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Speech by the Prime Minister, Mr. John Gorton

Thank you, Mr. President, for your introduction. I cannot remember the long list which you gave of those to whom I should address my remarks. May I confine it to the Prime Minister of New Zealand, Mr. Holyoake and the other distinguished persons who are present.

Gentlemen, you have had a long day and you have listened, I think, to seven speakers from the four corners of the earth, all of them men with an international reputation, all of them men with something of significance to say to you. And I think that their presence on this occasion has been a mark of the status which this Institute has reached.

Mr. President, may I congratulate you and your Institute on becoming an Institute in its own right today and no longer just a division of its founding father, the British Institute of Directors. I think that this has come about with the encouragement and the support of the British Institute. It is the kind of process which has been going on in many fields ever since Australian colonies became States, and the States became a Federation, and the Federation became a nation, and this Institute became an Institute in its own right.

I wish you well, Sir, you and your Institute as you set course on your own, as an Institute on your own. And may I congratulate you, Sir, on the part your personal leadership has played in the very rapid growth of this Institute. I know that you are a successful helmsman, both in business and in public affairs and on "Balandra", although I do seem to recall that in a recent Sydney to Hobart yacht race you were outpointed by a politician!

In any case, Sir I thank you for giving me a forum where I can talk to so many key members of our commercial, financial and industrial world face to face without having to talk to them through the sometimes somewhat dubious media of third parties who interpret what one says through various public media.

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I have been provided tonight - because I really have, over the last week or ten days had scarcely one minute to myself - I have been provided tonight with a speech that was written for me by the Treasury. As one would expect, it is a very careful speech. It is one which seeks to cover every eventuality. It is one which, as far as possible, seeks to say nothing which can be held up against it in the future. And consequently, except in parts, I don't propose to give it. I will from time to time be ad libbing and speaking "off the cuff".

But some of it I will give because I think it might be of advantage if I went back a little to look at the recent history of this nation to see what has been achieved in that period of time, to see where we stand today and put to you what I believe to be the pressing problems for this future decade.

Ten years ago, in this country and in the world outside it, there was much doubt as to where Australia was going and as to what the future of Australia would be. At that time when some of us - many of you in this room, I think - began to glimpse the possibilities of the future, there were others who said Australia would never become a great industrial country, Australia could never sustain a great population, Australia should remain a hewer of wood and a drawer of water and a grower of wool for the rest of the world.

Yet three years later - in 1963 - an economic survey put out by the Treasury said this -

"Over the past ten years, and especially over the past three years, Australia has achieved its greatest breakthrough in point of resources since the crossing of the Blue Mountains a hundred and fifty years ago. That earlier event opened the first doorway to the pastoral and agricultural wealth of the continent on which our growth has since been built. But until not very long ago it was commonly held that Australia would not be a great industrial nation and therefore could not support a great population. The quick succession of rich mineral discoveries, bauxite, copper, iron ore and now oil, go far to dispel this view. We do not yet have in adequate quantities all the essentials for well-rounded development, and in the background lies our deficiency of water, likely perhaps to prove the costliest and most stubborn of barriers to large-scale expansion. Yet, taken with the resources already known, these new riches beyond doubt lift the horizons of Australian growth quite incalculably."

This was written seven years ago - not by me but in a Treasury Bulletin, and I am bound to say that it has raised my estimation of the Treasury greatly to read it!

That was a confident statement at that time, and some thought over-confident, but the years have shown that it was true - if anything, understated. All the resources listed in it have been shown to exist, many of them in quantities at that time unthought of, and many new resources have been added to the list.

The problem of water in the development of Australia remains - water for industry, water for creating a pleasant environment for those Australians who must live in the towns and cities that must grow in our North; water for protection against fire and drought and famine in our rural areas. Yet even this is not as intransigent a problem as it appeared seven years ago, for now atomic power, desalination, new water resources proposals and programmes offer a hope that even this barrier will be removed. I think, Sir, that today only a chronic and confirmed pessimist would say we lack the foundation for really large-scale industrial development in Australia. In short, the debunkers and the knockers of ten years ago have been shown to be completely wrong.

But might there not be another problem before us? Having shown these things to be wrong by a certain amount of luck and a considerable amount of effort, there still could be a risk of another mood entering into Australian thought, potentially as dangerous as that mood which said years ago we never would grow great. I am referring to a disposition to believe that most of our underlying problems have been solved because of the progress we have made, because of the opportunities that have opened before us; a disposition to believe that the progress we expect, the progress these new resources have made possible, will come more or less of its own accord and without the brains and effort and hard work and sweat which ultimately are the only bases on which progress can be made.

There has been a spreading of affluence amongst our society, and some of those to whom it has spread - not those who took part in the real development, but those who indirectly profited from it - must perhaps think it came rather easily and that it will continue to come easily.

This is a mood which, if Australia is to grow as quickly as it can, we must eschew. You must see that this mood does not enter into the Australian consciousness, because I am talking to an audience of men who direct companies, who know that when one problem is solved, another problem arises; who know that nothing is easily done, who in

their everyday lives must say "Right, we have got over that hurdle, there is another one in front of us. It will not be easy to get over it. We must continue with the effort that we have put in." This is done, and I think the leadership for it can come in great part from you. Then the possible mood of complacency into which Australia could fall will not become the danger which it otherwise might be.

I said that many of our problems had been overcome and they have, but there are still many before us. May I enumerate to you those problems as I see them, and perhaps take this opportunity to explain to you why the Government has done some of the things it has done to try and overcome these problems.

We, in Australia, must have vast and increasing amounts of overseas capital if we are to develop. Yet we must also try to see that as much as possible of Australian industrial development is in the hands of Australians, remains in the hands of Australians and grows in the hands of Australians.

Our nation is going through a period of industrial expansion, of great mineral development. We need large and continuing infusions of capital from overseas in order to sustain this, and in the last five years, one-sixth of all such capital investment in Australia has come from overseas. And, Sir, inevitably that infusion of capital in our larger industries brings with it a greater degree of overseas ownership and control, both of our mineral developments and ultimately of the processing of our minerals, which is a highly capital intensive enterprise.

And if I may give you some examples of what has been happening, overseas investment in mining five years ago was \$34 million in the year. It has risen to something like \$250 million and Australians' control of production in minerals alone has dropped in that time from 63 percent to 47 percent. At the same time, Australian requirement to service existing capital by remitting abroad has risen from 8.3 percent to 10.5 percent of our export earnings. This has happened in the last five years. And there is a build-up of commitments for the future because income earned in Australia by overseas investment and ploughed back into Australia has more than doubled in five years.

I do not mention these facts in order to complain about them. We are glad about them because these are prices we can afford to pay for the development we must have in the time scale in which, in this world, we need that development. We can afford to pay it, because the benefits which come to us from it as fifty percent shareholders in every enterprise because of taxation and other benefits, do come to us, and we could not develop as we should without this influx of capital. So I don't complain. But though they are prices we can afford to pay, they are not in their entirety prices we should pay unless we must. And so, as a government, we have tried to provide the opportunity to retain as much Australian

ownership and as much Australian control as we can, provided we don't inhibit the inflow of capital, and provided we don't inhibit growth.

And to that end we have adopted a number of policies. We have adopted a "takeover code". We have adopted a guidelines policy for borrowings in Australia. We will be laying on the table of the House of Representatives this week for discussion by you, and all those interested, proposals for convertible notes, so that those Australians who have money to invest and who must get an income from it, will have an opportunity to invest it in notes, get an income from it, and have an opportunity to convert it to equity at some later stage.

And we have introduced now into law what appears to have been a rather controversial proposal for an Australian Industry Development Corporation. Sir, this Corporation is designed to borrow abroad on behalf of Australian companies which ask it to do so - and only on behalf of Australian companies which ask it to do so; and companies which it judges to be viable and which might not themselves be able to borrow and which, because they were unable to borrow, might have to surrender equity to an overseas partner. Its objectives are simply those, and I do not think that those objectives could be attacked by anyone with an interest in Australian development and Australian ownership of development.

After all, although the interest rates may from time to time be high in the Eurodollar market or the United States, if Hamersley can borrow at 10 or 11 percent on these markets and make a profit from it, then why shouldn't an Australian company be able to do the same if it can find a corporation of the stature to act for it? And this is what the Australian Industry Corporation is all about.

It will have no power to interfere with a company or to act financially on its behalf unless it is asked. It will be subject to the same taxes as other companies engaged in its field. It will compete on equal terms and it can't do any more than compete. It cannot dominate. In fact, Sir, it will offer a choice to a borrower and, after all, the right of choice, as everybody in this room would agree, is one of the essentials of a freely growing economy, whether it is a choice of the bank from whom one can borrow, the company with whom one will go into partnership or the lines of action one will take as directors of a company.

And I believe, Sir, that this Corporation, under the control as it will be of directors drawn from private enterprise, will help to retain the greatest possible Australian ownership of growing Australian enterprises. It won't interfere with the inflow of capital from abroad that we need and must have, and indeed, I think it will be an adjunct to the growth of Australian private enterprise and will help it grow as Australian private enterprise. That is the way in which the Government has approached one of the problems we see before us now which is, having reached this stage of our development, more and more capital is required, more and more capital we will take; but we want to see as much of it as possible retained in Australian hands for economic or, if you like, for nationalist reasons.

What are some of the other problems that now face us that will not be easily overcome? I, without putting them in their proper order, would say that the problems of rural industries now and in the future are perhaps the most significant. I do not see how we can possibly go on growing more and more - or indeed as much, of the commodities which the world either does not want or is not prepared to pay for at a rate which will cover the cost of production. And with the very possible entry of the United Kingdom into the European Economic Community, this problem looms before us with even greater urgency.

Subsidies can be a palliative, but only a palliative, not an answer, and this problem will not go away because of industrial development, because of mineral development, because of the application of the minds of you gentlemen to your own businesses. This is a problem I merely flag at this stage as one of great significance to the future. I can't do more than flag it at this stage, because we are talking about it very deeply in Cabinet itself, and I wouldn't want to say anything which was in advance of what Cabinet might say. But it is one of enormous significance.

We have in this country - and this affects business too - the problems inherent in a federal nation. You will all have heard various epithets applied to me, one of which is "centralist". The other day I said I didn't quite know what it meant and I don't know now, in spite of the "Sydney Morning Herald" endeavouring to tell me in one of its editorials. But there is in a federal system, which I think is the best system under which to live, always inherent difficulties between governments, and those difficulties often wash over on to the companies who have to carry out their enterprises in Australia. If somebody wants to export iron ore in Western Australia and they can deal with one government to do that, then they have to decide at what price they will be allowed to export it, and they have to deal with another government to do that. And so it goes.

But these problems themselves will be worked out, I think, within this framework - that we cannot and must not and will not have six separate nations in the boundaries of this continent. We will have one nation, but we will decentralise the running of that nation as far as it is humanly possible to do so. This is the best way to bring not only the people but the leaders of industry such as you into the operation of the economy of this country.

Can I give an illustration - I hope I don't try your patience - an illustration of the approach that I have to this matter, by referring to something you might have read about in the papers from time to time, quite wrongly, quite loosely called offshore minerals legislation. Because I think that does illustrate the approach which I and my Government have to this affair.

It has been claimed that we as a central government want to take away mineral rights from the States. That is quite wrong. It has been claimed that we want to get control of all minerals, but that is quite wrong. But there exists a situation in this nation now where nobody knows who controls, who is responsible for, the seas which lap the coasts of Australia.

Nobody knows who is responsible for the resources of the seabed - not only minerals but other resources. Nobody knows who is responsible for the conservation of fisheries. Nobody knows whose law runs either between the low water mark and the three-mile limit, or between the three-mile limit and the outer continental shelf. It is unknown. It is in dispute. And we believe that we should not be the only federal nation in the world that doesn't know who is responsible for these matters, and so we believe that there should be a legal decision on these matters by the High Court which has been set up for the very purpose of interpreting constitutional matters which are in doubt.

Once that is done - and I hope it will be - I don't know what the results will be. I don't know whether it will turn out that the States own and are responsible for the seabed and for the sea above it from the low water mark to the three mile limit or from the low water mark to the outer continental shelf, or whether we are responsible for it - I don't know. But I think we should know. And once that has been decided, then irrespective of the decision, we want to move into an area of co-operative federalism by saying "No matter who has got the legal responsibility, if we have got it, then let us co-operate in a federal way. You administer it. You take 60 percent of the royalties of minerals. You deal with the overseas companies who want leases. You come to us for a final decision." This is the approach to federalism which we have and which has led, I think unjustly, to centralism being put upon us.

But if this is not done, then nobody will ever know who is responsible for what. If a tanker runs aground, (as it did in Queensland) two miles offshore, no-one will know what government has the responsibility to see that that tanker is pumped out so that there will not be pollution of the area around it. No-one will know who has the right to arrest fishing vessels who are outside or inside the three-mile limit. No-one will know who controls the continental shelf which runs between us and Indonesia - whether we do or whether Western Australia does. No-one will know, when New Guinea becomes independent, who is able to decide where the median line should be on the continental shelf between us and New Guinea - whether the Australian Government does or Queensland does. No-one will know how to go about closing the Gulf of Carpentaria to fishing, because no-one will know who has the legal responsibility to do it. And these are matters which in the future could be of great significance to Australia. Perhaps they are not problems which directly concern you, gentlemen, but you will forgive me if I take the opportunity to expound to you some of the problems which beset me.

Well, what do I see for this country in this next decade? What are my aspirations? What are my hopes?

I would hope to see a country in which industrial development continues at the same rate as it has. I would hope to see a country in which we process more and more of the minerals in raw state which we take from the earth. I would hope to see a country in which we clean up the environment in which we live. I would hope to see a country - and indeed I must see a country, which devotes more and more of its resources and efforts to the sterile but necessary requirements of defence. I would hope to see a country which provides more and more opportunity for its citizens, enabling them to express themselves, to engage in occupations which give them satisfaction. I would hope to see us gradually moving towards satisfying the aspirations of Australians for better education, for better health, for better social services, for better roads, for all the requirements which are made on the public sector. This is what I would hope for.

But I would know that government cannot do that by itself. I would know that it is the people in this room and others like them who alone could do it because I would know that the provision of these matters for the public sector could only come out of what was produced in the private sector.

I would believe that it was the task of a government to see that a climate was created in which those in the private sector were given the fullest possible opportunity to make their judgments, to reap their profits, to sustain their losses, because by this interplay in the market place, as I believe experience has shown, will come the greatest possible contribution of wealth to the country and from the greatest contribution of wealth to the country, government can take that which I have said I would like to see provided from the public sector.

Sir, as long as I am in this position, or my successors, what we would seek to foster is not laissez-faire - it is not laissez-faire. What I would seek to foster is true competition, true private enterprise, true opportunity for individual judgments as to where a company should go and what it should do, because I believe that in that way a government and a people of a nation best benefit. We must see that as prosperity grows you are given this opportunity, and if you take it, the fruits of it are shared amongst the whole nation. This is essential... shared in the ways of which I have spoken by a government providing health, social services, education. And in doing that, must keep a careful balance and judgement to see that that which is taken to provide these things from the government sector is not so much that it removes incentive from the private sector to retain that which it has earned.

And if this careful balance can be sustained, and if we can look to each individual, each company director to accept responsibility for his decisions, and to try to make those decisions not necessarily on the basis of "what is best for GMH is best for America", but "what is best for Australia is best for my company", as I think we can look to you, then

I think we will in this nation attain the kind of goals I have set before you. But I am sure when we have attained them there will be new problems rearing their head, and what a dull and uninspiring world it would be if that were not so.

It is because I think this kind of partnership - the kind of work that you do, this kind of management which we do for well or for ill - is of such significance, it is because of this that I finish as I began by thanking you, Sir, for the opportunity to speak to such a representative gathering, a gathering of people who have contributed so much to the growth of this nation and who have so much more to contribute.
