

**PRIME MINISTER**

FOR MEDIA

TUESDAY, MARCH 17 1981

PREMIERS

I would like to clarify certain press reports this morning. The Premiers' Conference on 15 April will not be discussing the relative shares of Commonwealth revenue that go to the States.

A special division of the Commonwealth Grants Commission was established by legislation in June 1978 to examine the relative proportions of the Commonwealth revenues that should be provided to each State.

The present proportions of payments from the Commonwealth to the States date back to the introduction of financial assistance grants in 1959 although effectively they are still influenced by the changeover to uniform taxation in 1942.

All the Premiers acknowledged at Premiers' Conferences in July and October of 1977 that their circumstances had changed very significantly since these relativities were established.

There would be no point in discussing these matters until we receive the report from the Commonwealth Grants Commission in June.

What we will be discussing, amongst other matters, on 15 April is the actual share of Commonwealth revenues that should go to the States in total. This of course is of great interest to the Commonwealth because it affects the Commonwealth's budget.

The other issue, of the Grants Commission Report, is of much greater relevance to the States. It does not affect the Commonwealth budget. It does affect the breakup of Commonwealth-provided revenue between the States.

Some reports this morning show inordinate confusion between these two issues.

One newspaper also said in a headline this morning that I had put a plan to the Queensland Premier for a "resources boom levy scheme". I put no such proposal to the Premier.

What I did say yesterday at my joint news conference with the Queensland Premier is that all governments should be as restrained in their own expenditure as possible.

It is vital that private enterprise be given room to grow and that all levels of government must help in achieving this objective.

It is worth noting that while employment in the Commonwealth sector decreased between June 1975 and June 1980, the States and their authorities added 95,600 workers to their payrolls.

The Commonwealth's spending on goods and services now uses a smaller proportion of the nation's total resources than it did 10 years ago while spending by the States and local authorities on goods and services has increased substantially.

The States and local authorities are expected to require almost \$1,400 million more for borrowing in 1980-81 than in 1975-76.

On borrowings the Commonwealth has decreased its requirement while the States have increased their requirements.

The point to be made at the Premiers' Conference is that restraint is required by all governments.

The States which spend more than 50% of all the tax dollars that are spent by governments, should also show restraint in their spending if the general objective of tax cuts is to be achieved.

In that objective of reducing tax, I know that the Queensland Premier is in agreement with me.

I would hope that he would also agree with me on the need for expenditure restraint.

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