

CHECK AGAINST DELIVERY



EMBARGOED UNTIL 10 A.M.  
30 JUNE 1983

30 JUNE 1983

## PRIME MINISTER

### PREMIERS AND MINISTERS

I WELCOME YOU ALL TO THIS THE FIRST PREMIERS' CONFERENCE THAT I HAVE HAD THE PLEASURE AND PRIVILEGE OF ATTENDING - THE PLEASURE IS IN NO WAY DIMINISHED BY FINDING MYSELF IN THE CHAIR.

IN PARTICULAR, I EXTEND A WELCOME ON YOUR BEHALF TO THE NEW PREMIER OF WESTERN AUSTRALIA, BRIAN BURKE, WHO, I AM SURE, WILL SEE MANY CONFERENCES IN THE FUTURE. HE FOLLOWS A LONG LINE OF WORTHY REPRESENTATIVES FROM THE WEST INCLUDING ONE ESPECIALLY FAMILIAR TO ME, BERT HAWKE AND, OF COURSE, MORE RECENTLY SIR CHARLES COURT.

IN THE UNAVOIDABLE ABSENCE OF MR WRAN WE WELCOME MR FERGUSON.

ALSO, THIS IS THE FIRST CONFERENCE THAT THE TREASURER AND MY OTHER MINISTERIAL COLLEAGUES HAVE ATTENDED AND WE WELCOME THEM.

FOR THE REST, I UNDERSTAND THAT YOU ARE ALL EXPERIENCED IN THIS ARENA BUT I AM SURE YOU WILL PLAY FAIR WITH THE NEW COMERS.

IT IS, OF COURSE, NOT MY FIRST MEETING WITH YOU IN THIS CHAMBER. THAT DATES BACK TO APRIL DURING THE HISTORIC ECONOMIC SUMMIT.

2.

BEFORE CONTINUING ON THAT LINE, HOWEVER, THERE ARE SOME PROCEDURAL MATTERS WHICH WE SHOULD CLARIFY. I AM SUGGESTING THAT THE CONFERENCE BE OPEN TO THE PRESS DURING THE STATEMENT I AM ABOUT TO MAKE AND DURING YOUR RESPONSES. WE EXPECT THAT THESE MAY BE OF SOME SUBSTANCE SINCE WE HAVE TAKEN THE UNUSUAL, BUT VERY DESIRABLE, STEP OF GIVING TO YOU IN ADVANCE - LAST NIGHT IN FACT - THE COMMONWEALTH'S VIEW ON THE PRESENT ECONOMIC SITUATION.

FOLLOWING YOUR RESPONSES I WILL INVITE THE TREASURER TO SUM UP FOR THE COMMONWEALTH DEALING WITH THE ECONOMY.

AT THAT POINT, I SUGGEST WE SHOULD GO INTO LOAN COUNCIL WHICH WILL, AS USUAL, BE A MEETING IN PRIVATE.

IS THAT AGREED?

BOTH THE TREASURER AND MYSELF WOULD PROPOSE TO ADDRESS THE ECONOMIC AND FINANCIAL SITUATION IN GENERAL TERMS, LEAVING SPECIFIC ISSUES TO BE RAISED LATER IN THE PRIVATE MEETING. I ASSUME THAT ALL OF US WILL PROCEED ON THAT BASIS.

- . AS THIS PREMIERS' CONFERENCE AND LOAN COUNCIL IS THE FIRST SINCE WE TOOK OFFICE, WE DO WISH IT TO BE A SUCCESS, PARTICULARLY IN TERMS OF MAKING AN IMPORTANT CONTRIBUTION TO RECOVERY IN THE ECONOMY.
- . MY GOVERNMENT SEES THE REACHING OF BROAD UNDERSTANDING BETWEEN THE COMMONWEALTH AND THE STATES AS BEING IMPORTANT TO NATIONAL ECONOMIC RECOVERY. AS I SAID IN MY ADDRESS TO THE NATIONAL PRESS CLUB ON MONDAY:  
 "FOR OUR PART, WE ARE APPROACHING THAT CONFERENCE WITH A DETERMINATION TO MAKE IT, NOT AS IT HAS BEEN FOR SO MANY YEARS, AN OCCASION FOR CONFRONTATION AND CONFLICT, BUT FOR GENUINE CO-OPERATION AND CONSTRUCTIVENESS TO THE MUTUAL BENEFIT OF THE NATION AND THE STATES WHICH CONSTITUTE THE NATION".
- . THIS WAS THE SPIRIT OF THE NATIONAL ECONOMIC SUMMIT CONFERENCE - A SPIRIT THAT WILL BE CARRIED ON BEYOND THIS PREMIERS' CONFERENCE IN THE PARTICIPATION OF ALL PREMIERS ON A ROTATING BASIS IN THE DELIBERATIONS OF THE ECONOMIC PLANNING ADVISORY COUNCIL.
- . I'M SURE ALL OF US HAVE THE SAME BASIC OBJECTIVES AND ASPIRATIONS FOR THE AUSTRALIAN ECONOMY. WE ALL WANT TO SEE A STRONG RECOVERY IN ACTIVITY AND EMPLOYMENT.

- WE WOULD ALL WISH TO SEE A RESTORATION OF ECONOMIC GROWTH TO RATES, AROUND 5 PERCENT, WHICH WILL GO FURTHER THAN JUST HALTING THE VERY SHARP RISE IN UNEMPLOYMENT WHICH OCCURRED IN THIS RECESSION, AND ACTUALLY BEGIN TO PRODUCE APPRECIABLE FALLS IN UNEMPLOYMENT OVER TIME.
- . WHAT EVERY ONE OF US WANTS, IN SHORT, IS A SUSTAINED ECONOMIC RECOVERY STRENGTHENING IN 1983-84 AND BEYOND, NOT A "FLASH IN THE PAN" RECOVERY.
- THAT MEANS THAT WHILE WE AS GOVERNMENTS CAN - THROUGH PROVIDING FISCAL STIMULUS TO THE ECONOMY - PLAY A MAJOR ROLE IN ARRESTING THE DECLINE OF THE ECONOMY, AND CAN BE INSTRUMENTAL IN BRINGING ABOUT A TURNAROUND INTO RECOVERY, WE MUST THEN BEGIN TO EASE BACK AS RECOVERY SPREADS TO THE PRIVATE SECTOR.
- WE CANNOT HAVE SUSTAINED GROWTH AGAIN WITHOUT A MAJOR CONTRIBUTION FROM A HEALTHY PRIVATE SECTOR.
- . ANOTHER KEY TO THE SUSTAINABILITY OF THIS RECOVERY WILL BE THE EXTENT TO WHICH WE AS AUSTRALIANS CAN, THROUGH MUTUAL RESTRAINT IN INCOME CLAIMS, AVOID A SURGE IN INFLATION SUCH AS THOSE WHICH HAVE ABORTED RECOVERIES IN THE PAST.

5.

- . MY GOVERNMENT'S EMPHASIS ON A CO-OPERATIVE APPROACH TO PRICES AND INCOMES POLICY HAS OPENED THE WAY TO SUCCESSFUL APPLICATION OF SUBSTANTIAL FISCAL STIMULUS THIS YEAR, BUT CLEARLY WE WOULD BE RASH, TO SAY THE LEAST, IF THROUGH EXCESSIVE AND EXCESSIVELY PROLONGED APPLICATION OF STIMULUS, WE PUT TOO MUCH STRAIN ON THAT POLICY IN ITS FIRST REAL TEST.
  
- . THAT SAID, FISCAL STIMULUS PROVIDED BY THE COMMONWEALTH, IS ALREADY MAKING A MAJOR CONTRIBUTION TO RECOVERY. WE INTEND TO PROVIDE FURTHER STIMULUS IN 1983-84.
  
- . WE RECOGNISE THAT MANY OF THE STATES HAVE EXPERIENCED DIFFICULT BUDGETARY SITUATIONS DURING THE PAST YEAR, WITH THE RECESSION AND, IN THE EASTERN STATES, THE VERY SEVERE DROUGHT.
  
- THE DROUGHT ALONE PLACED A BURDEN ON GOVERNMENT FINANCES AT ALL LEVELS OF POSSIBLY SEVERAL HUNDRED MILLION DOLLARS.

.../6

6.

. WE RECOGNISE TOO THAT MANY STATES ARE FACING ANOTHER DIFFICULT YEAR IN 1983/84, EVEN THOUGH - AND MY GOVERNMENT IS NOT CLAIMING THE CREDIT FOR THIS - THE DROUGHT HAS NOW BROKEN AND THE PROSPECT IS NOW FOR QUITE A GOOD SEASON IN THE RURAL SECTOR

- THERE SHOULD ALSO BE A MODERATE RECOVERY IN THE NON-FARM SECTOR.

. WE RECOGNISE THAT IT WILL TAKE SOME TIME BEFORE IMPROVEMENT IN THE ECONOMY FLOWS THROUGH TO MAKING A REAL IMPROVEMENT IN BUDGETARY POSITIONS. I MUST SAY THAT THIS IS PARTICULARLY THE CASE AT THE COMMONWEALTH LEVEL WHERE MAJOR COMPONENTS OF OUR TAX BASE RESPOND TO IMPROVED BUSINESS ACTIVITY ONLY AFTER VERY LONG DELAYS.

- THE COMPANY TAX IS A PRIME EXAMPLE, THE TIME DELAY BETWEEN IMPROVED COMPANY PROFITS AND THE ADDITIONAL TAX ACTUALLY BEING RECEIVED BY THE COMMONWEALTH AVERAGING MORE THAN 18 MONTHS.

. I DON'T WANT TO FORESHADOW WHAT THE TREASURER HAS TO SAY EXCEPT TO MAKE THE POINTS THAT

- WE MUST ALL OF US ACCEPT THAT THERE ARE REAL LIMITS ON THE FINANCIAL RESOURCES AVAILABLE TO US; AND

- IF WE WANT THIS ECONOMIC RECOVERY TO LEAD TO SUSTAINED AND HEALTHY GROWTH IN THE PRIVATE SECTOR, WE MUST NOT GO BEYOND THOSE LIMITS AND PLACE EXCESSIVE PRESSURE ON FINANCIAL AND OTHER MARKETS.
- . WITHIN THAT CONTEXT WE DO RECOGNISE THE IMPORTANT ROLE THE STATES HAVE TO PLAY IN BRINGING ABOUT RECOVERY - INDEED WE HAVE PLACED A GREAT DEAL OF IMPORTANCE ALREADY ON THAT ROLE IN OUR MAJOR JOB CREATING INITIATIVES ANNOUNCED IN THE TREASURER'S MAY STATEMENT.
- . THE COMMUNITY EMPLOYMENT PROGRAM MARSHALLS COMMONWEALTH AND STATE RESOURCES CO-OPERATIVELY, WITH THE STATES PLAYING A KEY ROLE IN ENSURING THE EFFECTIVENESS OF THE PROGRAM IN CREATING JOBS.
- THE GOVERNMENT WILL BE PROVIDING \$300 MILLION FOR PROJECTS UNDER THE COMMUNITY EMPLOYMENT PROGRAM IN 1983/84. TOGETHER WITH THE FURTHER \$100 MILLION BEING ALLOCATED FOR CONTINUATION OF THE WAGE PAUSE PROGRAM, THIS REPRESENTS A VERY SIGNIFICANT INCREASE OVER THE FUNDS MADE AVAILABLE FOR EMPLOYMENT CREATION IN 1982/83 (\$100M)

- APART FROM THE \$50 MILLION BEING RESERVED FOR COMMONWEALTH INITIATED PROJECTS, THESE FUNDS ARE BEING ALLOCATED BETWEEN THE STATES AND THE TERRITORIES PRINCIPALLY ON A POPULATION BASIS.

AGAIN, IN THE GOVERNMENT'S MAJOR INITIATIVES IN THE HOUSING AREA, WE HAVE GIVEN STRONG SUPPORT TO THE STATE ROLE IN THE PUBLIC HOUSING AREA PARTICULARLY

- DIRECT COMMONWEALTH FUNDING FOR PUBLIC HOUSING WILL BE INCREASED FROM \$333 MILLION IN 1982/83 TO \$500 MILLION IN 1983/84, AN INCREASE OF 50 PERCENT.

DESPITE THE LIMITS IMPOSED BY THE COMMONWEALTH'S OWN BUDGETARY POSITION, WE HAVE ALSO RECOGNISED THE NEED TO CONTINUE PROVIDING ADEQUATE FUNDS FOR STATE ACTIVITIES GENERALLY.

- TOTAL RECURRENT PAYMENTS TO THE STATES INCLUDING REVENUE SHARING GRANTS UNDER THE PRESENT FORMULAE, OTHER GENERAL REVENUE AND SPECIFIC PURPOSE RECURRENT PAYMENTS (BUT EXCLUDING PAYMENTS FOR NATURAL DISASTER RELIEF, FODDER SUBSIDIES, AND SPECIAL BUDGETARY ASSISTANCE FOR BUSHFIRES AND MEDICINE), ARE ESTIMATED TO RISE BY OVER 11 PERCENT IN 1983-84.



- THIS REPRESENTS A RISE OF ABOUT 4 PERCENT IN REAL TERMS AND COVERS THE BULK OF COMMONWEALTH PAYMENTS TO THE STATES. WHILE THE INCREASE IN MONEY TERMS IS LESS THAN LAST YEAR, IN REAL TERMS THERE WILL BE A SIGNIFICANTLY LARGER INCREASE.

. SPECIFIC PURPOSE CAPITAL PAYMENTS, EXCLUDING PAYMENTS FOR NATURAL DISASTER RELIEF, ARE ESTIMATED TO RISE BY OVER 20.5 PERCENT IN 1983-84, A RISE OF ABOUT 13 PERCENT IN REAL TERMS.

- THIS FOLLOWS A STRONG RISE IN TOTAL CAPITAL PAYMENTS TO THE STATES IN 1982-83 OF 22.3 PERCENT AND A MASSIVE RISE OF 80.6 PERCENT IN 1982-83 IN THE BORROWING PROGRAMS OF THE LARGE STATE SEMI-GOVERNMENT AUTHORITIES.

. THE FUNDS THEREFORE BEING MADE AVAILABLE TO THE STATES THROUGH RECURRENT AND SPECIFIC PURPOSE CAPITAL PAYMENTS WILL BE RISEING STRONGLY IN REAL TERMS IN 1983-84, EVEN THOUGH COMMONWEALTH RECEIPTS (ON THE BASIS OF THE FORWARD ESTIMATES) ARE EXPECTED TO SHOW A SIGNIFICANT DECLINE IN REAL TERMS.

WE ARE CONCERNED TODAY WITH THE ADDITIONAL AMOUNTS TO BE MADE AVAILABLE TO THE STATES, IN PARTICULAR THROUGH THE STATE GOVERNMENT PROGRAM AND FOR BORROWING BY SEMI-GOVERNMENT AUTHORITIES. IN CONSIDERING THOSE AMOUNTS WE NEED TO BEAR IN MIND THE STRONG RISES IN REAL TERMS INVOLVED IN RECURRENT AND SPECIFIC PURPOSE CAPITAL PAYMENTS AS I HAVE JUST OUTLINED.

- BUT WITHIN LIMITS ON OVERALL PUBLIC SECTOR FINANCIAL RESOURCES WHICH ARE CONSISTENT WITH SUSTAINABLE RECOVERY WE INTEND TO BE REASONABLE AND SUPPORTIVE OF STATE EFFORTS TO PROVIDE SERVICES AND TO GIVE SUPPORT TO THE ECONOMY IN THEIR AREAS.

THIS GOVERNMENT'S APPROACH TO THIS CONFERENCE WILL NOT BE ONE OF TAKE IT OR LEAVE IT.

AS I HAVE INDICATED, OUR APPROACH WILL BE THE SAME AS WE TOOK TO THE NATIONAL ECONOMIC SUMMIT CONFERENCE.

- WE ALL NEED TO APPROACH THESE DISCUSSIONS IN A FRANK AND CONSTRUCTIVE SPIRIT, RECOGNISING EACH OTHER'S PROBLEMS AND CONSTRAINTS.

FOR OUR PART, WE WILL BE DOING OUR BEST TO ENSURE THAT THESE DISCUSSIONS COME TO A RESULT WHICH WE CAN ALL ACCEPT IS A REASONABLE AND ACCEPTABLE BALANCE GIVEN THE CONSIDERATIONS WHICH WE MUST TAKE INTO ACCOUNT.

- . SOME OF YOU HAVE ALREADY INDICATED PUBLICLY YOUR STATE'S POSITION IN RESPECT OF SOME OF THE MATTERS WE WILL HAVE UNDER DISCUSSION HERE. I AM SURE THAT A CLOSE READING OF THE TREASURER'S STATEMENT SPELLING OUT THE DETAIL OF THE COMMONWEALTH'S PROPOSAL WILL GIVE SOME CAUSE FOR REFLECTION ON WHAT HAS ALREADY BEEN SAID.
- . WHAT I DO HOPE WE HAVE SEEN AN END OF IS THE SORT OF EXTRAVAGANT COMMENT, WHICH WHILE PERHAPS HEADLINE CATCHING, DOES VERY LITTLE FOR THE CONFERENCE AS A WHOLE AND FOR THE CALM, DISPASSIONATE CONSIDERATION OF A SERIOUS PROBLEM.
- . EACH OF YOU IN TURN I NOW INVITE TO MAKE A PRESENTATION ON THE SITUATION AS SEEN FROM YOUR STATE.
- . AFTER THAT, AS THE LAST ITEM BEFORE THE MORNING TEA BREAK, THE TREASURER WILL RESPOND TO YOUR PRESENTATIONS ON THE ECONOMY, SPEAKING TO HIS MORE EXTENSIVE ECONOMIC STATEMENT, COPIES OF WHICH YOU RECEIVED LAST NIGHT.
- . AFTER MORNING TEA, I PROPOSE WE RESUME IN LOAN COUNCIL.

\*\*\*