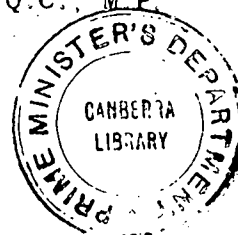


STATEMENT BY THE PRIME MINISTER

THE RIGHT HONOURABLE R.G. MENZIES, C.H., Q.C., M.P.



N A T I O N A L E C O N O M Y

WEDNESDAY, 7TH FEBRUARY, 1962.

NATIONAL ECONOMY

Statement by the Prime Minister, Rt. Hon. R.G. Menzies

Wednesday, 7th February, 1962.

Cabinet has, after valuable consultations with a wide range of industries and interests, reviewed the present state of the Australian economy. It has closely considered policy and appropriate action.

There are certain very important matters which should not be forgotten. The base of our economy has been significantly strengthened. Great and indeed dramatic improvements have been effected in our trade balances. In consequence, our overseas reserves, which were running down a year ago, are now sound. The internal price level, as reflected in the Consumer Price Index, has been brought to a remarkable stability. The Loan Market is buoyant. This buoyancy is of great significance for the public works programmes, and will result in a smaller call upon the Commonwealth Budget for the supplementing of Loan funds.

These highly satisfactory results have increased the capacity of the Commonwealth to play an effective part in dealing with current circumstances. We acknowledge that the promise of recovery which appeared late last year has not been realised sufficiently in practical results, and that it must now be promoted with greater speed. We find ourselves confronted by two problems which are, we believe, closely associated. They are:

1. The existence of a level of unemployment which represents a serious human problem for thousands of people and a material economic waste through the existence of unused resources of men, materials and installed industrial capacity.
2. A weakness of confidence; an uncertainty about the future which is limiting buying and production. We are in particular conscious of the fact that the manufacturing industries, in which employment can rise or fall quite substantially, and whose prosperity is so significant to the migration programme, have expressed a feeling of uncertainty as to whether the Government will protect their activities and give reasonable assurances of their future. This presents a problem to which we, as strong supporters of Australian manufacturing, have directed close attention. It is common ground that the business problem is to-day not one of financial or credit stringency, for the money holdings of the public and of the business community, and the liquid assets of the banks, are, in general, high, but one of reluctance on the part of many to spend on commodities or to invest in expanded enterprise and production.

I propose, on behalf of the Government, to set out, as clearly as possible:

- (a) the national objectives to which we will direct ourselves;
- (b) the measures by which we will seek quick results in an attack upon the unemployment problem, and
- (c) some longer-range measures which are designed to encourage a strengthening of confidence.

Before doing so, I want to emphasise that we are not attempting at this stage to anticipate the nature of the 1962-63 Budget, or such long-range problems as will fall for decision hereafter.

OUR NATIONAL OBJECTIVES:

Upon the present solid foundations of the Australian economy, we aim to build a great nation, with expanding production and trade and rising standards of living. We must promote and achieve growth at a rate which will provide employment and a stimulating future for a constantly growing work force. We must maintain a constant stream of migration so that those engaged in the planning and execution of productive and business enterprise shall see before them expanding horizons and a growing demand for what they produce or sell. We look to private enterprise to play the major part in our expansion.

As the essential condition of such growth and expansion, we must develop our basic national resources of land, water, power, minerals, science, and skill.

The achievement of these objectives will require a sense of dedication, a wide realisation of their vital importance, and a high degree of co-operation from all sections of our community.

None of those who interviewed us wished to generate anything in the nature of another inflationary boom; nor do we. But we make it clear that, so far from desiring stagnation, we are determined upon growth. We believe that this can be reconciled with a reasonable stability of the Australian cost and price structure, and with a strong external position.

IMMEDIATE MEASURES:

It is true that, as usual in the past, the number of those registered for employment rose sharply in December. They will rise further again during January (the figures for which will be shortly known). This is the time of the year when scores of thousands of boys and girls leaving

school register for employment. It is also a time when seasonal unemployment is considerable. But we must all do what we can to see that succeeding figures come down as fast as we can make them. In short, we have looked for measures producing the quickest possible results, putting into a second category (which I will deal with later in this statement) those measures which will carry forward and enhance these results.

We have decided as follows -

1. We will put before the meeting of Premiers next week an offer to provide forthwith a special non-repayable grant of £10m. for employment-giving activities, mainly in the works field. The detailed application of this sum, as a supplement in the current financial year, will be discussed with the Premiers. It is our intention that it should be supplied and allocated mainly on the basis of meeting employment needs.
2. We will, over the balance of the current financial year, advance an additional £5m. to the States for housing. This allocation will be discussed with the Premiers mainly on the basis of meeting employment needs in the building and associated industries.
3. We will propose to the States that semi-government and local government borrowing authorisation for this financial year be at once substantially increased. Much quick employment could be provided in this way.
4. The problems created by the recent Census in relation to financial assistance grants to the States will be approached by us in a helpful fashion.
5. We estimate that the acceptance of these proposals will, over the next four to five months, add some £25m. to the spending resources of the States and their subsidiary bodies. Concentrated as they will be into a short period, these expenditures should give, directly and indirectly, a quite powerful stimulus to employment and to business.
6. Recognising the personal and family problems of those compelled to rely upon Unemployment Benefits, we propose to make certain increases as follows:

	<u>Present Rate</u> <u>Weekly</u>	<u>New Rate</u> <u>Weekly</u>
Adult or Married Minor	£3.15. -	£4. 2. 6
Wife	£2.12. 6	£3. -. -
First Child	12. 6	15. -
Subsequent Children	Nil	15. - each child.

All of these payments for children are additional to the normal child endowment payments.

We will introduce, in the first session, legislation to provide that these increases will operate as from March 1st. The provision for children after the first is new, and will give added material family assistance.

7. We will introduce a measure to provide a rebate of 5% in personal income tax for the income year 1961-62. This will be made effective (in reality retrospectively) by reduced P.A.Y.E. deductions as from March 1st, 1962, appropriate adjustments being made in relation to provisional tax payments. In the case of P.A.Y.E. taxpayers, for example, this will mean that the deductions to be made in the concluding four months of the current financial year will be reduced to an extent which will make the overall 5% rebate effective. (e.g. To provide an overall 1961-62 rebate of 1/- in the £ of tax, the rebate would, in the four months March 1st - June 30th, be 3/- in the £ of tax). The effect of this measure will be to add £30m. to the disposable income of the community over these four months.
8. A review has been made of the Commonwealth's own works programme to see what further scope there may be for accelerating works now in progress or bringing forward projects on which an early start could be made. This has disclosed some useful, if limited, possibilities for such action in fields like Defence, the Post Office and civil works generally and these are being put into operation urgently.
9. Sales tax on motor cars and station wagons and other motor vehicles now taxable at 30% will, as from the date of this announcement, be taxable at the reduced rate of 22½%.

On commercial motor vehicles, motor cycles, and motor vehicle parts and accessories, the present rate of 16²/₃% will be reduced to 12½%.
10. In the field of Housing, and additional to what I have said about advances to the States, we have made the following new decisions -
 - (a) War Service Homes. We will propose to Parliament that the maximum advance be increased in all categories from £2,750 to £3,500. Applications for loans on the new basis will be received from the date of this announcement. The actual making of the loans will of course await amending legislation in the forthcoming session.
 - (b) Steps are being taken to promote further increased lending for housing by the Commonwealth Savings Bank and other financial institutions.

LONGER TERM MEASURES:

The measures I now announce are not to be taken as covering the whole field of future action. For instance, we are putting in hand a complete review of tariff policy and the functions of the Tariff Board. In the case of the rural industries, so vulnerable to costs, further encouragement of productivity, already notably increasing, is essential. We are investigating such problems with all speed.

But in the meantime, and to assist in a restoration of confidence and therefore employment, we have made the following significant decisions:

1. We have decided to introduce, for manufacturing activities, a system of Investment Allowances at a rate of 20%. These allowances are to apply to new plant and equipment used in manufacturing production. Naturally there are many details to be settled - matters of technical definition and the like - and the Treasurer will make a comprehensive statement on this at an early date. Subject to this, all I shall say here is that we intend the concession to be available on plant delivered and installed after the date of this announcement. Legislation will be brought down in the forthcoming session of Parliament.

We have thought it right and timely for several reasons to introduce a measure of this kind just now. One is to provide a general encouragement to investment in manufacturing industry to which we must look, perhaps more than to any other industry, for increased employment opportunities, not only in the months ahead of us but in the longer term. A second is that we see a vital need to assist and encourage the pursuit of higher efficiency in this great sector of our economy so that it may produce what we ourselves need at lower costs and in greater volume. It is also most important that our manufacturing industries should be, in this way, helped to meet on at least equal terms the industries of other countries in the markets where we are trying to win a foothold.

The third reason is that we want to make it plain to manufacturing industry that it has not only our confidence but also our practical backing in the great expansion it must undertake if our national growth is to go on at the rate we want to see.

2. Confidence is important, for while Australian industry can be affected by import competition, it can be affected even more by a falling off in general customer demand in Australia. Should it, at any future time, become necessary to impose any check upon such demand, imports must take a due share of restriction.

We have no intention to re-introduce import licensing as we have known it. But recent experience has suggested that in some industries, or some sections of some industries, an inrush of imports has done real damage. Where any such case is established, special and temporary measures are justified, pending the operation of the machinery we propose. Certain motor vehicle components, certain chemicals, textiles, paper products and categories of timber may be examples.

A competent independent Special Adviser on whose advice we will consider imposition of temporary Quantitative Restrictions upon a particular commodity will be appointed.

The intention would be to make Legislative provision to bring this Special Adviser within the Tariff Board framework. We will take legislative steps to make it clear that in future the Tariff Board may, in the special circumstances of any particular case before it, recommend a Quantitative Restriction if it thinks fit, where such a recommendation would not conflict with the G.A.T.T.. The Minister for Trade will take an early opportunity of elaborating these ideas.

3. We had a valuable discussion with the Trading Banks about various important matters which affect their operations. We are examining these in a sympathetic way. Further discussions will be needed before we reach finality. The Treasurer has since carried on these discussions with the representatives of the Trading Banks and the Governor of the Reserve Bank. Special attention is being given in these talks to the problem of longer term lending particularly for rural development and for certain classes of export sales. Meanwhile, I want to emphasise that we want these Banks to be able to play an increasingly important role in our progress.
4. At the time of our last Budget the Government considered the position of the Commonwealth Development Bank, which has shown itself to be a useful supplement to other sources of finance for primary and secondary industry, and said that it wished the Bank to be able to maintain its important functions. An amount of £5m. was provided in the Budget by way of additional capital for the Bank. It undertook then to keep the funds position of the Bank under close review and it has now decided that, to ensure that the Bank will be able to maintain its current volume of lending to industry, a further amount of £5m. should be provided for it in the current financial year.

The measures which the Government has decided upon, and which I have now announced, are far-reaching. They proceed from our unqualified faith in the future of Australia, and from our desire to give tangible reasons why this faith should be shared and acted upon by Australian industries and people.

Our emphasis is upon national growth. A vigorous policy of expansion with migration can, of course, create challenging problems. But it is part of our policy and firm intention that should there arise in future symptoms of undue pressure upon our resources of manpower and materials, we should be in a position to deal with such matters by specifically designed measures. To facilitate the taking of any such action at an appropriate time, we intend to engage in periodical consultation with those engaged in practical production and business.

We live in a great country. It is our task to see that it becomes better and stronger as the years go on.

Canberra,

7th February, 1962.