

COMMONWEALTH OF AUSTRALIA.

SPEECH

BY

Rt. Hon. SIR ROBERT MENZIES,
K.T., C.H., Q.C., M.P.,

ON

APPROPRIATION BILL 1964-65.

Second Reading.

(BUDGET DEBATE.)

[From the "Parliamentary Debates," 25th August 1964.]

Sir ROBERT MENZIES (Kooyong—Prime Minister) [8.31].—Mr. Deputy Speaker, I am glad that the honorable member for Barton (Mr. Reynolds), at the conclusion of his remarks, has thought fit to remind us that we are considering what amounts to a motion of censure, because, otherwise, this may have been overlooked during the debate of the last week. I do not propose to take up time discussing the honorable member's impassioned remarks, except to suggest to him, in a friendly way, that, since he is so upset about interest being charged on revenue moneys for capital purposes being advanced to the Post Office, he should perhaps look into the position of the Snowy Mountains Hydro-electric Scheme. In that Scheme, the Commonwealth is not aiming at profit. It has provided the overwhelming bulk of the money for the Scheme out of revenue. That has been found by the taxpayers. In the calculation of the price to be paid by the States concerned for the power provided by the Scheme, interest on that money is taken into account. There is nothing new about this. Indeed, the honorable member, if he takes the next opportunity to talk to any Labour Premier whom he can find, will discover that this has been accepted by all the Premiers, whatever their party affiliations may be. It

has been accepted for a very good reason: There is no particular reason why a State should secure power in perpetuity at a cost that loads the whole of the capital burden on to today's taxpayer. This is perfectly proper. Therefore, I suggest to the honorable member, in a friendly way, that he should look into the financing of the Snowy Mountains Scheme.

I wish primarily, Sir, to say something about the attack made by the Leader of the Opposition (Mr. Calwell) on this Budget in the guise of an amendment that may be said to amount to a censure motion. He encountered some difficulties, because, if ever there was a Budget which was well balanced and in which stability, growth and action to counter inflation were nicely blended, it is this Budget. I know of no completely responsible commentator who has not admitted this. All I can say for myself and my colleagues is that we subscribe to every line of this Budget. The Leader of the Opposition, of course, felt that as usual he must launch an attack. He received, no doubt, suitable advice. Indeed, for some time during his speech last week, I thought he was almost in a brown study, if honorable members can follow me in that allusion. He garnished his speech with 18

few flourishes of his own. I shall say a little about them later, I hope in a tender way.

There were a few phrases that struck me. For example, the honorable gentleman said that this was a stop growth Budget. I suppose even he became a little tired of saying "stop-go". So he just made this rather pleasant variation on a theme and said that this is a stop growth Budget. Stop growth! Why, the honorable member for Barton has just delivered a eulogy on the growth of this country that I could not imagine to be surpassed in any quarter. However, his Leader said first that this was a stop growth Budget. His Leader then said that this was a deflationary Budget. All I can say is that you cannot win with the Leader of the Opposition. At any rate, I cannot. I am like King Charles's head: I keep popping up.

But what does the honorable gentleman mean by a deflationary Budget? Does he mean a counter to inflationary Budget or does he belong to that school of thought—if it is to be called thought—which holds that there is no middle course between inflation and deflation? The whole purpose of this Budget, as was made abundantly clear in the most lucid terms by the Treasurer (Mr. Harold Holt) in presenting it, is to produce not a deflationary result but an anti-inflationary one—to avoid inflation and to preserve that stability in the country on which the honorable member for Yarra (Dr. J. F. Cairns) was kind enough to compliment me when he spoke in this debate, though I do not know why he did so. All these things are the purpose of the Budget. To describe it as deflationary is to give it a fantastic description. Indeed, the Leader of the Opposition very soon abandoned that proposition. There is one thing about him: He is never so consistent in his attack that you can detect no flaw in the armour. On this occasion, having explained that this Budget was deflationary, and having painted a picture of impending misery and depression, as he did when last year's Budget was presented as well as during the last election campaign, he then forgot what he had just done and said—

I venture to suggest that this Budget will prove, as last year's Budget did, to have underestimated revenue by at least as much as last year's Budget or by at least £50 million.

The Leader of the Opposition went on to say, referring to the Treasurer—

If this proves to be the case . . . the effect on the economy may well be much more drastic than he foresees.

So he says that we are underestimating the revenue. How is the revenue estimated by the Treasury? It is estimated by making the best possible forecast of the state of the economy, of prosperity, of rates of earnings, of prices, of export earnings and so on, and then working out the sums. If revenues exceed estimates by £50 million, this will mean that the economy has been expanding more than had been estimated, in that employment, earnings, sales and imports will have risen more than the Treasury had estimated. If that represents deflation, we must get another dictionary. Now that I think of it, I shall come back to the dictionary a little later for another purpose. What I have just mentioned is a plain contradiction by the Leader of the Opposition of himself. First, he says that this Budget is deflationary and then, in effect, he says: "No, that is nonsense. We are to have a very expansive year."

The honorable gentleman then attempted to show, with the aid of a table that he incorporated in "Hansard", that the incidence of taxation has changed. If I may interrupt myself, let me point out that the incidence of taxation does commonly change if income grows. This is not an uncommon experience. The Leader of the Opposition said that the incidence of taxation relative to prices and incomes has changed consistently to the detriment of those on lower incomes. This constitutes his case. This is one of the great points that he sets out to make in support of his censure motion.

With the aid of a table that he produced, he attempted to show that a basic wage earner with a wife and two children had found his position deteriorating in the last ten years under the administration of this Government, which the honorable member for Yarra described as unhappily popular. The Leader of the Opposition declared that in the last ten years the tax paid by a basic wage earner with a wife and two children has risen from 5s. a week to 10s. 6d. a week, or from £12 8s. to £27 7s. a year. These are the figures he cited. Let us assume the existence of this man on the basic wage. The honorable gentleman forgets that this

man's wages have risen by £187 a year, out of which he pays an additional £14 or £15 a year in tax. He also forgets that, in addition to the increase in his actual earnings this man has been receiving, over this period of time, increased social service benefits, which can never be left out of this calculation, and to which I shall refer again in a moment.

But I would like to carry my examination of the honorable gentleman's table a little further. I want to consider the increases that have occurred in the 10 year period from 1954-55 to 1964-65. The income of the basic wage earner—this somewhat mythical being—increased in that period by £187. His income tax increased by £15, so that of his increased income he has retained 92 per cent. The income of the average wage and salary earner, given in the honorable gentlemen's table under the heading of "Income of average earnings", increased over the period of 10 years by £485. His income tax increased by £79, so that he retained 83.7 per cent. of his increased income. The income of a third group is given in the table under the heading of "Income of four times average earnings". The increase in money income amounted to £1,940. Income tax increased by £933, so that the man in that category retained 51.9 per cent. of his increased income.

Let me repeat these results briefly so that they may be considered in relation to the charge that everything is altered to the detriment of the lower income earner—92 per cent. retained by the basic wage earner, 83.7 per cent. by the average earnings man, 51.9 per cent. by the man in the third group selected by the Leader of the Opposition, which comprised those earning four times the average earnings. If this indicates that there is a constant pressing down on the position of the lower income groups, then I fail to understand the meaning of elementary facts.

There has been no justification for the charge made by the Leader of the Opposition. However, as I said just a while ago, I would like to talk about certain other advantages that have been provided. Let me say a word about the increased benefits provided all the time, mark you, from the proceeds of taxation, which go materially in the direction of the lower income groups. It is very proper that they should do so and I am not complaining about it; I just want

to state as a fact that they do so. The period with which I shall concern myself is that which covers the whole term of office of this Government. The appropriation for age and invalid pensions has gone up—taking the figures to the nearest million—from £45 million to £215 million. No change in the value of money can explain that away. The amount for widow pensions has increased from £4 million to £23 million, for child endowment from £30 million to £86 million, for hospital benefits from £6 million to £29 million, for pharmaceutical benefits from one-third of a million pounds to £30 million, for medical benefits from zero to £18 million and for pharmaceutical benefits for pensioners from zero to £10 million.

Mr. Deputy Speaker, if figures can have any eloquence at all, it is perfectly clear that the benefits of the proper social measures for which we have been so largely responsible do not go to the rich in the community but to the people who need them primarily. Therefore, this allegation that there is a sort of policy of grinding down the lower income earner is pathetic nonsense. I am shocked to think that the honorable gentleman could have obtained any more or less academic support for it.

Now I come to the next point made by the Leader of the Opposition: This point was made, indeed, last year by the honorable member for Yarra, who is a thoughtful speaker and does a lot of work on these subjects. The Leader of the Opposition said that the country is slowly recovering from the artificial depression of 1961—this depression wickedly brought about by this Government. Considering the results, I just take leave to say that this is far from true. I do not want to add to the many things that have been so well said previously on this side of the House, but I suggest that to answer the honorable gentleman's argument the right thing to do is to compare today's position with the position in the boom year, because he has said: "Oh, yes, you cut down on the boom year, and all we are doing is recovering." So I will compare the boom year with the one which we have the acute misery to live.

Civilian employment in June 1964 was 11 per cent. higher than in June 1960. In that period of time private employment rose by 249,000 and public authority employment by 85,000, an increase of 11 per

cent. in each sector. "Just recovering," says the Leader of the Opposition. We are recovering—plus this enormous increase. Total wage and salary earnings in this last financial year were 27 per cent. greater than in 1959-60, the year that we refer to as the boom year. Average male earnings since that year have risen by 16 per cent, and since the consumer price index rose by something less than a third of that the increase in real earnings has been considerable and notable.

Farm income increase is, of course, explained by a variety of circumstances. One of them is a tremendous increase in production. There has been good fortune in seasons and good fortune in prices, but never leave out of account the increase in production which is the result of the efforts of the man on the land. Farm income increased between the boom year and the last year by 46 per cent. Cash social service benefits increased in the same period by 39 per cent. and other forms of personal income by 23 per cent. The gross national product increased by 27 per cent.

Then let me talk about concrete matters and get away from purely monetary considerations. In the same period, production of steel rose by 35 per cent., electricity 38 per cent. and cement 28 per cent. I need not go on. I could talk about motor vehicles and the enormous increase in the number of houses and flats commenced. In the boom year the number was 91,000, which was a record at that time, and in 1963-64 the number had increased to 107,000. Savings bank deposits have increased by 50 per cent. since the boom year. They have risen to an average per head of population, men, women, children, grandchildren—I must stick to my last—of £200 a head, while in the boom year the average per head was £148. Those are phenomenal figures. Anybody who can look at them, acknowledge their truth and be heard to say that all we are doing is struggling out of the trough of a depression created in 1960 and 1961 is so far gone in partisanship that he will never really be able to take an objective view of anything.

It is quite true—I venture to say this and I think the public will agree with me—that, but for sound budgeting, sound monetary management, sensible economic policies and the preservation of a healthy climate, those

figures that I have quoted would have produced an inflationary pressure much more serious than the one at which we have been looking.

I was delighted that the Leader of the Opposition, in his speech, had a little of his own when he said—

And when we delve deeper into this "Harold in Wonderland" speech, things grow "curiouser and curiouser".

He quoted the words of Alice. I thought this was rather agreeable. In fact, it so stirred me that I re-read "Alice in Wonderland". I am indebted to the honorable member for having given me this literary refreshment.

Mr. Falkinder.—Were you thinking of the white rabbit?

Sir ROBERT MENZIES.—No, no; I was thinking about the March Hare. When the honorable member began his speech, with all the hint of a censure motion, I thought that we were going to have something pretty powerful, not weak tea.

Mr. Pollard.—Some people are thinking about the Mad Hatter.

Sir ROBERT MENZIES.—I am thinking of both, old boy; but I was going to leave you out of it. I am sure honorable members will recall what was said. In fact, I was thinking of it, without having checked the precise words, when the honorable member was promising this powerful, pungent attack. I am sure honorable members remember these words—

"Have some wine," the March Hare said in an encouraging tone. Alice looked all round the table—

For this purpose I am Alice—the Mother of the Year.

... but there was nothing on it but tea. "I don't see any wine," she remarked. "There isn't any," said the March Hare.

That is not a bad summary of the speech made by the Leader of the Opposition. I also remembered—as I am sure many of us did—as the honorable member kept repeating some of his erroneous conclusions, that he was doing it on the well known principle that Lewis Carroll expressed—"What I tell you three times is true". I recommend to the honorable member the further pursuit of these studies. Having said that, I will go back to the point that he thought he was making.

Mr. Peters.—Go back to “Alice in Wonderland”.

Sir ROBERT MENZIES.—I will continue to quote his speech. And you listen to this, my boy; you will learn from it. Your leader—I regard him in that sense—went on to say—

Strangely enough, we can nowhere find in the estimates any allocation for the instalment payments on the TFX bomber. Last year we allowed £10 million; this year nothing. Why? Will the Treasurer say why? Will the Prime Minister say why? Will the Minister for Defence say why? Will the Minister for Air say why?

This is a fine rhetorical phrase—

According to the promise made last November, this bomber was to be delivered by 1966. Despite heated denials in this place, the former Minister for Air—

I assume that that is correctly reported—

surreptitiously inserted into a general statement on the TFX the fact that it could not now be delivered before 1968.

I had always regarded the Leader of the Opposition as something of a purist in language. Everybody knows that “surreptitiously” means secretly or by stealth. How a Minister is clever enough to introduce into a public document, by stealth, a plain statement of fact, I just do not understand; but the word “surreptitiously” is used.

Let me remind the House that in October of last year I myself spoke about the TFX. I have forgotten whether I did it surreptitiously or not; but I am usually audible in the House, I hope. I said—

The Government of Australia has agreed to purchase from the United States two squadrons of F111A aircraft, which used to be called the TFX. By special arrangements with the United States of America, the aircraft will be available to Australia at the same time as deliveries are made to the United States armed forces, which will be from 1967 onwards.

That was my statement—not 1966, but 1967. Then on 18th June, my colleague, the Minister for Defence (Senator Paltridge), in this so-called “stealthy” statement, said—

The latest expert advice available to the Government makes it clear that the Canberra will not begin to be phased out of Squadron service until 1970. Doubts about its stated fatigue life have been resolved and it will continue to be a useful operational aircraft. In the light of advice from its professional advisers, the Government has decided to accept deliveries of F111A aircraft in 1968. These aircraft will embody modifications made as a result of United States Air Force squadron trials, thus providing Australia with a fully tested aircraft.

In other words—I thought all honorable members understood this—the choice was between getting in 1967 a type of aircraft which we would have to handle and which we might have to modify, and waiting one year longer and getting aircraft after they had gone through the whole of their squadron testing in the United States and had received their ultimate modification. So, showing very good sense, the Chiefs of Staff all said: “The second choice is a good bargain. Let us play it that way”. Finally, the Minister for Defence, in his statement, said—

Information from the United States shows that the development of the F111A aircraft is proceeding satisfactorily.

I thought all of that was pretty well known. But the Leader of the Opposition is troubled because there is nothing about it in this year's Budget. I just want to say that I am delighted about that; and I will tell the House why. The reason why no payment is being made for the TFX aircraft this financial year is, quite simply, that the United States authorities do not require any payment. The provisional schedule of payments which was negotiated by my late friend, Mr. Townley, is being revised in consultation with the United States to reflect the Government's decision to take deliveries of the aircraft in 1968 for the reasons I have mentioned and not to accept the loan of the B47 bomber as an interim aircraft. The Minister for Defence announced the reasons for these decisions in June.

The revised schedule of payments has not yet been finally drawn up, but it is clear from discussions with the United States authorities that no payment is required during 1964-65 to supplement the amount of just under £9 million paid by us last year. In the meantime, that amount is earning interest until such time as payments are made to the United States contractors for our aircraft. Putting it in brief, Sir, we have a year's holiday from payments, and during that year we receive interest on the money that we have paid already.

Future progress payments will be determined in consultation with the United States authorities. The estimated total cost to Australia of the 24 aircraft remains at the figure of £56 million announced by Mr. Townley in November of last year. Current advice from official United States sources is that progress on the project is on schedule, and firm assurances have been

given that there is no reason at all to doubt that deliveries will be made to the Royal Australian Air Force in 1968. This is up to date advice and it may be relied on.

I do not want to trespass on the time of the House but I will just add one remark on this matter as a result of something that was said by the honorable member for Yarra (Dr. J. F. Cairns). He went to some trouble in the course of his speech to establish that we did not need the TFX;

that we did not need this kind of aircraft. On the contrary, he said, the kind of war that might have to be dealt with by Australia was one in which a bomber of this order, of this range, of this capacity, would be entirely irrelevant. So, not for the first time the Leader of the Opposition says one thing and the putative Deputy Leader of the Opposition says another. Anyhow, it has been a pretty futile attack and I do not say any more than that we reject it.