

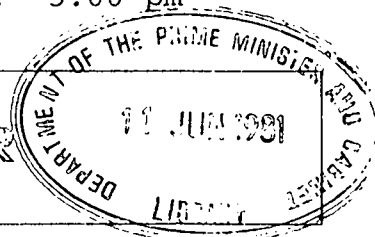


EMBARGO: 5:00 pm

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PRIME MINISTER



FOR MEDIA

SUNDAY, 7 JUNE, 1981

ELECTORATE TALK

Nearly three years ago, the Commonwealth and all State Governments decided to face up to the difficult problem of relativities in financial assistance grants to the States, and for the first time in Australia's history, to have a comprehensive, independent review of the distribution of those grants. We expect the recommendations of that so-called review of relativities to be released within a few days.

In all Federations, there is a significant problem that arises from differences between member States; differences in population, in size, in incomes, in economic development and so on. In Australia, before the Second World War, each State raised its own tax requirements, including income taxes. There were very obvious differences in the abilities of the States to raise revenue and to provide services to their residents. It was in recognition of this fact that the Commonwealth Grants Commission was created in 1933. It is a unique institution among Federal systems. Its task is to assess claims by some States for special grants to compensate them for their lower tax raising capacity, or their higher costs, which prevent them from providing public services at a standard equivalent to those available in the richer, more popular States of New South Wales and Victoria.

At various stages, all of the less popular States have been claimant States and have received special grants. Since the Second World War, the personal income tax has been collected exclusively by the Commonwealth, and the Commonwealth has given back a large part of the revenue it gets in the form of grants to the States. Initially, these grants simply reimbursed each State a given proportion of the income tax revenue collected from its residents. Over time, the distribution of the grants to the States has been adjusted with the agreement of all States, to recognise the differences in their capacities and costs, largely removing the need for the poorer States to apply for special grants.

It has always been difficult to decide how the total monies available for the States should be divided between them. Over the years, the decisions on this have reflected recommendations of the independent Grants Commission, and investigations undertaken co-operatively by Commonwealth and State officials. There have however, been significant changes, particularly in recent times in the distribution of population and in the economic structure of Australia and of the various States.

So, at the Premiers' Conference in July, 1977, the States agreed that a major independent review of the distribution of grants should be undertaken. That is being done by the Grants Commission, with the assistance of two additional associate Commissioners appointed for just this task.

At the next Premiers' Conference and Loan Council Meeting on the 19th of June, the recommendations for new relativities between the States will be a major agenda item. But by then, neither the Commonwealth nor the States will have had time to consider the report in detail. A detailed examination is essential, for the subject of this report is vital to the future of all the States.

In the circumstances, I have willingly agreed to Lindsay Thompson's request that an additional Premier's Conference be held later in the year to discuss this matter more fully and in a more considered way. We are currently looking at possible dates during the Parliamentary recess for this additional Conference.

Nobody other than the Grants Commission itself yet knows what the recommendations will be, but there is widespread belief that it will recommend changes, possibly substantial changes, in the shares going to the various States. Of course, it cannot recommend a greater share for one State, without recommending a smaller share for others. How to implement the report's recommendations will be a difficult question, requiring an exceptionally high degree of consultation between the States and between them and the Commonwealth. The Commonwealth is willing to assist the States in their discussion and decision-making, but it is at least as much a matter for co-operation between the States themselves, for ultimately it is their shares, not the total of Commonwealth grants available to them that is at issue.

The statesmanship of the leaders of all Governments in Australia will be put to the test in the coming weeks. Decisions important to the very structure of our Federation will be at stake. Co-operation and consultation will be required in abundance.