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ACTING PRIME MINISTER

FOR MEDIA

3 February 1984

The attached letter was telexed today to the Queensland Premier, Mr. Bjelke-Petersen.

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

My dear Premier,

I refer to the Prime Minister's telex of 29 January, suggesting an additional item in the terms of reference for the general review by the Commonwealth Grants Commission, and to my conversation with you and Mr. Leo Hielscher.

I confirm my view that the offer of \$35 million per annum will be a bonus for Queensland, because it is over and above the compensation that will be paid for the revenue lost by Queensland and any additional costs. In my view, this offer is extremely generous.

I am pleased that you have indicated your preparedness to accept the Commonwealth's suggestion of a special term of reference being included in the forthcoming general review by the Commonwealth Grants Commission.

I am, however, disappointed to note that your latest telex does not reflect the conversation that I had with Mr. Leo Hielscher relating to the offer referred to in paragraph 2 above. In the course of that conversation Mr. Hielscher disputed the facts as outlined in paragraph 2 hereof and assured me that this would be specifically referred to in your foreshadowed reply. I am disappointed to note that the lengthy reply does not refer to this specific matter and purports to raise a number of other issues which were never discussed.

In an effort to speedily assist you I have had your proposals further examined by my colleagues the Treasurer and the Minister for Health. The Commonwealth is prepared to accept the thrust of your proposal for this clause, with one amendment. We suggest that the term of reference be as follows:

"The Commission should also indicate whether Commonwealth payments under Medicare in respect of the Queensland Public Hospital System disturb the financial relativities that existed between Queensland and the other States immediately prior to the introduction of Medicare. Should the Commission conclude that Commonwealth payments under Medicare will result in a disturbance to Queensland's relativity, the Commission should

indicate the extent of the financial adjustment that is necessary to restore Queensland to its previous position."

I appreciate Queensland's concern that any necessary adjustments arising out of the special term of reference should not take five or six years to implement. The Commonwealth will consider the Grants Commission's report on this matter, and reach a decision on it at the June 1985 Premiers' Conference.

With respect to the other proposals in your telex, the Commonwealth cannot agree to these in the context of the signing of the Agreement. These are matters that ought to be the subject of consideration and negotiation in the light of the Grants Commission report.

In the meantime, I do not believe that Queensland will be adversely affected by the proposed arrangements. The Queensland Government will suffer no net revenue loss or additional cost under the Medicare arrangements, and will receive as a bonus an addition to State revenue of \$35 million. This payment will ensure that Queensland receives slightly more than Queenslanders will be paying through the Medicare levy and associated measures.

I hope that we are now in a position quickly to sign the Agreement, which will allow the Medicare grants to apply from 1 February 1984.

Yours sincerely,

(Lionel Bowen)