

SPEECH BY THE PRIME MINISTER, THE RT. HON. R.G.  
MENZIES IN THE HOUSE OF REPRESENTATIVES ON THURSDAY  
24th MARCH, 1960

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Mr. Speaker, I had the great advantage this afternoon of listening to the speech of the Attorney-General (Sir Garfield Barwick) in reply to the attack made on the Government in relation to the subject of wool pies. I am bound to say that his speech, though brief, was so devastating that nothing remains to be said on that matter. He exposed the Opposition's move as a piece of arrant political humbug. So, my colleague having successfully destroyed this attack, there is no reason why I should trample on the graves of the attackers.

But, Sir, the motion put forward by my friend the honorable member for Lalor (Mr. Pollard) went beyond wool pies. It extended into the area of restrictive practices. About that also my colleague had something to say. Restrictive practices are, I imagine, attacked in the case of wool because it is said that they tend to reduce prices. In every other respect that I can think of, however, they are attacked because it is said that they increase prices and therefore increase profits, and therefore produce what the distinguished Leader of the Opposition (Mr. Calwell) was good enough to describe, a few times at least, as a "profit inflation".

Mr. Calwell - That is right.

MR. MENZIES: That is right! I am very glad that he is here, because I regard his words with great interest. Several times he has made it clear that this is a profit inflation. Therefore, I imagine that my distinguished friend will agree that this is just one phase of the attack, which the Opposition is going through the motions of making, on the subject of alleged excess profits and how to deal with them. Pies, coupled with the honorable name of General Motors-Holden's Limited, represent the two ends of the scale. Now Sir -

Mr. Pollard - What about Sir William MacGregor?

MR. MENZIES: I have never heard of Sir William MacGregor.

Mr. Whitlam - You have heard of Sir William Angliss, though.

MR. MENZIES - Yes, I have, and how green with envy you have been ever since. I hate to use the word "green" because it may wake up troubles on the Opposition side and that, if I may say so to the Deputy Leader of the Opposition (Mr. Whitlam), is the last thing I would want to do. Now, Sir, the Attorney-General has already said something about the difficulties that are involved in an attack on the problems of improper, harmful price agreements. I do not desire to add anything to what he said on that matter, but there are those, of course, who after a period of 59 years of this Parliament's existence, profess to find that the problem is quite simple. No Government from this side of politics or from the other has ever found it simple; but I am happy to say that, reinforced as we are in this Government by the services, as Attorney-General, of the most distinguished constitutional lawyer at the Australian Bar, we are, in all earnestness, concentrating our minds on what can be done either in the general or in the particular.

The general treatment of this matter is not, of course, very easy because, as everybody knows, and as the Joint Committee on Constitutional Review recognized, the powers of the Commonwealth are sketchy; but the powers of the States within their own domain are clear, and the committee devoted a good deal of thought to producing its own solution of this matter. Now, I am not at all disposed to brush all that to one side. I think that the report on that matter is of great interest. I have read it two or three times. It is of great interest, but it does not solve the problem because, first of all, you have to determine

whether you are going to seek to deal with these matters by clear Commonwealth law of control or whether you are going to seek to deal with them by co-operation between the Commonwealth acting within its powers and the States acting within theirs. And obviously this is not a matter about which at this stage we can do very much.

The Opposition professes to say - and I understand its attitude of mind - "Well here is the recommendation. All you have to do is put it forward. The people will approve of it and then the whole constitutional structure will be changed." I do not want to be unduly melancholy about this matter; but I should like to remind all honorable members of the House that for a long time it was thought that the answer to this kind of problem was to give the Commonwealth Parliament power to legislate with respect to monopolies - a nice, round, mouth-filling phrase. But that phrase is understood by the Opposition in a quite different sense from that in which we would understand it. The Opposition is entirely in favour of monopolies so long as they are government monopolies. We, on the contrary, have always been disturbed about any monopolistic tendencies in the ordinary, and what ought to be competitive, business world.

I hope I will not be told that if I only had the right attitude of mind the Constitution could be altered tomorrow. I remind the honorable gentlemen opposite - as they have reminded us and others - that the Constitutional Review Committee's report points out that five times in the history of the Commonwealth attempts have been made to secure power over monopolies for the Parliament of the Commonwealth, and five times the proposals have been rejected. I quite agree that on the last occasion, in 1944, the proposal found itself one of fourteen points which the then Attorney-General was optimistic enough to think would be adopted in toto and which the people were pessimistic enough to reject in toto.

But, Sir, the constitutional problem is not a very easy one, and among the things that we all have to consider is whether we will travel faster and fare better by having co-operative action with the State governments and the State parliaments than by trusting all to the chances of a constitutional amendment - one of 22 comparatively major constitutional amendments to which the attention of the Parliament is directed by the report that has been referred to so frequently in this debate.

There are, of course, some heads of power belonging to the Commonwealth under which, subject to the wind and weather of section 92 and those other prohibitive sections of the Constitution, we might be able to do something. I can assure the House that we have been concentrating our minds on this very matter. When it was said in the Governor-General's Speech that we were closely investigating these matters, that is exactly what we meant. What is more, we mean to achieve as much result as we can within the limits of our power in reference to this matter at the earliest possible moment.

The whole House need have no exaggerated fears on those matters. But, Sir, as I said when I stood up - and I notice that the inexorable hand of the clock goes round and I have used up half of my time - this is one facet of the campaign which the new Leader of the Opposition (Mr. Calwell) has launched with customary spirit and gaiety - profiteering - profit inflation. Therefore, I would like to say just a few words about this alleged case; because there is no better answer to a rhetorical case than a few simple, well-vouched facts. The honorable gentleman said in the general, and his colleague, the member for Lalor (Mr. Pollard), said today in the particular in another connexion, that all these things are part of a profit inflation. In other words, these things represent that the present state of affairs in Australia, the inflation that is going on - the inflation which they used to describe a few years

ago as a bogey - is due to extravagant profit making, whether it is made by rings or whether it is made in the ordinary course of business. Therefore, I would like to say, if I can be heard over the unkindly interruptions of my distinguished and very old friend, the honorable member for Lalor, that this talk about profit inflation is the greatest rubbish in the world. And, of course, if that falls to the ground all this becomes a mere skirmish directed to the non-wool-growing constituencies of Australia, which I gathered was the case this afternoon.

Now, Sir, a few facts. The last concluded financial year is 1958-59, and I hope I will not be contradicted on that. The national income in 1958-59 was £5,000,000,000. It was £5,021,000,000; but call it £5,000,000,000. Wages and salaries in Australia represented, out of that, £3,046,000,000. In other words, something well over 60 per cent, of the national income. Remember that; wages and salaries represented £3,046,000,000. Company income, meaning by that the gross profit before taxation was £630,000,000, and bank profits £28,000,000. So that the total profits of companies of all sorts, public and private and banks was £658,000,000. Out of that income, tax on companies and the banks amounted to £220,000,000, and that left £438,000,000, net dividends and profits sent abroad - and I emphasize that because the greatest friend that they have over there is General Motors-Holden's Limited, and they generalize from General Motors-Holden's Limited which, if I remember correctly, they had the great honour of establishing in this country - were £43,000,000; See how the figures are coming down. Dividends paid to Australian residents were £160,000,000.

So out of that £658,000,000, taxation accounted for £220,000,000, and dividends, both sent overseas and left in Australia, amounted to £203,000,000, perceptibly less than the tax on these companies. Then, as we go down the line, that leaves us with undistributed profits of £235,000,000. We started with £658,000,000. Those undistributed profits of £235,000,000, going into the reserves of companies have provided for their development. They have been ploughed back into the business. And when one of these enterprises, which we can abuse much too lightly in this country, ploughs back so high a percentage of its profits into its business, it means a new factory and extensions and more employment, more stability of employment and more security. I wonder how my distinguished friends opposite would like to go and tell the employees of one of these companies that they do not believe the company should have any capacity for financing its future development and future employment -

Mr. Haylen - Why don't you go back to your muttons?

MR. MENZIES: If I did go back to my muttons, I would go directly to the honorable member. Of this remaining total of £235,000,000 residents accounted for £201,000,000. In other words, residents had the equity in this undistributed profit to the extent of £201,000,000; and these sinister monsters which are getting command of Australia had £43,000,000 - £201,000,000 here and £43,000,000 overseas.

Now, Sir, I will just put that in summary. Of the total company profits - and this is all behind this motion, the object of the exercise - this is the case that the Australian Labour Party under new and garnished leadership thinks it has - of the total company profits earned in Australia, one-third comes to the Government as income tax for expenditure on the general social and other services of the country, 35 per cent. goes back into enterprises for development, for capital investment, future employment and for expansion of our industrial capacity, and near enough to 31 per cent. is paid out in terms of dividends. Now, Sir, those, I think, are very interesting figures, and I refer to them because I believe that the Opposition has put this

sorry little motion forward today as part and parcel of its general campaign on profits.

The only other thing I want to say is this - and I have three minutes in which to say it: We have occasionally been told from the other side of the House that if we did our duty we would impose an excess profits tax. And even the honorable member for East Sydney (Mr. Ward), who dies hard, as we all know in the last fortnight, keeps referring to this. May I remind him and may I remind the House that there have been quite a few attempts made to devise an equitable and just system of excess profits tax on companies which would not grievously handicap the new company established by some enterprising Australian starting from scratch. The late John Curtin had to abandon it. The late Mr. Chifley had to abandon it and, indeed, he was very frank about the matter because in 1947, in this very place, he said -

In ordinary peace-time circumstances this tax operates inequitably.

This is the excess profits tax -

It penalizes new industries by preventing the building up of reserves and consequently favours old established industries which have had the opportunity of building reserves in the past.

Sir, I quote that, and I would like to have said more about it; but I quote it for the purpose of showing that if the Labour Party in this place wants to put itself forward as the party which will protect the old established business and as the enemy of new enterprises, which must attract a lot of profit in order to develop a new industry, it ought to say so.

Mr. Pollard - It is not a matter of profit inflation but of price manipulation.

MR. MENZIES - I do not need to tell the honorable member anything about wool pies. The Attorney-General left him, this afternoon, without even the crust of a pie to bite on.

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