

SPEECH BY THE PRIME MINISTER, THE RT. HON. R.G.  
MENZIES, IN THE HOUSE OF REPRESENTATIVES, ON  
WEDNESDAY, 25TH OCTOBER, 1961

I do not propose to devote any time to what has fallen from the honourable member for Macquarie (Mr. Luchetti). Quite frankly, I have never heard him to worse advantage. He went through a process like the legendary tiger of lashing himself into a fury with his tail. In the course of doing so, he came out strong - I think that is the phrase - as the champion of private enterprise. This was a magnificent effort on his part, because when his party established Trans-Australia Airlines, and I hope that is not forgotten, it sought to establish it legislatively as the one single airline in Australia. To hear people who sought to do that and were frustrated only by the processes of the law come out now as champions of free enterprise is really more amusing than unpleasant.

The reason why I am taking part in this debate is that there has been an attempt in the last few days to create an air of scandal about something to do with my distinguished colleague, the Minister for Civil Aviation (Senator Paltridge), a man - in I might adopt the phrase of the honourable member for Macquarie (Mr. Luchetti) - of undoubted integrity, a man whose word cannot be doubted, a public-spirited man. I refrain from running through the whole calendar that he put to us.

Today I notice that what I might call the juvenile, irresponsible evening newspapers of Sydney have really gone to town about this. There is a crisis! Somebody is going to resign! I do not know whether it is myself -

Mr. Ward - I hope so.

MR. MENZIES - I know you hope it will be me. The honourable member for East Sydney (Mr. Ward) hopes that I will resign. That is his one chance of getting rid of me.

I just want to say this about this matter: What is the allegation? I think it is very important that the people of Australia who happen to be interested in this matter should understand what is the allegation. It appears to me that the Minister for Civil Aviation tried to persuade, or, rather, to order East-West Airlines Limited to accept a take-over offer made by Mr. Ansett, or by his company - when? In May 1960! It was an offer which was rejected by the company and which the company protected itself against very shortly thereafter by altering its articles of association to provide that shares could not be transferred except with the approval of the directors themselves. In other words, they had an offer, they rejected it, they took steps under their articles of association to make it quite certain that no offer thereafter could be accepted except with the approval of the directors themselves, meaning by that, Mr. Shand, Mr. Pringle and these other gentlemen we have been hearing about. All that took place in the middle of 1960. That is the allegation. Unless it is alleged - and I should like to hear it if it is - that thereafter the Minister has been putting pressure on them, delivering ultimatums to them to accept offers which have not been made, because, if there is one thing that is clear about this it is that the only offer to take them over that was ever made was made in May 1960. That was rejected, steps were taken to see that it could not successfully be renewed, and not since then has any offer of a take-over been made to them. I have a very considerable respect for the intelligence of the Minister for Civil Aviation. He is a man with a great record in the administration of this department. He is a man who has done a great deal for civil aviation in Australia, and if I thought that he could be ordering people to accept a non-existent offer made by non-existent people, I would seriously worry about his state of mind. Yet that is the allegation. If the honourable member for Lalor (Mr. Pollard), who is interjecting, does not mind, that is a very important matter. These charges have been made, I propose to deal with them, and I have made my first point on that matter.

The man against whom this charge which, on the face of it, is fantastic, as I have just indicated, is made is now represented as somebody who wants to crush out of existence, this airline. I just want to remind this House that this is the man who brought into existence for the first time a system of subsidizing these feeder airlines. But for what Senator Paltridge

did in his administration, backed by the Government, East-West Airlines Limited would probably never have made a profit at any time because their profit, even in the years when they have had a profit has depended on the subsidy paid by the Commonwealth. I am not quarrelling with that. I thought it was a very wise decision, but it really ought to give people some room for thought to consider that the man who goes to the trouble of devising a system of subsidies to maintain East-West Airlines Limited can all of a sudden want to destroy them.

Mr. Ward - Ansett gets the bulk of the subsidies.

MR. MENZIES - There are all sorts of people who get the subsidies who run feeder airlines. I am talking about this. I know you don't want me to talk about this matter but I am talking about East-West Airlines; and East-West Airlines Limited, under his policy not only has received a growing subsidy through the years since 1957 but have also received, on his recommendation, through his instrumentality, more than half of the fleet they possess because, in point of fact, of the total fleet of four D.C. 3s and one Fokker Friendship used by East-West Airlines Limited that company is indebted to the Commonwealth for two D.C.3s and one Fokker Friendship. I am not quarrelling with the efficiency of this Company. I think they are a very much needed enterprise. I do not argue about these things. I acknowledge them with pleasure. But, of the four D.C.3s and one Fokker Friendship used by them, East-West Airlines Limited happen to be indebted to the Commonwealth, through the instrumentality of Senator Paltridge, the Minister for Civil Aviation, for two D.C.3s and the one Fokker Friendship - more than half of their operating fleet. So that, in terms of capital equipment, the bulk of what they have has been found through him. As for the subsidy they enjoy, they had none until he came along and produced one. That is the short position about the relationship between the Minister and this airline, and it is quite clear that, but for this subsidy payment, this airline would certainly have been unable to pay a dividend on capital at any time.

I told the House that the Ansett offer, which was an offer of 56s. a share, was rejected by the company. The company, very naturally, I think, said "No, we want to stand on our own feet. We have local interests and we are going to preserve them". That, I think, was an admirable point of view. I do not quarrel with it at all. After the offer had been rejected, as I have said, the articles of association were amended to make the renewal of any such offer practically impossible.

The next thing that I want to say is this: Early in March this year, the N.S.W. Government announced that it was making a review of rural airline services. That meant, of course, that, subject to subsequent negotiation with the Commonwealth, there would be, perhaps, some alteration of routes, some reallocation of air routes, and, under those circumstances, what happened was that the Director-General of Civil Aviation, Mr. Anderson, on 23rd March, 1961, wrote again to Mr. Shand setting out the details of East-West Airlines Limited's subsidy for 1960-61 and informing East-West Airlines Limited that the subsidy contract was being terminated pending the outcome of the review being undertaken by the N.S.W. Government. That was an elementary business precaution because it would depend entirely on the re-arrangements that were ultimately made as to what the subsidy ought to be. This is said to have been a threat specially directed to East-West Airlines Limited. The fact is that a letter was sent to the Ansett company within two or three days of that advising that company in those precise terms of a similar position - that the existing subsidy contract would be terminated and that it would be re-negotiated as soon as possible when the recommendation of the N.S.W. Government had been received. So, Sir, that is that. We have heard a good deal of allegations about that matter but those are the simple facts.

Now, Sir, having said that, I just want to return to this allegation, which appears to be at the heart, if there is a heart, of this strange series of charges. Following the rejection by the board of East-West Airlines of the Ansett take-over bid in June, 1960, it was quite clear that the issue was dead. But thereafter conversations occurred between the Minister and representatives of the board of East-West. The first of them - indeed, it was the first personal contact that Senator Paltridge had had with the board of East-West Airlines - was in Canberra in about July 1960; It is a pity to have to go into all this ancient history, because all this has been vamped up towards the end of 1961. It was in July 1960. It was on that occasion that my

colleague, the Minister, saw Mr. Pringle, a director - I think vice chairman of the board - of East-West. Mr. Pringle spoke to him about the Ansett bid and undertook to tell him the reasons, as a matter of interest, why the company had rejected the bid.

Mr. Haylen - Ah!

MR. MENZIES - It is ~~flightfully~~ funny, is it not? He told the Minister why the company had rejected the bid. The Minister replied, as any Minister would, that consideration of the matter was entirely one for the board and was not one on which the Government could be expected to have a view. During the course of this meeting, Sir, Mr. Pringle indicated that the board did intend to have some further discussion with the Ansett group about a variety of matters, because people who are running airlines of this kind in the same State have a number of matters on which they may wish to arrive at agreement, working arrangements of one kind or another. He asked Senator Paltridge whether he could arrange this meeting for him. The Senator said that he preferred not to do that, because he did not want to have any part in any negotiations that Mr. Pringle might be contemplating with Ansett. That was his business.

Nevertheless, Mr. Pringle wrote to him in April in these terms. I direct particular attention to this because this - let me remind honourable members - is a man writing as acting chairman of directors, a man who is supposed to have been threatened in July that he must get on and he must be taken over by Ansett, although the offer had long since disappeared. This is the man who is a threatened man, and this is his letter -

"Firstly, I would like to convey to you our appreciation for the friendly and frank talk we had in your office in Canberra on the occasion when Archie and I visited you."

Archie, I think, is Mr. Smith, the manager of the airline.

"The purpose of my writing you this personal letter is to inform you that I am taking my directors for a short holiday to Brampton Island on Sunday, 21st August, 1960, where we will be remaining for a period of seven days. It has occurred to me that this could provide the ideal opportunity for a friendly talk with Mr. Ansett along the lines mentioned in Canberra."

That is about the working arrangement. This is the threatened man!

"It is felt that such a meeting would be the only way in which we could ascertain whether or not there is any chance of this company working out some mutually acceptable agreement with the Ansett group."

That is to say, all these arrangements that I was describing.

"I do not know Mr. Ansett personally and I would, therefore, be most grateful if you could pass this information on to him at an appropriate time.

With kind personal regards.

Yours sincerely

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I must say, Sir, that I have heard that threatened men live a long time, but I have never in my long experience known a man who had been threatened in this fashion, the fashion that is now alleged, write a letter of that kind. The Minister having said, "No, this is not my business", Mr. Pringle himself got directly into touch with Mr. Walker, of Ansetts, and his board in fact had some discussion with Ansett officers at this paradisaical place - Brampton Island - wherever it is.

In March of 1961, that is, about six months after he had seen East-West Airlines at Brampton Island, Ansett again announced quite flatly that there was no renewal of his take-over bid for East-West Airlines and therefore, Sir, it naturally came as some surprise to my colleague, the Minister

Mr. Pollard - What did Dave Drummond say?

Mr. Speaker - Order!

MR. MENZIES - It came as a great surprise to my colleague, the Minister, when Mr. Shand, who had seen him at Orange in July of 1961, again raised the question of an Ansett take-over bid.

Mr. Pollard - But what did Dave Drummond say?

Mr. Speaker - Order! The honourable member for Lalor will restrain himself.

MR. MENZIES - Senator Paltridge told him that he was not aware of any offer. Mr. Shand said that he was referring to the offer made a year before. Senator Paltridge then told him that if he wanted to try to reactivate the old offer, that was his business and the business of his board, and not the business of the Minister. Then, Sir, after this discussion in Orange, Mr. Shand wrote a letter to the Minister which is, I think - though not quite as fascinating as the first - not without interest.

Mr. Bryant - "Dear Shane"!

MR. MENZIES - "Dear Shane" - that is how it begins. Wonderful! This is written to a man who had been threatening and bullying and trying to force them out of their property. It is the most ludicrous thing in the world. The letter starts, "Dear Shane". I pronounce it "Shawn", but that is a mere technicality.

"I have given a lot of thought to the talk we had in Orange. I called at your office when in Canberra last week and found you had departed for South Africa. I hope your trip was as interesting as the one I had there recently. I have been to see Donald Anderson ...

That is the Director-General, and in all these transactions he is "Dear Donald". It is all a very happy family business!

"I have been to see Donald Anderson and had a long talk with him. I now realise some of the tremendous difficulties that you have to cope with, and hasten to assure you that small as our organization is we want to help the progressive development of this country and not hinder it.

"Your Department, especially yourself and Donald have done much to help us develop. I do thank you for all your kindness in the past and hope you can spare some of your time to see me in the near future."

It is really the most fascinating story of a wicked, bullying, fraudulent, lying Minister - isn't it - that you ever heard in your life?

Mr. Browne - Did he finish with "Yours faithfully"?

MR. MENZIES - No, "Yours sincerely"

Mr. Freeth - What was the date of that letter?

MR. MENZIES - 12th July of this year.

I do not want to pursue this matter. I set out to deal with the substance and not with some of the frills. The substance of this matter is that it is now said, for reasons that I could only guess at, having regard to the news of the last day or so, that from the middle of 1960 my Minister was putting the heat on and delivering ultimatums and trying to force these people, against their own judgment, to be bought out by a large air industry. Let me rehearse the facts just once. An offer was made in 1960 and was rejected out of hand by the board. The articles of association were altered so that no offer would thereafter be made to the shareholders without the approval of the directors themselves. No offer was thereafter made. There were two conferences with these people and each ended up in the writing of letters in these terms and in this atmosphere. I am asked, as the responsible head of the Government, as a man who takes great pride in the loyal service and high integrity of his Ministers, on this flimsy talk that has been going around to suspend or dismiss the Minister for Civil Aviation; to appoint a royal commission to investigate charges which can only be described in all their nudity, in the way that I have described them - the naked facts about them.

I needed only to do that to explain to the House, and I think to the people, why I certainly will not dismiss this Minister; why I certainly will not go through all this hocus pocus about appointing a royal commission about nothing. That is my position on this matter. I hope that I have made it clear and not at undue length. I understand that the Minister is, in another place, tabling a mass of correspondence on this matter. Honourable members who want to read it may do so. I have not, of course, undertaken in my limited time of half an hour to cover the whole of this correspondence that has gone on. I am entering into no charges against the honourable member for New England (Mr. Drummond). He is entitled to his own views on this matter and I am entitled to mine. And my views on this matter are as clear as crystal. If somebody wants to get rid of Senator Paltridge on these flimsy allegations, I invite him to get rid of me at the same time.

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