



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
CLOSING REMARKS, PREMIERS' CONFERENCE, PARLIAMENT HOUSE
5 JULY 1993**

E&OE PROOF COPY

PM: Well thank you very much, Marshall Perron. I might just recap on a few points that Premiers and Chief Ministers have raised and then we might then retire to the cabinet room. We have a lunch scheduled for 12.30 pm that we can vary. So, at a conclusion to my remarks, I think we may, well it is really your option whether we go to the cabinet room, or have lunch a little earlier and then return to the cabinet room, or go to the cabinet room first.

Could I just begin by addressing some general comments. A few remarks were made about the one day meeting being a farce. Well I think this belies a tremendous amount of work by officials, as you know the Commonwealth and State Treasury and central agency officials have now met consistently about this subject for some time, particularly in the national fiscal outlook statement, which is a joint statement of the Commonwealth and the States. It is the first time that it has ever been produced, it is the first time any Commonwealth Government has put estimates of receipts out into the medium term and therefore estimates of deficit or surplus, as the case may be, when I became Treasurer and John Dawkins became Minister for Finance in 1983, the then Coalition Government didn't even publish forward estimates of outlays, much less forward estimates of receipts, and forward estimates of the budget balance, or let alone give any commentary on the profile of the receipts or the outlays, or influences on the receipts or the outlays on the way through.

I don't know of any federal Government, any national government in the world which publishes these sort of documents. So, the notion that this is a day of hit and miss type of things, is wrong. I mean it is a tip of a very large iceberg and there has got to be a point where the executive authority of the Commonwealth and the States is brought to bear to decide things. But that is not taken without undue consultation and understanding of the issues which both the national fiscal statement, the new loan council arrangements and the Fitzgerald Report itself which backgrounds savings in the broad.

All of that means this is easily the best informed Premiers conference meeting, ever. I think that we should understand just how much progress has been made in trying to get a better understanding between us all about where our fiscal needs are.

The Treasurer was just telling me the offer document went to States on Thursday as well, not Friday. So there was a number of days there to consider the distillation of the Commonwealths work in respect of the meeting.

Let me just briefly comment at least on some of the points that have been made. John Fahey made the point in his opening remarks about the need for certainty in fiscal finance and arrangements between the Commonwealth and the States. We have tried to provide that in arrangements over periods of time where we thought we could see some medium term horizon, and this is the last year of a three year real terms guarantee, and we will try and devise some method where the States can have some idea of where we think we are heading for the future. The problem with it is the difficulty of getting the balance between certainty on the one hand and the need for flexibility on the other. In my opening remarks I mentioned the question of the change in the world forecast and Jeff Kennett picked me up on this point about the OECD, but I will come to that in a moment. The OECD growth rates for '92 changed from a positive 2.7 per cent to a negative .9. That's nearly a four per cent change in the forecast, and in 1993 from 4.3 per cent in forecast in '91 to .3 this year, again, for the second year in a row a 4 per cent change in the forecast.

The OECD, I will come to Jeff Kennett's point, it is not a matter of we Australians comparing our growth rates to the OECD, it is a commentary on the weight of the OECD economies in world output. They represent more than half world output, and much of Australia's prosperity. We now have commodity prices last this low in the middle eighties and I think from memory the last time they were that low was the depression. We got very low commodity prices because the US economy is down, the German economy has been in recession, and the Japanese economy has been in recession. And so with these very dramatic changes in the balance of world output, therefore we need always the flexibility to adjust our own budgetary positions. And so I think the reason while none of us, certainly on the Commonwealth side, wanted to deny States certainty about having some predictability in their revenues, we always do need that capacity to be flexible in the face of quite mammoth changes like these. These are very large changes. The fact that we are still growing at 2.5 per cent as a developed economy with the OECD shifting balance of growth, shifting to the negative for '92 and barely positive for '93 means that we are not doing too badly. But we have got to do much better, of course, for the point which John Fahey also made and that is respect of unemployment, where of course rates of growth under about 3 per cent barely start cutting into unemployment at all.

Could I just mention, Jeff Kennett mentioned, that we should meet to discuss national outcomes and to improve ourselves. I mean, I don't think we should underestimate our progress, as I said in my opening remarks we are 30 per cent more competitive than we were in the middle '80s. We are now hugely competitive in terms of our exports and import replacement by virtue of lower inflation, our wage costs, and a shift in our productivity. And as that McKinsey study showed and pointed out so eloquently a week or two ago the big shift in manufactured exports and elaborately transformed manufactures is occurring not because, amongst other things, because the competitiveness of the economy, but the big shift is in attitudes within businesses and the striking thing about that result was that the survey revealed that it was the 90 per cent of businesses that were not exporting which had exactly the same products, exactly the same opportunities and exactly the same availability of competitiveness, but we are not doing it because of attitudinal issues. And that is our big problem getting this attitudinal shift on the part of business to look at the world as their market and not just Australia.

But in terms of our competitiveness we have been improving quite markedly. I am always quite receptive to proposals of doing things, more things, together and I think we should. But can I just say and I do not want this to be too negative a remark about Jeff Kennett's comments, but last Friday we had one of the most depressing outcomes of any Commonwealth/State meeting. At the meeting of Commonwealth and State Ministers for Education and Training a decision was taken to defer action on major reforms and refer them back to the States and Territories. This is on the implementation of a national curriculum in schools and I am sure many of you know that the question of key competencies and the national curriculum in schools is germane to the adopting of an Australian vocational certificate which of course, is underpinning our major reform in vocational education. One has got to ask oneself what kind of country we may be if outside of the tertiary sector of education, at the vocational area we can't get to a point where a vocational standard in technical and further education in those thousands of jobs which will be needed to power the economy along outside the tertiary area where we can't get to a national certificate for a student who wishes to participate in industry in those terms. The more obvious thing why would we want any child not to be able to continue their education in one State coming from another to find that there is a dramatic shift or change in the curriculum.

Apparently the reason these decisions were taken was because the conservative States decided the States rights issues had to be dealt with. Jeff, I do not mind being enjoined to do things nationally, but if we can not even give our kids a national curriculum after five years of work on this between the Commonwealth and the States to pull out now because of some notion about States rights when the States have been absolutely the drivers in a national approach here, then you do wonder where we can ever get to anywhere co-operatively.

But the general view that we should work co-operatively is coming through, our national fiscal outlook, it is coming through the COAG meetings and we are registering important gains, but I think we have got to keep the spirit going. We have all talked about Asia here today, anyone who has been to Asia particularly in the last year or two knows what tremendous opportunities are there for Australia and the notion that we should be bickering about educational standards or something between States of Australia and not approaching these markets as a unified national force is of course, folly in the long run.

Can I say a couple of other things then addressing concerns which were raised by Queensland and Western Australia also South Australia, the ACT, the Northern Territory and Tasmania about fiscal equalisation.

The Commonwealth Government in the last decade has remained committed to fiscal equalisation. We remain committed to fiscal equalisation. That is not to say that the Grants Commission should not from time to time examine the methodology and the relativities between States and it has taken that opportunity and that is why we seek to try and adopt a Grants Commission Report when that opportunity is taken. That is why we have sought to give expression to the current change in methodology and relativities coming from the Grants Commission report.

We are one nation and to see ourselves as States and therefore to see only areas of advantage and comparative disadvantage is I don't think the way to view the country and the fiscal equalisation has played an important role in binding the federation together and keeping some of the smaller States committed to being part of national fiscal solutions, giving their communities a standard of living they might not otherwise enjoy.

There is a view, and a very strong view from New South Wales and Victoria, and I understand the view particularly when the value of the tariff to those States has fallen and it has fallen notwithstanding the point which was made earlier about Western Australia. The fact is New South Wales and Victoria have been through a substantial adjustment to their industrial base through protection, declines in protection, and one hopes that these Grant Commissions relativities at least understand that point and that the shift in the relativities are fair to the change of position of the various States.

Can I just say a number of States took up the question of the Medicare agreement and its influence on the current outcome. At the time of signing the agreement we gave an indication to States how much they would be better or worse off from the impact of the change to Financial Assistance Grants and the Health Fund Grants implicit in the Medicare agreement. And in that Queensland was to lose \$47 million; Western Australia \$70 million; South Australia \$73 million; Tasmania \$11 million; and the Northern Territory \$42 million. In fact as a result of in the 'offer document' those numbers have Queensland losing \$21.6 million; Western Australia \$32.4 million; South Australia \$68.5 million; Tasmania \$1 million; and the Northern Territory gaining

\$36 million. The difference is that Queensland is \$25.4 million better off than expected to be; Western Australia is \$37.6 million better off than expected to be; South Australia \$4.5 million; Tasmania \$12 million; the Northern Territory \$78.4 million; the loser in this is the ACT which loses \$27.5 million and that is why we have already put special financial assistance in for the ACT and I have also in conversation with the Treasurer and the Chief Minister said that we will consider additional special assistance as well.

But on the expectation versus the 'offer document' there are substantial gains in there.

We thank those Premiers and Chief Ministers who did make a reference to the real terms guarantee, we think it was important to keep that certainty, for the Commonwealth to keep its word on those things and that we can therefore at least consider our respective responsibilities in the context of a pool which is maintained in real terms.

There were many other issues which were raised that are not appropriate here to deal with in detail. I hope I have touched on the broad ones and could I with those words thank you for participating in the opening public session of the Premiers' Conference and now invite Premiers, Chief Ministers and Treasurers to the Cabinet Room.

Thank you.