



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP
DOORSTOP, AFTERNOON BREAK, COAG, PARLIAMENT HOUSE,
DARWIN, FRIDAY, 19 AUGUST 1994**

E&OE PROOF COPY

PM: In the early afternoon, as you know, at lunch time, we hadn't made much progress here. The States wanted a fundamental realignment of Commonwealth payments to the States before they would discuss the Hilmer recommendations. For the Commonwealth's part we said well, we wouldn't agree to that, we would be prepared however as we said this morning to try and quantify the benefit to the Commonwealth budget flowing from competition policy changes, but this is not, of course, economy wide changes on the Federal budget. And, were that not to be agreed by the States, we, the Commonwealth, would go back to the drawing board and think about what position we should take ourselves - ie, whether we would legislate ourselves.

At that point, I think, the States thought that, well frankly, thought better of it and said that for their part, a number of them - NSW, QLD, WA, the ACT said that they could actually agree to some of the core matters if, indeed, we sought to quantify the funding, the extra revenue the Commonwealth might receive from the Hilmer competitive changes. So, we said that's fine, ok, we are prepared to think about that, but we have to have agreement to the core issues and, of course, I then started to move down them.

Now, the primary one is the first point. Council agreed to a package of reforms that comprised

- the revision of the conduct rules of trade practices legislation and their extension to cover business and state and local government business enterprises and unincorporated businesses.

That is your essential core Hilmer principle. The second dot point

establish a national system to carry out surveillance and to provide access to essential facilities such as electricity grids, pipe lines, airports, rail networks under an agreed set of national principles.

That was agreed by the same group of States. The establishment of an Australian Competition Commission has been agreed. So, those core bits are there. Now, there is many more elements of them, but they are ancillary to, they tend to round the points out. They are the core points. Now, if we get throughout the balance of the day, further, if you like, written confirmation of the agreement of a majority of States to these points, we will then look at the legislation, amend it where necessary and then circulate it for discussion with the States so that when we come to our next meeting, by that stage we'll also have a financial offer on the table based on some quantification of the value to the Commonwealth of competitive changes.

Now, what all that means is we are making progress. This is a very big issue and it is hard to make progress on. The States authorities are one of the last places left where monopolies exist and where free competitive disciplines are curtailed. It was never going to be easy to crack that nut, this was the way to do it I think. And, we were, sort of, giving the nut a bang all morning and we got a crack through it in the afternoon.

J: Why did it take five hours to ... come to the point which the States already wanted? Why did it take five hours to nut out? ...

PM: Because they thought they would stare us down on the claim that half of future gains to Commonwealth revenue would go to the States. Nothing to do with Hilmer, just general economy wide revenue changes. And, of course, we were not going to agree to that.

J: Prime Minister, the States say that they have got from you a guarantee that they'll get a percentage of the revenue gains. Is that right in principle?

PM: What I've said to them is that we are prepared to share with the States the benefit to the Commonwealth budget that might flow from competition changes as a consequence of these discussions.

J: On a fixed percentage though?

PM: ... but that is a whole lot of difference than half of the future growth of total Commonwealth receipts to the States.

J: But how do you guarantee them fixed a percentage share?

PM: No, no, it is not a fixed percentage. It is a matter of us trying to assess what the value to the budget is. Now, let me just repeat the point again. This is a tough set of issues and the first thing the States did was walk away from the communique and say well, that was only our officials. Well, you know, the Commonwealth has been encouraged by the fact that States officials have agreed broadly with the communique, but the Premiers are making it clear, no, well, officials say one thing and we say another. OK, well we understand what an argy bargy is all about, but let's try and get some national progress here. Now, I think, we are going to get that, but we are going to get it around some decent principles because the thing you do in here, I mean, I'll sit here all day and night if I have to to screw the points down and get them out of there. Just like we did at subsequent meetings of COAG and I hope that we can get enough core principles adopted here to say that one of the last bastions of privilege and position in commercial terms in this economy is going to be opened up.

J: Prime Minister, do you concede that the revenue share that you are now considering will be more than the \$700 million that you originally offered the States?

PM: No, it may not be, but it may be.

J: Prime Minister, are you saying that some States haven't signed on for this yet?

PM: That's what I'm saying. Just like that.

J: Which States - Victoria and Western Australia?

PM: God! I like your questions. (Fran Kelly, ABC Radio)

FK: I'm glad.

J: Prime Minister, they've all said it was a fairly acrimonious meeting.

PM: There hasn't been a tough word exchanged all through it to be honest.

J: No voices raised?

PM: No, no, in fact it's what shall I say. I'm searching for adjective. It is very, very polite. It's a very polite meeting. It is exceedingly polite. It is insufferably polite.

J: Is there any great ... (inaudible) for the general revenue sharing or is that what you think you've knocked on the head this morning?

PM: Well, we have knocked that on the head. Look, bear this in mind and I think this is an important point. You might remember after the

February meeting of COAG we said the States have agreed in principle to Hilmer, they've not adopted it, but they have agreed in principle to the issues. Therefore, we will show some bona fides at the Premiers Conference financial meeting when we consider Commonwealth payments to the States. We did that. We gave the States a completely new deal, real terms per capita which will cost us about \$1 billion. So, we've actually made a commitment already about revenue sharing and we are happy to make it in the context of co-operation. But, we are not about to say, when we've now got five per cent economic growth in the economy, we'll hand to the States, here's half the revenue and what, for the Hilmer changes because they are not going to come through for a couple of years, but as from now, we were never going to agree with that.

J: But, do you believe you will reach a figure today?

PM: No, not today, but look, there is going to be some consequential benefit at the Commonwealth budget. We are quite happy to share some of that, quite happy to, but that is a world of difference in saying to the States well, here's half of our future revenue growth. I mean, we've got to bring the Commonwealth budget into surplus and the only way we are going to be able to do it is to make sure that when the economy does pick up and the revenue yield does rise, that it gets devoted to turning the deficit into surplus.

J: And what are the implications to the States that didn't sign onto the agreement today?

PM: Well, I think, their position is not very strong because they have got a majority of states signing on, we'll have a national Act and if they are a co-operating State under the Act they get a whole lot of benefits including money. The first thing the State doesn't get who doesn't sign up is money.

J: Who hasn't signed on?

PM: Well, there's Victoria and Tasmania and South Australia at this stage - to some of things - but, some are on some points and others are on others.

J: Western Australia has signed.

PM: Western Australia has on the main point, yes.

J: Is the political reality that the agreements you are getting now on these substantive points are conditional on this money being sorted out in February?

PM: Yes, I think that is fair enough. I mean, how do you know and how could you accurately assess how much the Commonwealth budget will benefit from this. Well, that is pretty hard to say, but we can make a good guesstimate at that.

J: Did I hear you say that Western Australia was one of the main ...

PM: No, no, Western Australia is part of the agreed ... on the principle point, is one of the agreeing States, but on other points is not. You see, some agree on some points and not on others.

J: Mr Keating, can I ask you what you think of the new Parliament House?

PM: I think it is a very nice building and with a wonderful view too.

ends