



PRIME MINISTER

JOINT STATEMENT BY THE PRIME MINISTER, THE HON P J KEATING MP AND THE PREMIER OF VICTORIA, THE HON J G KENNETT MLA

The Prime Minister and the Treasurer met tonight with the Premier and the Treasurer of Victoria to discuss Victoria's budgetary and debt position.

Following a constructive discussion, both Governments agreed upon the need to satisfy the Loan Council that a sustainable long-term strategy is in place to address Victoria's budgetary and debt difficulties. With that in mind, the Commonwealth Government is willing to support, in principle, a Victorian approach to Loan Council seeking \$1.6 billion of special addition to this year's Global Limit in order to finance the 1992-93 budget.

Victoria presented a medium term financial strategy to the meeting. The Commonwealth and Victorian Governments will work together to further refine that strategy prior to a special Loan Council meeting in December.

It is expected that this examination will be successfully concluded during the course of the next four weeks. The consultations to date provide cause for confidence that Victoria's problems can be satisfactorily resolved.

Arising from the meeting's discussion of the steps already taken and those in prospect, the Commonwealth Government has agreed to recommend to Loan Council a special addition to Victoria's Global Limits of \$1,267 million to regularise Victoria's relationship with Loan Council. That special addition would be in respect of the borrowings undertaken in May of this year to refinance previous short-term borrowings used to finance budget deficits in that year and in the preceding two years. Victoria accepts that these borrowings undertaken by the previous Victorian Government require Loan Council approval.

Both Governments were of the view that it was important that stability be restored to financial markets by focussing on the task of restoring Victoria's budgetary position and avoiding a continuation of the potentially damaging public debate of recent days.

2 November 1992