

PRESS CONFERENCE GIVEN BY THE PRIME MINISTER,
THE RT. HON. R.G. MENZIES, AT CANBERRA, ON
THURSDAY, 8TH FEBRUARY, 1962, AT 3 P.M.

QUESTION: Sir, Mr. Calwell appears to have made a take-over bid, and he gives the impression he doesn't think much of you. Will you reply to him?

PRIME MINISTER: Well as far as my memory can carry me, he's made a take-over bid every day since the election. It's been very interesting. This time he seems to have excelled himself because yesterday he announced to the Press that there was nothing new about my statement, it was the same old policy. But today, no doubt having taken counsel with his principal advisers, he has decided the opposite. Well, I must leave it to him to find it out for himself. I am deeply concerned about what we are doing ourselves.

QUESTION: Who do you think would be his principal advisers?

PRIME MINISTER: Oh, I should think the Sydney Morning Herald. That seems a reasonable guess - together with its juvenile child.

QUESTION: Would you care to comment on his claim that your statement adopts Labour's Election Policy, and even takes it farther, Sir?

PRIME MINISTER: I don't think it does. I thought my statement was very plain. I pointed out the results that had been achieved by our policy, and then went on to say - I thought categorically - that the results that I indicated had happened, or had been achieved, in the trade balances, in the consumer price index and in the Loan Market, were good. Then I went on to say we acknowledged the promise of recovery which appeared late last year had not been realised sufficiently in practical results, and that it must now be promoted with greater speed. I referred to the problems; and I referred to what we were going to do. Our proposals will stand or fall on their own merits.

QUESTION: Sir, on that basis of price stability do you regard your present short-term programme of making available something like £70m. in the cash stream in the next four months as being inflationary, or likely to be inflationary?

PRIME MINISTER: It depends entirely on what the results are. If, in fact, not in a hurry - it won't happen tomorrow morning or something of that kind - but if, over the next few months there is a material improvement in the employment position then that won't be inflationary: that will represent the taking up of what, at present, are unused resources. And that is what we are hoping for...because that would help to produce, or to re-introduce, a state of normality - not a state of inflation, but a state of reasonable normality. And as we thought that ought to be encouraged to continue, and the way to help it continue was to relate your short-term measures to a restoration of confidence in the community, we are hoping that there will be a sufficient restoration of continuity to carry the community along without a constant repetition of injections. Here is a particular injection for a particular purpose.

QUESTION: Does this mean, as some have suggested, that the Government is more interested in economic growth than in stability?

PRIME MINISTER: Well, I don't think that it ought to be put in that fashion. We are essentially interested in economic growth. Perhaps the great mistake we made in the last election was to allow ourselves to be represented as being not interested in economic growth. I made it quite clear in the Policy Speech that we were, but then an atmosphere developed in which we appeared to be in favour of some kind of stagnation, not of growth. We were, and are, emphatically in favour of growth. We don't think that growth is irreconcilable with, as I said in my statement, a reasonable degree of stability. We may have little fluctuations here or there.

QUESTION: Even though that growth emphasis may mean some risk in balance of payments, you are still prepared to take it?

PRIME MINISTER: Well, in the present state of affairs you must accept some risks if you are going to make a sufficient impact on the current state of the economy to get rid of these matters that I referred to in my statement: a higher rate of unemployment than anybody could contemplate as acceptable, a rate clearly requiring special measures to get it down. All these things involve, I suppose, some risks but we are not incompetent to deal with the risks. We have indicated that what we want to do is to get rid of this unemployment and to stimulate confidence in the community. If, in fact, at some time in the future - and I am not expecting it very soon - there were pressures developing on the economy, then we have indicated that we intend to deal with those by specific measures, as far as possible, and not by general ones. I think that is the drift of what I said the other day.

QUESTION: Have you an estimate of the total cost of your programme, Sir?

PRIME MINISTER: Oh, well...you mean in the current financial year? Well, let's see. There is, in a direct sense, £15m. for the States, because you remember that we don't find the money on semi and local government - they have an authority to borrow - but coming from us £10m. non-repayable Grant, £5m. advance on Housing. Well, that's £15m. On the Income Tax concessions I've heard various estimates running between £25m. and £30m. In the short run, in the next four months, these other items are not easily calculated, but I wouldn't think were very massive in that period. For example, nobody can tell yet how much will be involved in investment allowances: it depends entirely on what happens in the manufacturing field. You can't expect that to happen over-night. The improvements, particularly the family improvements and the unemployment benefits, well I don't know, but again that's not, I would assume, a massive figure over the next four months.

QUESTION: Sir, it would come down to something like about £55m. to £60m?

PRIME MINISTER: I wouldn't think more, but I haven't worked it out with precision. But those figures would represent, I would think, the top limits.

QUESTION: Can you be any more specific, Sir, about the £15m. at this stage? Can Queensland expect special treatment?

PRIME MINISTER: Well, there are two propositions we are putting up. Let's take them in order.

First, £5m. on Housing. Well, we'll have to discuss that with the State Premiers. I thought it proper to indicate the total amount, but I don't think it would be very agreeable to be saying in advance "and this is how it's going to be distributed". You know they might perhaps think it's not worthwhile coming. But we'll have to discuss with them the housing thing, very largely on the basis of what the needs are in the various States, no doubt - at least that will be an important factor.

As for the £10m. which is a straight-out grant by the Commonwealth, and quite a substantial one, that being a voluntary grant by us under Section 96, we, technically, can determine its allocation. But we don't as a rule try to do that - we may have to in the long run. In the past when we have done anything of this kind we have discussed it with the States, but we will ourselves indicate what we think are the broad principles. And as this is to be a grant for employment-providing activities, then it is quite obvious that one of the factors, one of the principal factors, to be taken into account is the relative rate of unemployment in the various States. At this time Queensland, I am informed, has the highest rate of unemployment. Therefore it is not to be assumed that we will just distribute this money on a population basis. This is designed to relieve unemployment, to enable work to be put in hand swiftly for the relief of unemployment, and therefore the unemployment position in each State is a very important factor. We have had a few cases of this kind before in past years. I remember one - I've forgotten what it was about - but one in which we found some extra money. On that occasion half of it was distributed, according to the existing formula, and the other half arbitrarily allocated by the Commonwealth. But I don't prophesy that. All I want to make quite clear is that the position of the States with the most serious unemployment problems will certainly not be overlooked in the distribution of this sum.

QUESTION: Do you intend, Sir, to try to get that money spent quickly on small works to take up unemployment in semi-skilled.....?

PRIME MINISTER: Well, speed is the essence. You see this is a grant for this financial year, not for the next 18 months or something of that kind; this is a grant for the remainder of this financial year. The whole idea, to use the common phrase, is to give the system a "shot in the arm" because the employment position has not turned out to be as satisfactory as we had hoped. There it is. And it must be improved. And it is very important, under those circumstances, to make a quick attack on it. That is why we are concentrating, into these few months, the amount of money that I have indicated. Therefore it follows that we are not looking to the States to say, "Well, this will enable us to begin planning some long-term operation". We want jobs in which they can be putting people on the job in the next week or two. I know there are such jobs in Queensland because I have been up there; and I have no doubt there are in other States.

QUESTION: Will you impose any conditions, Sir, as to the class of works to be undertaken, or will that be left to the States?

PRIME MINISTER: Well we haven't discussed this yet, and I don't like to take up the attitude that we are imposing something on the States. But it is quite clear that if the principal object of the exercise is to provide employment, particularly in places where there are pockets of unemployment, and to do it quickly, then naturally I would expect everybody to give priority to works with the highest labour content.

QUESTION: Mr. Calwell has also said, Sir, that he is going to force you to an Election as soon as possible.

PRIME MINISTER: Well I never doubted it.

QUESTION: Would you care to estimate how soon....?

PRIME MINISTER: No, I haven't a clue, I haven't a clue. But he would be a very poor Opposition Leader if he didn't have the ambition to put us out as soon as he could. I take that for granted. I think it is an admirable spirit.

QUESTION: He has also predicted, Sir, that you won't fight another Election?

PRIME MINISTER: Has he? Oh, well....he must think Parliament is going to last a long time.

QUESTION: Sir, coming back to your statement the other night on the Banking question, you rather suggest that you are thinking in terms of a more competitive banking system, perhaps something like the pre-war system. Is that the kind of thing you have in mind?

PRIME MINISTER: Don't broaden this out too much. We saw the Trading Banks and they had...I said "Well now here's your opportunity to tell us about your problems, direct, you know, where you think the system isn't working effectively". And broadly speaking there were two problems that were under discussion. One was the interest rate structure. That is not, at present, the subject of determination because further discussions are going on in that field, and I don't prophesy what the result of it will be. But it is not to be assumed that that matter is disposed of. That remains a matter of active consideration.

The other one was how far the Trading Banks could go into longer term lending. This is of lively interest, particularly in the country, and, as you know, arguments have gone on as to whether the Banks provide finance in country areas to the extent that they should, or the extent that they can. One of the reasons why the Development Bank was established was to fill in what was thought to be a gap in that field. Now the Banks themselves are quite interested in this problem of longer-term lending. And we welcome that of course. But it is early days for them to arrive at a conclusion. They indicated to us that they were having discussions about it, and they have confirmed that since, as I said, in talks with the Treasurer. But I can't prophesy what the result of this will be. And of course if it turned out that the Banks found themselves able to go into longer-term lending in that way it would be of material advantage to rural development, and perhaps, to that extent, would reduce the drain on the funds of the Development Bank. I do know

that they are interested in that aspect of the matter. But all that being on the knees of the Gods we are satisfied that the Development Bank must be able to go on with its job, and that is why we are providing a further £5m. capital - which we will do in the autumn session. I mean this is not a forecast of the future. It will be one of the financial measures.

There is one other aspect, you know, of my announcement the other night I think I ought to refer to in common justice to the people concerned. I noted that in his first lucubration on this matter the Leader of the Opposition persuaded himself that what had been done had been done over the bitter hostility of the Treasury, and the Treasury officials. This, I want to say, is arrant nonsense. We had a very strenuous fortnight of consultations which I found tremendously valuable. We had the meeting of a small group of Ministers, first without, and then with officials, and then we agreed upon recommendations and we put them to the Cabinet on Friday of last week. And they were agreed to, after some hours of discussion.

I want to say that the proposals that we evolved, and which I subsequently announced, were, so far as I can judge - and I'm not in a bad position to judge - proposals which represented the complete agreement of all the departments concerned. Certainly, there was no indication that there was opposition by the Treasury. This little bit of underground propoganda that goes on to try and create some state of war between the Department of Trade and the Treasury is just nonsense, utter nonsense. I thought they all behaved very well. And, of course, naturally, as the proposals that were announced were entirely agreeable to me who wrote them down I felt they were all very intelligent by producing unanimity on them.

QUESTION: Is the investment allowance intended to be a permanent measure Sir?

PRIME MINISTER: I think you can treat it in that way. In a sense it may be experimental, but it is not being put on for some limited period of time. Though, I suppose, from the point of view of future years something may depend upon how it works, whether it produces the effect. Of course, at some time in the future, if it turns out to be successful, as I think it will be, then the rate is capable of variation according to the circumstances. But I want to say that I think Mr. Holt is going to say something, isn't he, in a supplementary way about the Investment Allowances, because there are some nice technical questions that they are working on which prevent us, at the moment, from putting a specific date down. We certainly...

QUESTION: I don't think this is a technical question, Sir, but after a long period of prosperity in which firms have had an opportunity to build up reserves why has it become necessary to give them a virtual subsidy to modernise their plants?

PRIME MINISTER: The great advantage of modernising the plant, from the point of view of manufacturing, is this: they are not the masters of the wage structure, they are not the masters, overall, of the economic policy, yet they have to work within those limits, and it is terribly important that their efficiency be so increased that they can move more and more into the export field.

The greatest thing to increase the efficiency of highly mechanised industry like manufacturing is to enable them to keep abreast of the latest developments and have the most modern plant. Under the existing scales of depreciation it is not easy for them to follow that line because they depreciate, yes, but they depreciate over a term of years 100% of the particular plant. They might want, very much before that time is over, to replace it by something so much better that if they don't have it their competitors in the world will put them out of business. Therefore this is a direct encouragement to modernise plant, and thereby to keep down unit costs and increase their capacity to export from Australia - and their capacity to compete inside Australia with goods that come in. We examined this, it's been under consideration one way or another for some time, but this time we examined this with particularity. We saw what was being done in other countries and we came to the conclusion that what amounts, in substance, to a subsidy to re-equipment, a subsidy to modernisation, would be a very, very good contribution to the efficiency of the industry.

QUESTION: Wouldn't this also tend to encourage investments from overseas in Australian industry?

PRIME MINISTER: Oh, well it very well might, it very well might. I wouldn't distinguish between the two things.

QUESTION: Your statement the other night, Sir, divided your proposals into two groups, one of which was described as short-term, or interim. Is it to be inferred from that that those proposals may come under review fairly soon, or may they continue?

PRIME MINISTER: Some of them expend themselves in their own performance, don't they, like the payments to the States, you see. But the question of income tax, well I'll say nothing about that at this stage because this is a matter that we have to consider when we are approaching our overall annual provisions.

QUESTION: Would that apply to sales tax on cars Sir?

PRIME MINISTER: Do you mean will it come on now and go off on June 30th, or something like that, eh? Or go up?

QUESTION: Should we buy a car now?

PRIME MINISTER: Look, I don't think I actually distinguished sharply between short-term and long-term. I thought I used a different expression, and I did it deliberately, to indicate that some of these are designed to produce quick results, and some of them are designed as a sort of follow-up, to encourage confidence and restore the general tone of industry. Apart from those that expend themselves in their own performance, like the grants to the States, the others...don't read any inference into it at all. They are of quick operation, true, or we hope so.

QUESTION: You mean we should think in terms of purpose rather than character?

PRIME MINISTER: That's right. I can't give you the slightest idea as to what will happen in the long run on these matters. We don't put an ear-mark on them and say, "Well these are things that are going to be done and are going to stop on June 30th", or something like that.

QUESTION: Mr. Menzies is there anything you can say on the Indonesian situation, and West New Guinea? Do you think the situation is easier at all now?

PRIME MINISTER: Well, I wish I knew. In one cable you get a little optimism about having negotiations; and in the next one there's no optimism. It depends largely from what side of the fence the message comes. All I can say is that we are still hoping that there will be negotiations and not war, because the institution of hostilities over a matter of this kind, in this part of the world, is not very agreeable to 99 people out of 100, though, I gather, fondly hoped for by the 100th.

QUESTION: Mr. Menzies, there is a Space Club project under way which Britain and France have sponsored and the Australian Government has been asked by France and Britain to ratify a treaty. Do you know what stage this has reached?

PRIME MINISTER: I don't, I don't. But Mr. Fairhall may know, take a chance of asking him. I know in a general way what stage they are at, but as to the particular stage at the moment, I don't. It hasn't come back to us for any final decision.

QUESTION: Going back to Indonesia, Sir, if the Dutch Government asks for permission to land on Australian territory, flying these re-inforcements or replacements...

PRIME MINISTER: I never answer hypothetical questions.

QUESTION: Have you had such a request, Sir?

PRIME MINISTER: Not that I'm aware of, no. But those are matters you deal with when they arise, if you've got any sense.

QUESTION: Have you had any indication, yet, of the date of the Prime Ministers' Conference, Sir?

PRIME MINISTER: I don't even know whether there will be one. I've had no hint of one yet.

QUESTION: Mr. Menzies will you move as quickly as possible after the State Elections in South Australia and New South Wales to get this conference going on the Chowilla Dam?

PRIME MINISTER: That's a matter I'm going to have a talk to Sir Thomas Playford about when he's over here next week. Personally, I would like to do something. Even if it's only a preliminary discussion on the matter, I would like to get it under way. But I will be talking to the Premier of South Australia about it. He's got an election coming on hasn't he? Everybody seems to have an election.

QUESTION: Mr. Calwell referred to the "Menzies myth", Sir...

PRIME MINISTER: Did he? But he referred also to the myth of the boom. Don't you remember? Well, I'm like the boom in 1960, I'm a myth. But I've been a "myth" for some time.