



ACTING

PRIME MINISTER

FOR MEDIA

31 January 1984

The attached telex was today sent to the Queensland Premier.

The Hon. J. Bjelke-Petersen, MLA,
Premier of Queensland,
Parliament House,
BRISBANE QLD 4000.

My dear Premier,

I refer to your telex of 29 January 1984 to the Prime Minister concerning the differences between our two governments on the level of Medicare compensation payments to Queensland.

I am afraid that, in both your telex of 29 January and that of 26 January, you have envisaged a role for the Commonwealth Grants Commission in this matter that was not contemplated by the Prime Minister, and is simply not appropriate within the framework of the current arrangements for the payment of tax sharing grants to the States. These arrangements were, you will recall, settled at the June 1982 Premiers' Conference and are to run until 1984-85. I understand that your Government accepted these arrangements as put forward by the previous Commonwealth Government.

However, in his correspondence of 18 November and 24 January the Prime Minister suggested that, if you believe Queensland is receiving unfair financial treatment, there will be an opportunity for that contention to be tested in the Grants Commission's next review of relativities. In other words, there is already an established mechanism for considering Queensland's case.

You have suggested that the Grants Commission should be asked to report separately and immediately on the level of Medicare compensation being offered to Queensland. But it would simply not be possible for the Commission to examine equity and relativity questions effectively if its examination were to be confined to one particular Commonwealth program. It is precisely the purpose of the forthcoming review of relativities to examine the overall financial implications of all Commonwealth programs for the States.

As the Prime Minister has indicated, the Commonwealth is prepared to insert an additional clause into the terms of reference for that review, to ensure that Queensland's arguments in relation to Medicare are fully examined.

This review is due to be completed before the middle of next year, and the recommendations would need to be considered at next year's Premiers' Conference. It is quite misleading of you to suggest that, because of the previous Government's delay in implementing the 1982 Grants Commission report, it would take this Government five or six years to settle the issue.

The Commonwealth's approach to Medicare compensation has been to ensure that no State is disadvantaged financially as a result of the Commonwealth's introduction of the Medicare scheme. It has never been the Commonwealth's intention that individual States should "profit" from Medicare - yet the attitude being taken by your Government seems to be to extract as much as possible from the scheme so that, in your words,

"we can now do something else with the cash".

The situation has now clearly been reached where it is not the Commonwealth's policy which threatens to disadvantage Queensland taxpayers, but your own Government's desire to profit from the introduction of Medicare.

If the Queensland Government signs the Medicare Agreement, it will be better off than it would have been if the existing health insurance arrangements had continued, in particular as a result of the special payment of \$15 million in 1983-84 and \$35 million in a full year offered as part of the Medicare compensation arrangements. As a result of the Agreement, your Government will be more than fully compensated for additional costs and lost revenue.

It is quite wrong to imply that Queenslanders will be paying the levy without receiving as much in return. On current estimates, the Commonwealth would expect to raise \$212 million from Queensland taxpayers under the Medicare levy, abolition of the tax rebate, and other sources in 1984-85. In contrast, Commonwealth outlays in Queensland under Medicare in 1984-85 are expected to be of the order of \$220 million.

In the light of the Commonwealth's offer to insert an additional clause into the Terms of Reference of the Grants Commission Review, I ask again that you indicate as soon as possible your willingness to sign the agreement so that the people of Queensland can participate fully in the Medicare program.

Yours sincerely

Lionel Bowen