



EMBARGO: 5.00 pm

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PRIME MINISTER

FOR MEDIA

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ELECTORATE TALK

The meetings between the Commonwealth and the states on Friday and Saturday were important and productive. I believe that the decisions that we reached are the right ones for Australia as a whole and for each state at this time. The decisions will have considerable ramifications and benefits for all Australians.

Perhaps the most important issue was the level of borrowings for Government projects. For some time the Commonwealth has believed that in the interests of private individuals, of home builders, farmers and small businesses, governments should pull back on their borrowing requirements. To understand this it is vital to realise that in the end there is only one source of funds for borrowing. When a family seeks a loan of some tens of thousands of dollars for a house and when a government seeks a loan for a few hundred million dollars for some project that it has in mind, the funds for both applications, if indeed sufficient funds are available, must ultimately come from the same source, and that source is not unlimited.

If Governments want to borrow say, \$500 million that would mean other things being equal, that some 20,000 fewer home loans of \$25,000 would be available. This example is obviously an over-simplification, but it does highlight why the Commonwealth wants to limit borrowing by governments. In addition the people who do get home loans in a tight borrowing market may have to pay a high interest rate for them. For interest rates represent the price of borrowing and as in any other market if demand exceeds supply the price of borrowing money must rise.

I believe that all governments have a responsibility to seek a balanced programme of economic development in Australia. Each state government of course has its own particular responsibilities and it is entirely proper that each Premier should put his own state's case with the greatest strength. There is healthy competition in this. The Commonwealth Government, by its very nature, has a wider perspective. It must consider not only its own requirements, and not only the competing requirements of the states, but also the competing demands between the private sector and government requirements in their totality. The Commonwealth has the overwhelming responsibility to do what is right for Australia as a whole.

I understand well that many people wish that Premiers' Conferences could be conducted with a greater appearance of co-operation. But it needs to be realised that the Commonwealth's resistance to a number of state bids for funds and borrowings is not a resistance designed to weaken the states and advantage the Commonwealth, but rather to attain overall balance, and to make sure that taxpayers generally, including small businesses and homebuyers, have their interests protected.

An equally important item discussed at the meetings was the Grants Commission Report on Relativities between the states, which I referred to a few weeks ago. It is now well-known that this report has recommended a greater share of Commonwealth grants for some states, including Victoria, and a smaller share for others. The Commonwealth recognised that substantial expectations had been built-up that some action would be taken to give the states who would benefit from the Report's conclusions at least a part of what they saw as their new entitlements. At the same time, neither the Commonwealth nor the other states could bear the full cost of immediately implementing substantial changes. The Commonwealth also recognised that some states had genuine concerns about the precise recommendations made in the report, concerns based on doubts about the data available to the Commission, and about the methodology it used.

The Commonwealth accordingly proposed, and the states accepted, two initiatives that represent a responsible and equitable approach to the report. First, in recognition of the legitimate expectations of the states whose grants would increase if the Report were implemented the Commonwealth has provided an additional payment for 1981-82 of \$60 million, to be divided between New South Wales, Victoria and Queensland. Justice and fairness required that some payment be made to these states, without imposing impossible burdens on the other states.

Second, in recognition of the many concerns expressed about the Report's conclusions, it has been agreed that the Grants Commission should be asked to undertake a review of its conclusions, with the states being given an opportunity to present their arguments about its methodology. We expect to receive the results of this further review as early as possible next year.

I believe that all states agree that this outcome is appropriate and fair in the light of the reasonably held expectations of some, and the equally reasonably held concerns of others. It was also my pleasure, at the end of the Conference, to issue a joint statement with Lindsay Thompson announcing that the Commonwealth will be making a gift of \$5 million to Victoria, as a contribution to the celebration of the sesqui-centennial of the first settlement in Victoria, by the Hentys at Portland, followed a year later by the settlement at Melbourne. The grant follows discussions with the Chairman of the Sesqui-centennial Committee, Sir John Holland. The Commonwealth wishes the gift to be associated with an identifiable and suitable project and further discussions will be held to determine the nature of this project.