered not resistance to that at all. These matters will broad in the ambit of the discussions with the Premiers.

Prime Minister (continued)

All in all, I think it has been a highly successful conference. I know Premiers didn't get all the funds that they hoped. I am not sure that their disappointment was as great as might sometimes be evident from the words they use. But on the financial matters, it is always a question of Premiers asking for more and the Commonwealth having to hold the line. On those particular matters it is not really an evenly weighted conference in terms of numbers. I don't think I have yet seen a Premier arguing that less money should be spent on a particular matter. That makes a free flow of debate difficult on that sort of issue.

On the other matters - those ones that I have just mentioned - on industrial relations, on energy co-operation, but particularly on the Seas and Submerged Lands Act, on all of these it is has been a highly successful conference and one that will advance sensible and co-operative arrangements between the Commonwealth and the States.

I particularly emphasise the practical matters coming out of the Seas and Submerged Lands Act. I don't think we generally realise the difficulty that that posed for States, and in a sense for the Commonwealth, as a result of the High Court decision because the normal authority of States and their administration was thrown into jeopardy. It has been vitally important that practical and sensible arrangements, governing and co-ordinating State activities offshore, should be introduced and maintained.

Now, in relation to mining and fisheries and navigation and pollution, and in Marine Parks and a number of other matters -- there are navigation matters -- there are a set of agreements and there will be a set of joint authorities which have really established a historic pattern.

Again, I express my appreciation for the work officials and Ministers, especially involved, have done in achieving this advance.

Question

Sir Charles Court has put out a statement saying that you have in fact agreed to restrictural veto concerning offshore mining and the Commonwealth veto in the national interest. What is your position regarding that veto.

Prime Minister

Well, it is a question of the mechanism in which it will be used. The joint authority will be established in Western Australia. Applications will go to the West and I can well understand Sir Charles not wanting people applying to somebody in Canberra for a matter that is going to involve development off the Western Australian coast. But, if there is disagreement in relation to it, that disagreement would go to Ministers. It would then, if necessary, be reported by Minister to Cabinet and in the end would be settled on a Prime Minister to Premier level.

Prime Minister (continued)

It has been indicated in the agreement that we would only want to go against the views and wishes of the State in these particular matters if it was contrary to the national interest. You would have to judge circumstances as they arose. You can't postulate a set of circumstances and then fit particular applications into a neat box. It won't work that way.

I think the arrangement is a practical one. Even though there had been an agreement with all the other States they saw the codicil to the agreement, in a sense, with Western Australia and they were happy with that modification on the part of the West. They didn't want the modification adopted in their own joint authorities. But I think it is a very good result. There are some special circumstances in the West because of distance, because it is a great mining State without the industrial base of some others.

Question

Was there any agreement on the tax sharing formula to take effect from June of next year.

Prime Minister

I made it quite plain that the Commonwealth does not approve of the present guarantee; it was a limited guarantee and that that guarantee could not continue. At the same time we expressed a willingness to have ongoing consultations with officials to see whether some arrangements can be devised that would assist the States. Now the main reason for that guarantee - or the fact that it is not acceptable to the Commonwealth - is that in terms of Government expenditure it is of a kind that just can't be sustained. In the days when Government expenditure was expanding it wasn't maybe of all that much importance. But a three percent factor, which means three percent more in real terms each year, year after year, being built into payments for the States, was a very large amount indeed. In days when Governments need to restrain expenditure they can't expect to get three percent more in real terms year after year. Of course, the fact that that guarantee now applies I think to all States but one is really a mark of the extent to which the Commonwealth has in fact reduced taxes. The figures didn't emerge in the Premiers Conference but if this year we had been taxes on the basis of the earlier Hayden scales we would have collected \$3,000m more in this particular financial year. The States would have got 40 percent of that, which was 40 percent of \$3000 m - about \$1200 million. Now that just indicates the extent of and success of efforts to reduce personal taxes. That's obviously had an impact on the 40 percent tax sharing arrangements with the States and is one which they are not all that pleased with. Again, when the original proposals were introduced, there was a stage two. We have legislated for stage two which would give the States the right to add on a surcharge or to allow an additional rebate to reduce taxes further within their own States. Now I think it has become pretty plain over a passage of time that the States are unwilling to accept that additional responsibility for their own affairs. The Canadian

Prime Minister (continued)

States have that additional responsibility. They exercise it both ways; heavier taxes or lower taxes in the Canadian Provinces. But the Australian States have indicated that they won't want to have that particular responsibility even though it would never have meant separate tax forms and all of that. People would still be paying one tax. Alright, if the States don't want to do that, that's their decision. But they can't expect us to pick up the difference for them by imposing additional taxes on their behalf, because we are just not going to do it. Now all of that I think has been made very plain to the States. But against that background we are prepared to examine the arrangements to see if some arrangements which in our view are financially responsible can be made that would in part meet the wishes of the States for a greater degree of certainty. Officials will work and examine that and it is envisaged that there will be a Premiers Conference before the end of this year on industrial relations. This matter will be picked up at that Conference.

Question

You said virtually that they are going to get a lot less next year. Did that break up the Conference with an air of bitterness.

Prime Minister

No. I think there was a great deal of goodwill in this particular conference. I was speaking to a number of Premiers after it was all over and during the course of the afternoon -- it was a very good natured meeting with one or two very minor exceptions. The point I made was that it would enable there to be much better balance in the total financial arrangements because quite plainly if the tax reimbursement formula hadn't been increasing 13% to 14%, if that increase had been less, then it would have been possible to adopt a much more relaxed attitude in relation to capital works. That would have led to a better balanced result overall. That was the point that we made in particular with the Premiers.

Question

Could I just ask the Treasurer a question please. Why did the Government decide this week to over-turn its mini-budget decision on hospital operating costs. Where do you expect to be able to recoup the additional \$130 million approximately that's effectively foregone by this decision this week.

Mr. Howard

The decision that was taken and announced in the mini-budget, if I correctly recall, the words were that we should, having announced our desire to have an inquiry, we would seek to hold expenditure at the same level. It wasn't an explicit statement by the Government that it was going to spend "X" million dollars in meeting half the net operating costs of hospitals during 1979/80. It was an expression of what we would seek to do. I don't really think you can categorise the decision ultimately taken as being an over-turning of that decision. We hadn't made a firm decision on how much we would contribute. That's why the May 24 statement

Mr. Howard (continued)

was couched in those fairly general words. The amount that we have agreed to contribute is an increase in money terms - what you've mentioned I think \$130 million or in that order. But is about \$54 million less than the States asked for. Bear in mind that we are in the business of trying to persuade the States to have an inquiry into one of the areas where we think there has been major wastage and where we believe there is a desire on the part of the States when they stop playing politics on the subject, particularly the State of N.S.W., to have a very serious inquiry. Whilst there could have been a contribution to those costs which was less than what has in fact been made, I think in all of the circumstances we've made the right decision on it. It's just not correct to say that that it represents no determining of decision which we hadn't made at the time of the mini-budget, the final decision on how much we'd contribute.

Question

On the tax-sharing formula once more, do you think that it is unreasonable to the Commonwealth purely because of the betterment factor or is it also because the share itself is too much?

Prime Minister

I think the betterment tax is a very significant element but there is another element in it also which would give us cause for concern and that's the extent to which the States have compensated for wage changes and that, and you know we mentioned that in relation to New South Wales legislation to be what is ultimately going to be a 35 hour week in the power industry and I think, that that action coupled with New South Wales Government's court for the State A.W.U. has been significant in helping to cause the degree of industrial unrest in New South Wales at this very time. Because they expect the New South Wales Government to pick up, or the Tribunal's not going to give them what they want, the New South Wales Government can do it by legislation and it's going to take a long while to work that out of the scene in New South Wales. We said at that time when they legislated for the power industry that we'd be looking at some mechanism to make sure that the States were not automatically compensated for wage adjustments. There's been a very uneven support for restraint in wages before the Arbitration Commission in the first quarter in the six-monthly hearings and again, why should the States be concerned, they don't have the major responsibility for inflation, for the economy and they were going to be compensated anyway for wage increases. So, it's not only the betterment factor, the wage element will be another serious element but I don't think one should necessarily assume that something like that particular guarantee will replace what's there now, but in a different form. We've said that officials can look at it, and they will in good faith, but there is no indication that, you're quite wrong to assume that there will be any particular result. Options are wide open on that. The one thing that is firm and that's the, in our comparing this with sister States, is the 39% of income tax and examinations about the guarantee to see if there are alternative ways of doing something that would in part, help the States but which in the Commonwealth's view would be financially responsible.

Question

Prime Minister, has Cabinet considered the OPEC price rise and what's the Decision?

Prime Minister

Mr Newman is making a statement very shortly, if it hasn't already gone out and I'd prefer to leave it with him. The Decisions were made some days ago in relation to the various matters covered in Mr Newman's statement but no announcement will be made until we knew the extent of the OPEC price rise.

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