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ECONOMIC TALKS

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

During the talks we had recently with representatives of business, a good many suggestions were put forward as to ways in which expansion could be promoted, business confidence sustained and unemployment further reduced. A number of these suggestions related to matters on which the Government already had action in view.

As to employment, for example, we had just ahead of us the Loan Council meeting at which the works and housing programmes for this year were to be reviewed. While we wished to have our discussions with the Premiers before deciding what the Commonwealth should offer to do, we had already made a very thorough study of the whole employment situation.

In the event we found that the view put to us by industry representatives did not differ greatly from our own assessment nor from the account of things given by most of the Premiers. In the main, the opinion was that some increase in expenditure on works and housing could have useful results; it was generally emphasised, however, that any such expenditure ought to be channelled as far as possible into localities and occupations where, for various reasons, employment opportunities were not coming forward very readily.

That, of course, had been the aim of two of the chief measures we took last year. The grant of £10 million we made to the States last February for employment-giving activities and the subsequent grant of £12.5 million in our 1962/63 Budget had just that purpose. Furthermore, the Commonwealth last June took the initiative in removing any Loan Council limit on the overall amount that might be borrowed by local authorities seeking £100,000 or less in any financial year. The great value of this step is that it gives relatively small bodies all over the country a better chance of obtaining money to spend on works in their own towns and districts.

It is encouraging now to find that authorities of that type had been able to borrow, up to the end of January last, some £16.7 million. This is substantially more than they borrowed in the comparable period of 1961/62 and it is, in fact, almost as much as they used to be able to borrow in a full twelve months up to a couple of years ago.

As was announced last week, the Commonwealth agreed at the Loan Council to an increase of £5 million in the 1962/63 borrowing programmes for Commonwealth/State works and housing and to an increase of £6 million in the programmes of semi-governmental authorities - those seeking to borrow more than £100,000 in 1962/63.

The Commonwealth also increased the grant for employment-giving activities by £5 million, bringing the total grant for 1962/63 to £17.5 million. It stipulated that expenditures from the grant should be over and above those from the State works and housing programmes and should be distributed

to areas, like those of the New South Wales coalfields and the Northern coastal areas of Queensland, where more general measures are not so likely as elsewhere to give rise to employment.

On housing, the majority of those who took part in the consultations thought that rather more finance should be available both for the erection of new homes and the purchase of existing homes. A good deal was also said about the problem of the gap between the amount of loan finance people can obtain and the deposits they are in a position to make when acquiring a home.

These are problems the Government has very much in mind. They are highly complex matters. It is far from being a simple question of making more money available for housing at large; rather, as with unemployment, the problem is to ensure that action is directed to the real centres of difficulty.

We have, in fact, undertaken to make some additional finance available for housing through established channels. The decision to increase Loan Council borrowing programmes for works and housing this year means that the Commonwealth will add £2.4 million to the funds available during the next few months under the Commonwealth/State housing agreement.

Furthermore, the Commonwealth Banking Corporation has now decided to increase the lending limit for the credit foncier loans of the Commonwealth Savings Bank from £3,000 to £3,500. The Commonwealth Savings Bank being a large-scale lender for housing this is, of course, an important step.

War Service Homes

When the maximum loan under the War Service Homes Act was increased from £2,750 to £3,500 in May, 1962, the objective was to stimulate the home-building industry as well as to provide more favourable conditions under which eligible ex-servicemen could obtain homes or carry out essential additions to their homes.

These objectives have been achieved. It is expected that the number of new homes which will be financed during 1962/63 will be some 800 more than was expected at the beginning of the year. The increase in the maximum loan has greatly reduced the number of ex-servicemen who have found it necessary to obtain finance for their homes under a second mortgage. There has been a heavy demand for loans to provide additional, essential accommodation.

In order that this increased demand may continue to be dealt with under existing arrangements, the Government has decided to provide an additional £2,500,000 to be expended this financial year.

The Government's decision will result in an increase in the appropriation for War Service Homes for the year from £35,000,000 to £37,500,000.

More generally, and apart from particular matters like unemployment and works expenditure and housing finance,

it was put to us that there is a need to give the business community more guidance as to future economic policy so that forward planning and investment can proceed with all reasonable confidence. On this view, it may not always be enough to demonstrate that the economy is currently well situated, balanced internally and externally and moving forward at a good rate - as it now is. Businessmen hold that if they are to plan forward securely they need to know, amongst other things, what the broad trend and content of future economic policy is likely to be.

The Government understands this viewpoint and is disposed to meet it as far as it can. Perhaps, at this point of time, the first thing is to clear away a certain misapprehension.

There has been comment lately to the effect that the expansionary measures the Government took last year have spent themselves and are now having no effect on the economy. But this is utterly wrong. The Budget for this year continued all the measures taken earlier - the big tax reductions, the social service increases, the special grants to the States - and it added to them in the shape of large developmental works, notably in Queensland and Western Australia. Meanwhile, credit policy has continued to be highly liberal. Nothing of all that stimulatory action has been withdrawn. It all goes on in full force. In fact, it is likely that some of the measures - the investment allowance on manufacturing plant for example - are only now starting to exert their full influence. Also, some of the larger developmental projects have hardly got properly into their stride as yet.

The chief objectives of Government policy are, of course, firm and clear - full employment, strong and continuous industrial growth, stable costs and prices, a balanced external situation and so on. These aims have been stated again and again and we have spared no effort to make them really mean something.

But we realise perhaps better than most the need to keep up the underlying momentum of the economy. As a dynamic element, probably nothing counts for more than the migration programme and here again there seems to be a misapprehension. It is still being said that migration is lagging. The truth is that immigration is strongly on the way up and its prospects have rarely looked better than they do today. Certainly the 1962/63 target of 125,000 arrivals will be exceeded. There has been a tremendous flood of applications in Great Britain for assisted passages to Australia. Many of the applicants are skilled people - the key workers upon whom the expansion of our industries depends so heavily. These skilled workers are being given the highest priority.

Additional shipping and a substantial airlift have been arranged and it is already clear that the intake of British migrants in the twelve months ending 30th June next will be the best for the past ten years. Nothing could be more likely to impart a renewed drive to the economy or give assurance of basic expansion in the years ahead of us.

More specifically, the Government has been asked to give the firmest indications it can as to policy on the Budget for next year. This, of course, is difficult. We do not have, and cannot have for some time yet, any precise

idea as to the probable levels of receipts and expenditures in 1963/64 and, in any case, the Budget is not a thing on which forward undertakings can readily be given.

It is, of course, certain that expenditure will rise substantially next year, as it has done in all recent years - if only because of existing commitments which must be carried on. It is likely also that taxation revenues will benefit from the strong rise in industrial activity and earnings that have occurred through 1962/63 and we have great confidence that trends like these will carry on into 1963/64. But there are, and always will be, elements in the Budget which defy precise or dependable forecasting even at short range. It would certainly be out of the question for us to indicate here and now what particular measures the Budget for next year may or may not contain.

It can be said, however, that we do intend to renew the legislation which provides for certain export incentives which would otherwise expire in 1964. It can be taken for certain too that the investment allowance on manufacturing plant will continue to be available. It is of the essence of measures like these, undertaken to provide special incentives, that, once established, they ought to be carried on long enough to produce their intended results.

CANBERRA,

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