

COMMONWEALTH OF AUSTRALIA

SPEECH

BY

The Rt. Hon. HAROLD HOLT, M.P.

ON

GOVERNMENT POLICY

Ministerial Statement

[From the "Parliamentary Debates," 8th March 1966]

Mr. HAROLD HOLT (Higgins—Prime Minister).—by leave—I am taking this first opportunity after meeting the House to speak on some of the more significant matters with which we have been dealing since the Government took office. The new Government was sworn in on 26th January—Australia Day. We have been in office, therefore, just short of six weeks. They have been weeks of unusually intense activity. As I give an account of the highlights of events over that period, I shall also be mentioning some important policy decisions not previously announced. Ministers who will be speaking later in the debate on this statement, or introducing statements of their own, will provide more detail on several matters which I shall only be able to touch briefly.

It is to be expected that a new Government will have a busy time in its early weeks as it takes up the reins of government. But, in addition to the tasks normally to be expected in these circumstances, we have found ourselves engaged in discussions—some of a profound and far-reaching character—in the fields of defence and foreign policy. On the domestic front, we have concluded a review of the current state of the economy. This followed discussions with official economic advisory bodies

assisting the Government and with representatives of industry. We have devoted a good deal of attention to the drought situation persisting over large areas of the Commonwealth and the problems arising from the ramifications of the drought.

Before commenting on these matters, I would like the House to know that the Government will be inviting it—on two occasions I shall mention—to give recognition to the distinguished public and parliamentary services of my predecessor, Sir Robert Menzies. Sir Robert established a remarkable record of more than 18 years of leadership as Prime Minister, more than double the previous record length of service in this office. Tomorrow, I shall present a resolution to the House enabling us to place on Parliamentary record our appreciation of his many years of service. On 17th March, the Government will be holding a Parliamentary dinner in honour of Sir Robert and Dame Pattie.

DEFERMENT OF THE REFERENDUM PROPOSALS.

I also mention the Government's decision to defer, until the next Parliament, the referendum on the two proposals to amend the Constitution which were passed by both

Houses of Parliament towards the end of last year. We would have preferred to let the question of deferment stand until such time as we could have benefit of parliamentary discussion and decision concerning it. But this course was not open to us because, as matters stood, the Chief Electoral Officer would have been required under the provisions of the Act to post the arguments for and against the proposals to some 6,000,000 voters before the end of February. Therefore, in practical terms, it was necessary for us to make and announce the decision before we met the Parliament. In pursuance of this decision, we will recommend to the Governor-General in Council that he should not issue the writ provided for in section 5 of the Referendum (Constitution Alteration) Act. We remain strongly in support of both proposals. But we are a new Government and, inevitably, much occupied not only with the very many important and pressing matters arising at home and abroad, but with other matters which beset a new Government. A referendum campaign would be an extra and lengthy commitment. In these circumstances, and because there is no urgency about either of the proposals becoming law this year, we believe that it would be better to defer the holding of the referendum.

However, we intend, early in the life of the next Parliament, to introduce the necessary legislation to enable a referendum to be held on the proposal to break the nexus between the two Houses of Parliament. We will also then give a general indication of our intentions in relation to the distribution proposals which would be made should the referendum prove successful.

We intend, at the same time, to present also the proposal relating to Aborigines. This proposal has been supported by all political parties, and there was indeed no negative case prepared for circulation to the electors. Any delay in passing the referendum in relation to the counting of Aborigines will have no adverse practical result because, in fact, the Commonwealth Statistician does count the Aboriginal natives in the community and makes the figure public. The provision in the Constitution does not amount to an impediment against this counting. Nor does it prevent Aborigines voting; many of them do. We, nevertheless, believe that the provision

should be taken out of the Constitution. It is outmoded and misleading, and gives unwarranted cause for criticism both inside and outside Australia by people unaware of the actual situation.

As I said when announcing our decision to recommend a deferment, we are sensitive to the fact that the Parliament has supported in both Houses the referendum legislation which the Menzies Government presented. We believe, however, that members in both Houses will recognise the reasons which have influenced us, and will approve our decision to defer the proposals for the time being. The deferment is being made with a view to strengthening, rather than weakening, the prospect of success for the two proposals.

I turn now to aspects of foreign affairs and defence with which we have been dealing over recent weeks. In our first month of office, we had visits from Mr. Denis Healey, the British Minister for Defence, Mr. Hubert Humphrey, Vice-President of the United States, and His Excellency Field Marshal Thanom Kittikachorn, Prime Minister of Thailand. Each of these discussions was of importance for Australia. Each of them required considerable preparation and close consultation with our civilian and military advisers.

VISIT BY MR. HEALEY.

Mr. Denis Healey, the British Minister of Defence, visited us for four days from Monday, 31st January. The talks, although occurring within the first week of our taking office, were most timely. They were held at a time when the United Kingdom Government was coming to major long term decisions, subsequently incorporated in the White Paper on defence recently presented to the United Kingdom Parliament. Mr. Healey had been set the task of framing a defence programme which would contain British expenditure on defence in 1970 within the equivalent in that year of £2,000 million sterling today. This task called for some drastic adjustments. One of the possibilities coming under public discussion in Britain was a withdrawal of British forces east of Suez. Mr. Healey made it clear to us that his Government did not hold any views on these lines. But the general proposition had found support amongst highly placed parliamentarians on

both sides of politics. The United Kingdom Government decided—in our view, very wisely—that it would continue to maintain a global role in world affairs and that as part of this role it would continue to maintain substantial forces in South East Asia. The Canberra talks were of tremendous value in enabling us to make a frank exchange of views. Mr. Healey made it clear to us, in direct but friendly fashion, that if British troops had to leave Singapore, then either they would have to be accommodated in base facilities on the Australian mainland or they would have to go home. For our part, we were willing to plan against the contingency that Singapore might become untenable at some future point of time and have now put in hand a study, at the Service level, of various possibilities and their feasibility. However, we emphasised strongly the need for a continued British presence in South East Asia, and we affirmed that the bases in Singapore and Malaysia, in which we share and to which we have made substantial contribution, should be retained for as long as possible. The British presence on the mainland of Asia provides an essential stabilising and moderating influence, and aid to morale. British departure from the scene could have disastrous consequences. We are gratified that the United Kingdom Government has confirmed, in the White Paper, its firm intention to continue to maintain the bases in Singapore and Malaysia so long as the Governments of Singapore and Malaysia make this possible on “acceptable conditions”. For Australia this is a most significant and welcome decision.

Mr. Dean Eyre, the New Zealand Minister for Defence, participated in all the discussions with Mr. Healey. This Government wishes to increase its co-operation with New Zealand in defence matters and, indeed, in all other matters of mutual interest. The Anzac tradition was forged between us in another great struggle fought by the forces of freedom to resist aggression. The grim events in Vietnam and Indonesia's ill-conceived confrontation of Malaysia have brought us closely in association again. Our discussions revealed complete identity of view between our two Governments.

It is worth recording that the British Government carried out its recent defence review in a way which was, we believe,

unique in British history. It was probably the first time the British Government has ever tried to look so far ahead in planning its foreign and defence policy—Mr. Healey's talks with us ranged over the period from the 1970's to the 1990's—and it is also the first occasion on which the United Kingdom has consulted so closely with its allies before final recommendations were adopted by the Cabinet.

Arising from the Canberra talks, it was agreed with the representatives of Britain and New Zealand that consultations will continue at ministerial level. We felt that there should be discussions between ourselves—that is, the three Governments—and United States representatives on our respective activities in South East Asia. These should not be confined to political and defence matters. We all are involved in military action in one area or another but we all are also participating in programmes of economic and social aid in the area. It would be of great advantage to develop the widest possible agreement on policy aspects and to see how far our activities can be co-ordinated.

VISIT BY VICE-PRESIDENT HUMPHREY.

It was of great advantage to us to receive a visit from Vice-President Humphrey and Governor Harriman so soon after the defence discussions with Mr. Healey. The Vice-President was with us on 18th and 19th February. This is only the second occasion on which a Vice-President of the United States has visited Australia. Mr. Humphrey came to us after a rapid tour embracing a number of the key countries of South East Asia. He was able to bring us a complete account of the talks between President Johnson and Prime Minister Ky of South Vietnam. We found our own assessment of the situation there, based on information reaching us from our own sources, to be very much in line with that conveyed by Vice-President Humphrey to us. In his public statements in Australia he brought out compellingly the critical and fundamental character of the struggle in South Vietnam. We had earlier told him we applauded the initiatives advanced by Prime Minister Ky and President Johnson for a vigorous programme of economic and social reform. We all recognise that there is far more to checking of the Communists by military

means. There is a need of reconstruction and rehabilitation. There is a need for an effective national administration pressing on with desired reforms and the improvement of standards.

Most of the people of South Vietnam live in villages and hamlets. Many of these have suffered the ravages of terrorist activities for years. First, the affected areas must be cleared of the enemy and made secure against Vietcong reinfiltration. The next phase is the establishment of effective administration so that the benefits of modern the problem of South Vietnam than the services can be brought to scattered rural communities. So many leaders have been murdered that the Government of South Vietnam has launched an extensive, but concentrated, programme of training. It aims to produce as quickly as possible successive teams of people who will return to the ravaged areas as leaders in various activities of significance to the local communities. They include people trained in the business of administration and government, and in health and rural development; they include also teachers and personnel trained to undertake such rehabilitation tasks as the building of homes, schools, roads and hospitals. Already hundreds of these teams are operating and the South Vietnamese Government plans to have many more available by the end of 1966. The Government is planning in this way for the progressive rebuilding of the social fabric of the community. Australians are assisting in this valuable work. I speak, in particular, of our surgical teams, which are providing medical help in a country which has far too few trained doctors serving the community of 14 million people. Australians are also helping as advisers in agriculture and road building.

I pay tribute, also, Mr. Speaker, to the contributions made by Australian forces in the area. Since 1962, we have had military advisers with the South Vietnamese forces. These are highly trained and dedicated men, who at great risk, and in some cases casualty, to themselves, have stood beside their South Vietnamese counterparts in the field. Since 1964, a flight of Royal Australian Air Force Caribou aircraft has been used in a great variety of ways for general transport purposes, and to bring supplies quickly to meet emergency needs. Last year Aus-

tralia committed the First Battalion of the Royal Australian Regiment to Vietnam, which was subsequently expanded to a battalion group. The Battalion has to great effect and purpose been conducting operations from its base at Bien Hoa, and has earned praise and respect from our South Vietnamese and American allies. Vice-President Humphrey made particular reference during his visit here to the high value placed on the Australian contingent, both in their role as fighting men and their conduct generally amongst the Vietnamese people.

The Vice-President spoke of the overall prospects in terms of what he described as "restrained optimism". The information we and the Americans have is that the tide of war is turning in our favour. Progress is being made in rescuing new areas, in clearing them of Vietcong and in preparing them for orderly civil government. The critical nature of the conflict in South Vietnam has not been fully recognised by all, and this certainly includes many members of the Opposition. We are told that we over-simplify the issue there. It is more accurate to say that our critics over-complicate it. We still hear from some representatives of the Opposition that this is a civil war and that we have no good cause for participation. This view runs against all the information and advice reaching us. The discovery by our own forces of extensive headquarters and military facilities in close vicinity to Saigon illustrates the long-term planning and the years of preparation with outside assistance which lie behind the activities of the Vietcong. This is no civil war. It is the principal present manifestation of the expansionist activities of Communist China. These activities are channelled through, and directed from, Hanoi. All the countries in South East Asia are facing the threat of Communist China's expansion in one form or another. In Laos, for example, there is fighting between Chinese-supplied Pathet Lao—or Communist forces—and the forces of the Government. The Prime Minister of Thailand and the senior Ministerial colleagues who accompanied him gave us a graphic account of increasing Communist subversion, infiltration, and terrorist activities threatening that country. In India there have been direct attacks by troops of the Communist Chinese Army across the Indian border.

Honorable members will see in these and other countries the manifestation, in one form or another, of externally-directed Communist aggression.

VISIT BY FIELD MARSHAL THANOM

We were able to discuss all these matters fully and frankly with the Prime Minister of Thailand and his distinguished Ministers in Canberra recently. We shared a common view of the situation in Vietnam and agreed about the incessant and widespread nature of Communist pressures in South East Asia. The Thai Government, let it be said, has a proud record of domestic achievement. It is a responsible Government which has committed the services and facilities of government and administration to the goals of economic and social progress in the spread of education, health and medical facilities and social services generally. Its record of economic advance is impressive. National income has been increasing at an annual rate of seven per cent. for the past decade. Agricultural production is currently increasing annually at about 6.3 per cent. This is a country under Communist pressure. It is a country that we are glad to have as an ally and we look forward to the multiplication of our interests and associations.

STRUGGLE AGAINST COMMUNISM IN SOUTH VIETNAM

The war in South Vietnam has many brutal aspects. What has been far too little perceived is the systematic destruction of leaders in the villages and hamlets in which most of the population of South Vietnam lives. The Communists deliberately eliminate any elements in village communities who might hold out some hope of effectively rebuilding their community. In the last two years, more than 3,000 local officials and civilians have been murdered. The leaders include teachers, medical workers, leaders in politics and administration, and technical experts of one kind and another. We can all picture the mental anguish and physical distress caused by this systematic butchery and the dislocation it brings to the life of the community where it occurs.

All this is what Communism in Asia means. It does not stand for peaceful political and economic change. In the words of a leading Communist military theoretician—General Giap of North Vietnam—"armed

struggle and political struggle are very closely co-ordinated". Of South Vietnam he says, "armed struggle has budded forth from political struggle." Communism in Asia is the politics of brutality, the politics of disruption, the politics of the exploitation of backwardness. Its highest form is the "people's war"—that is to say, the brutality and viciousness of guerrilla warfare practised against an entire population—men, women and children alike. A study of North Vietnam's pronouncements in respect of South Vietnam reveals the complete rejection of peaceful coexistence. Its language is the language of power, of protracted struggle, of repression, and it shows no disposition to tolerate the existence of neighbouring social and political systems other than its own.

Neither we, nor our allies, are in South Vietnam for territorial gain or colonial power. We are there to establish conditions in which ordinary men and women—and there are 14 million of them in South Vietnam alone—can pursue their lives in freedom. We are there because while Communist aggression persists, the whole of South East Asia is threatened; while the Chinese Communist philosophy of world domination persists, the whole free world is threatened.

During the suspension of bombing in December and January, every conceivable effort was made to bring the North Vietnamese authorities to the conference table. They rebuffed every approach. The search for peace will go on, but a long period of fighting is the prospect which we have to face. The critical fighting in the area increasingly involves units and personnel trained in North Vietnam and directed and equipped from Hanoi and Peking. As pressure on the Viet Cong has increased, North Vietnam has sent in reinforcements of regular North Vietnamese troops on a very substantial scale, there now being nine and possibly more regiments of the North Vietnamese Army in South Vietnam. These reinforcements continued during the bombing pause, as did work on repairs and improvement to the infiltration system. Only when it is convinced that South Vietnam, the United States and other allies have the will and the cohesion to see the struggle through is the other side likely to desist. At the present time the evidence is that it wants to continue the fighting and to test our will and cohesion.

ADDITIONAL AUSTRALIAN FORCES FOR SOUTH VIETNAM.

The Government has for some time been made aware of the desire of the Government of South Vietnam that we increase the size of the Australian force there. There has been a very large build-up in strength of the United States forces. It is evident that the allies must put forward an increased effort if military successes are to be achieved and then followed effectively by the tasks of reconstruction.

Honorable members will be aware that there are at present serving in Vietnam more than 1,500 Australian Service personnel comprising the Army training team, the battalion group, and associated headquarters and Royal Australian Air Force personnel. Of these forces, the main element, namely, the infantry battalion—the First Royal Australian Regiment—is due to be, and will be, relieved on the conclusion of its tour of one year in the theatre. Its personnel, other than those who will have served a considerably shorter period, will return by air to their home station in Australia during the first two weeks in June.

Measuring the availability of Australian troops in the light of our other commitments and in consultation with our allies, and at the request of the Government of South Vietnam, the Government has decided that the battalion will be replaced by a self-contained Australian task force under Australian command embracing all personnel serving there and enlarging our contribution to a total of some 4,500 men—in effect, a trebling of the current strength of our military forces there. The task force will contain, in addition to its headquarters, two infantry battalions, a Special Air Services Squadron, and a substantial force of combat and logistic support units. The task force will need close helicopter support and, for this purpose, we are incorporating with it a flight of eight Royal Australian Air Force Iroquois helicopters. Provision of the flight of Caribou aircraft and of the team of 100 Army advisers will be continued.

This force will make a greatly enlarged Australian contribution to the maintenance of security throughout South East Asia. It is, of course, in addition to our other force contributions in the region for the defence of Malaysia, Singapore and Thailand. It is our judgement that this is the most militarily

effective way in which we can assist the overall allied effort in South East Asia at this time.

Honorable members are aware from previous statements by the Government that the obligation to discharge national service with the Army includes an obligation to serve overseas if necessary. The Australian task force which we will be sending to Vietnam in the middle of the year will contain two Army battalions, the 5th and 6th Battalions, Royal Australian Regiment, each of which will contain a proportion of fully trained and integrated national servicemen as will all future substantial Australian Army units deployed overseas in any theatre. That proportion may vary to some extent from unit to unit, but it will be a continuing feature. The normal tour of duty in Vietnam of personnel in the task force will be 12 months. The Government has also decided that the national service intake will be continued at 8,400 each year.

I am sure that honorable members will, in the light of what I have already said, appreciate the necessity for the Government's decisions. They are decisions of great responsibility and we have not taken them lightly. Australia cannot stand aside from the struggle to resist the aggressive thrust of Communism in Asia and to ensure conditions in which stability can be achieved. Our own national security demands this course. Do honorable members opposite, who are interjecting, deny that?

Mr. Calwell.—Yes. I deny it flatly.

Mr. HAROLD HOLT.—If they do, let them stand and be counted when the time comes. We cannot be isolationist or neutralist, placed as we are geographically and occupying, as we do, with limited national strength, this vast continent. We cannot leave it solely to our allies—and their national servicemen—to defend in the region the rights of countries to their independence and the peaceful pursuit of their national way of life.

I am confident that a majority of this Parliament and of this country will warmly support this increase in the Australian contribution. It has been heartening to the Government to have had, from the outset, the unanimous support of members of the Government parties for Australian participation in resisting Communism in South

Vietnam. The overwhelming support given by the Congress of the United States of America in recent days to the amounts sought by the President for the conduct of military and aid operations is encouraging testimony of the strength of purpose of the American people. The free world has cause to be grateful for the clear sighted view President Johnson has held at all times of the menace and fundamental character of the challenge to freedom in South Vietnam, and we have admired the resolution with which he has met that challenge.

DEFENCE SUPPLIES

One matter which has had and is still having our attention at ministerial level is the matter of supply of goods and material of various kinds by Australian industry to the American forces in South Vietnam. Late last year, the present Minister for Defence (Mr. Fairhall), when Minister for Supply, outlined personally, to the United States Secretary of Defense Australia's capacity to provide a wide range of military supplies. The Minister's talk has been followed up actively at the official level and, as one result, agreement has now been reached on the sale of a substantial quantity of Australian small arms ammunition to the American forces. We have also been asked to quote for a number of other important items most of which are needed in large quantities. We are now working on these requests. I might add that we took the opportunity to put this whole matter in the mind of Mr. Humphrey on his recent visit. We believe that Australia can, with advantage to the allied effort, to the strengthening of our own capacity and to the advantage of our own nation play an increasing part in this matter of supply.

VIETNAM MEDAL.

From our recognition of the fundamental significance of the struggle against Communist aggression in South Vietnam, and the special nature of the service which our armed forces are giving there, the Government has felt it appropriate that a special award should be made to Australian and, if the New Zealand Government agreed, to New Zealand servicemen posted to South Vietnam. I conveyed our view on this to the Prime Minister of New Zealand, the Right Honorable Keith Holyoake. As

I have already mentioned, New Zealand takes precisely the same view of the issue in South Vietnam as we do. I am glad to say that Mr. Holyoake fully and immediately welcomed the proposal, and we are jointly recommending to Her Majesty that a special medal for service in Vietnam be struck. Her Majesty has told us that she will be pleased to make this award. The detailed conditions of eligibility are being worked out, and will be announced following Her Majesty's approval of them.

This new special medal for service in Vietnam will replace the General Service Medal 1962 with clasp "South Vietnam", which has hitherto been available for Australian servicemen in the area. The new medal will apply to Australian servicemen who have been in South Vietnam at any time since 29th May 1964, which is the date when the role of the Australian Army training team in Vietnam was extended to permit its employment in the field with South Vietnamese Army units in contact with the Vietcong.

The Prime Minister of New Zealand and I have seen the issuance of a special medal as another welcome link in the chain of the Anzac tradition. I am sure the medal will be worn with pride by all who participate in the South Vietnam campaign and it will carry with it to the wearer an expression of the gratitude of our two countries for service in the highest order of duty.

VISIT TO VIETNAM.

I am hopeful it will prove possible for me to make a visit within the next few months to South Vietnam and some of the other centres in South East Asia where Australian troops are on active service. My colleague, the Minister for External Affairs (Mr. Hasluck), was in the area as recently as last December, and I propose to arrange for other visits by appropriate Ministers so as to keep the Government in close and frequent contact with developments in this and other centres where our servicemen are engaged.

Mr. Reynolds.—What about opportunities for Opposition members as well?

Mr. HAROLD HOLT.—I would be glad to consider that proposition if it were put to me seriously by the Leader of the Opposition (Mr. Calwell).

OVERSEAS AID.

Australia has an expanding role to play in South East Asia and, indeed, in the world at large consistent with its growth in economic strength and the development of its natural resources. The growing influx of immigration, investment capital and official visitors, the substantial increase in tourism, all signify an increasing world interest in Australia and its growing stature.

Growing responsibilities carry with them enlarged obligations. Our three-year defence programme now in its first year of duration is one measure of our response to our obligations. In the four years between 1962 and 1966, the defence vote has doubled, from approximately \$400 million to \$800 million. Large forward commitments have been undertaken for new and improved equipment, for which substantial payments must be made as the Services arm themselves to meet the defence requirements of the future. But even a rapidly growing bill for defence expenditure is not the only way in which Australia's general external policy should find material expression.

Aid appropriations from our Budget totalled \$114 million this year. This is more than nine times the amount given in the year before we took office. This is practical recognition of the needs of other countries for our assistance. The Territory of Papua and New Guinea, for which we have special responsibilities, remains the major recipient of our aid. Indeed, this is a commitment which Australia has been carrying alone. Australia played a pioneering role in the evolution of the Colombo Plan. Through this instrument we channel the largest component of Australian aid to Commonwealth and foreign countries, the amount this year being \$12 million. Although we are a capital importing country our programmes of aid for overseas compare well in scale with those of other major donors of aid. We are currently spending about 0.6 per cent. of our gross national product on external aid. There are few donor countries which can match this record. We have joined the Asian Development Bank, on the basis of an Australian subscription of \$US85 million. This is a substantial contribution quite disproportionate to our population and national wealth, even when compared with the subscriptions of major donors such as the

United States and Japan. Our contribution reflects our willingness to play a significant part in promoting greater prosperity and security throughout the South East Asian area and our hope that this new instrument will play an increasingly significant part in that process.

We recently offered aid to India to a value of \$8 million, principally in the form of food, as a contribution towards meeting the critical shortages occurring there. We believe that much remains to be done by the international community to alleviate hunger problems of this kind, and we are doing what we can to stimulate a willingness on the part of industrialised as well as other food producing countries to join in helping the less favoured and less developed countries of the world. Our capacity to increase expenditure on defence and foreign aid will depend on the success of our efforts to ensure that our own economy is soundly based and continues to develop rapidly in stable conditions.

ECONOMIC AFFAIRS.

I now turn to our latest survey of the economy. This Government retains the same broad economic objectives which, successfully pursued by Governments led by Sir Robert Menzies, resulted in the greatest era of economic development in Australia's history. Our slogan of "growth with stability" will continue to guide us. We shall aim at the highest practicable level of national development and growth of industry. A policy of full employment has been successfully conducted with remarkably little fluctuation throughout our years of office. It remains in the forefront of economic policy. Our national growth has been associated with a programme of immigration on the large scale. This will be continued at the highest level we find it practicable to sustain. The inflow of people has been accompanied by an inflow of capital responding to a climate favorable to enterprise, skill and initiative.

Mr. Pollard.—Put a bit of ginger into it.

Mr. HAROLD HOLT.—That was the honorable member's urging to me after the last Budget. He had better get another slogan to break the monotony.

Mr. Pollard.—Give Holt a jolt.

Mr. HAROLD HOLT.—Well, a jolt is better than a removal job. Judged on the latest statistics of the volume of capital and the stream of official visitors coming here from various parts of the world to study investment prospects, Australia can look forward confidently to this inflow continuing strongly. Its extent is the more remarkable because the Governments in the two principal source countries from which this investment comes—the United Kingdom and the United States of America—have both imposed some restraints on external investment. The combination of favorable growth prospects and stable economic and political conditions are proving strongly attractive. Australia finds 90 per cent. of its capital investment from its own savings, but our rate of growth has been greatly assisted by the savings of others who bring new industry, new techniques, new equipment and new skills to us.

Within the past fortnight, we have had discussions with representatives of industry and commerce and finance. These have been followed by discussions in the Cabinet. It is clear that the measures adopted in last year's Budget succeeded in bringing about a better balance between supply and demand in the economy. There are, I know, apprehensions about some weaknesses in the economy which, if they were to spread and combine, could create an undue slackening of demand and unemployment. The Government certainly does not want this to happen and will take any steps necessary to prevent it happening. The general trend of demand must be kept rising sufficiently to preserve full employment and provide jobs for the additional labour coming forward locally and from the rising migrant inflow. From the preliminary information available to us there was a sharp fall in registrants for employment during February.

A substantial additional amount of finance, estimated at \$24 million, is being provided by the savings banks for housing in the second half of 1965-66. The effect of this has yet to show up fully. We have under consideration other measures to give further support to housing. The same approach applies to other sectors—subject always to the consideration that we must be guided first and foremost by the trend in the general level of demand and activity and the need to ensure that resources are

available for the priority requirements of defence and for developments of a kind that will increase exports: It is for this latter reason that we have been especially concerned with the problems created by the drought and the still wider problem of finance for rural industries.

The drought in New South Wales and Queensland has been a great misfortune in many ways. Most of all, it has been a misfortune for the producers in the drought areas. They have suffered heavy losses and a great deal of personal hardship. Our sympathy goes to them as we join our hope to theirs for early relief. The drought has been a misfortune for the industries which serve the rural producers, such as the makers of agricultural machinery. It has been a misfortune for the economy because it has brought a heavy cut in rural output. We have felt the effects in exports for this financial year and we will possibly feel it still more heavily in exports for 1966-67.

The Commonwealth Government and its agencies have, from the start, viewed the drought as a national problem. The first requirement is that of assistance while the drought is still on. The provision of finance for this purpose rests largely with the trading banks and, from all the information I have, they have done an excellent job. They have been assisted in this by the Reserve Bank which has seen to it that there was no policy restraint on their ability to lend for the purpose and that they had the liquid resources to support their customers all through the drought areas. The Commonwealth Government has backed the State Governments with finance in all the relief measures they have found necessary. It has done this by grants and advances to enable the State Budgets to carry the costs of drought relief and to make loans to drought affected producers on easy terms. In fact it has assisted the States on a quite unprecedented scale to carry out drought relief measures.

Unfortunately, the drought has not passed even in Queensland, where there have been rains, and in New South Wales it is worsening. The Commonwealth will continue to assist the States to finance their drought relief measures as far as necessary and for as long as necessary. Where rains have fallen, and the restocking of properties has become possible, a need for restocking

finance has arisen and is expected to grow as and when the drought is relieved. Here again, the provision of finance will largely be a matter for the trading banks. The Reserve Bank will support them in this to the full extent. The Commonwealth Development Bank has also been lending for the purpose and the Government will ensure that it has the resources to continue doing so.

There will, however, be producers who, for one reason or another, cannot get adequate bank finance for restocking. The Premier of New South Wales has written to me about this. He has proposed that the system of loans the State is making to producers for relief purposes should be extended, with necessary adaptation, for restocking purposes. Under this system, loans are made up to certain limits at low rates of interest and with provision for a deferred repayment period. I have advised the Premier of New South Wales and also the Premier of Queensland that the Commonwealth is prepared, for this purpose, to extend the support it has been giving to the State for other drought measures. Obviously, it is only sensible and very much in the national interest that, so far as finance is necessary and can help to keep down drought losses and get farms and stations back into full production as the drought lifts, it should be made available. The need to sustain and increase rural production for domestic requirements and for exports is as important today as it has ever been in our history.

The drought itself has demonstrated a need for more investment in rural industries to strengthen them in various ways against a recurrence of drought from which we have had the good fortune to be relatively free over a long period. This need for drought mitigation work merges into a wider need for increased capital investment in the rural industries. On the one hand, we will need more and more rural output to provide exports. On the other hand, the scope exists for progressively increasing rural output in a variety of ways, all of which require increased capital expenditure on farms.

We have had a great many opinions as to where the main need lies and, while they vary in detail and emphasis, they all converge in a requirement for improved

facilities to provide longer term rural development finance on a term loan basis. We are convinced, however, that the need is not so much for any radical innovations or new machinery as for improvement and extension of facilities which have already proved their worth.

The Commonwealth Development Bank, established in 1960, has already made a valuable contribution towards meeting the needs for development finance by rural and other industries. However, we believe that the special problems of the farmer would be better served if there were facilities exclusively devoted to his credit needs. Accordingly, the Government has under consideration the establishment of a separate Rural Division within the Commonwealth Development Bank. Legislation will be required for this.

The Government believes it is desirable to provide the farmer with greater access to medium and long term capital for development purposes through his own private bank. The term loan funds, introduced in 1962, already go some way towards meeting this purpose. The Government now proposes to consult with the trading banks with a view to establishing farm loan funds separate from the existing term loan arrangement. The funds would provide finance for medium and long term development purposes including the purchase of land and measures for drought recovery and mitigation of future droughts.

Subject to suitable arrangements being made with the banks, it is envisaged that a sum of \$50 million will be available for these farm loan funds. This will be in addition to the arrangements now being made by the Reserve Bank to increase existing term loan funds by \$20 million. So, from those two sources a total of \$70 million, most of which will be for rural purposes, will be available.

Mr. Calwell.—At what rate of interest?

Mr. HAROLD HOLT.—As the honorable gentleman knows, there has always been a preferred rate of interest for rural borrowers. It is contemplated that overdraft lending to farmers will continue as before. In addition, the trading banks will, we hope, be lending from the new funds on a long term basis on reasonable terms and conditions. I hope to be able to make arrangements for the Treasurer (Mr. McMahon)

and myself to discuss these matters with the Reserve Bank and the trading banks in the near future.

The Government is exploring an insurance scheme to cover loans made from the farm loan funds of the banks. This will be done in order to ensure that this kind of lending is not unduly restricted by security considerations where projects otherwise offer excellent prospects of success. From the national standpoint, action in this area is directed initially to the building up of our export capabilities, which are one of the great key requisites for ensuring continued growth. As such, it is to be seen as part of a many sided programme embracing not only assistance, direct and indirect, to exporting industries, but all that goes to the discovery and development of resources, such as mineral exploration, oil search, water conservation, road, rail and port improvements, scientific research and extension services, in fact, most of the main branches of developmental work.

One of the most encouraging facts about exports in recent years has been their increasing diversification. Rural exports still predominate, and will do so for many a day to come. But they are being increasingly and most opportunely supplemented by exports of minerals and of manufactures. One of the main topics discussed with industry representatives last week was that of export incentives for manufactures. It was the unanimous view that the scheme introduced in 1962 had yielded excellent results. The Export Development Council told us that it was making a general review of the subject, on which it would be reporting to us. It asked that certain features of the existing scheme which had come to be regarded as anomalous should be removed, and we have undertaken to consider this. It strongly recommended that the Government should give an assurance that export incentives will be continued after the present legislation expires next year. It is certainly the general intention of the Government that this should be done. Industry representatives also urged upon us most strongly the need for encouraging the pursuit of research and development in manufacturing industry. The Government has been impressed by these views and is considering various proposals for assistance to industry in this field.

NATIONAL DEVELOPMENT.

Our approach to development generally, and northern development in particular, will continue to be both vigorous and comprehensive. Achievements to date have been very much more impressive than published criticisms would suggest. When account is taken of current and proposed work, the total of public and private investment for northern Australia is in the vicinity of \$2,000 million. The Government will maintain close co-operation with State Governments for development purposes. The planning and construction of public developmental projects are primarily matters for State Governments. The Commonwealth Government has assisted the States to undertake a variety of projects by means of special grants and loans. We recognise, however, that while our activities can sometimes trigger off worthwhile developments, or act in aid of the development undertakings of others, the major contribution will be made by private enterprise and the initiative of private investors.

A recent example of co-operation between the Commonwealth and the States towards development was the announcement by the Minister for National Development (Mr. Fairbairn) on 24th February that the Commonwealth and State Governments have agreed that Australia should increase its rate of softwood planting from the present 40,000 acres a year to 75,000 acres for the next 35 years. The programme recommended will meet Australia's most urgent needs in the foreseeable future. Imports of timber and other forestry products now cost Australia more than \$200 million a year. This cost could treble by the end of the century if we fail to increase our planting rate. The Commonwealth Government has offered the States about \$20 million in long-term loans over the next five years to help lift the planting rate in the Government softwood plantations. These loans will be interest free for the first 10 years.

Commonwealth-State co-operation led to the formation some four years ago of the Australian Water Resources Council. Thanks principally to the provision of Commonwealth funds of about \$5.5 million, expenditure on the investigation of water resources will increase by 60 per cent. in the three

years to 1966-67. A further expansion of this work in the succeeding three years is being discussed by Commonwealth and State officers in Canberra this week.

Examples of this co-operation are too numerous for me to list them all here, but I mention the agreement entered into between the Commonwealth and Queensland Governments in 1962 to develop 4½ million acres of land for beef production in the brigalow belt of central Queensland, with the Commonwealth providing \$14.5 million to finance the scheme. Despite severe drought conditions in 1964 and 1965, good progress has been made in development of the area and, as recently as last Friday, I talked in Canberra with the Premier of Queensland about a similar scheme for a further area of nearly six million acres in central Queensland.

Expansion in the mining industry has been the most spectacular development in the north in the post-war period. New industries have been established at a number of places—bauxite development at Weipa and Gove, manganese at Groote Eylandt, iron ore on the northwest of Western Australia, and at two centres in the Northern Territory, and coal at two centres in central Queensland. In addition, considerable expansion has taken place at Mount Isa, involving private investment of some \$130 million. In this case, the Government has made this development feasible by providing \$34.5 million towards the cost of reconstruction of the railway to Townsville. In the case of the bauxite deposits at Gove in the Northern Territory, the Government has negotiated arrangements for development of the field by a company with 50 per cent. Australian equity and with conditions requiring establishment of a plant on the site to process bauxite into alumina.

The Commonwealth Government through its financial assistance in connection with the beef cattle roads has made an enormous contribution to the development of better road transport facilities throughout Northern Australia leading to a larger turn-off of cattle. Drought effects were alleviated by movement over these roads to better pastures. Since 1961-62, approval has been given for assistance totalling \$41.5 million towards the construction and up-

grading of roads for cattle transport in Queensland, Western Australia and the Northern Territory.

The sugar industry which supports the bulk of the population in the north of Queensland has gone through a phase of expansion since 1950 with acreage and output both increasing by approximately 100 per cent. This expansion has been made possible by the successful negotiations of the Government which have enabled it to establish markets at home and abroad to absorb the increased output. Development of the industry over the past 15 years has led to substantial growth of cities and towns on the north Queensland coast and to development and modernisation of harbour and transport facilities.

DECIMAL CURRENCY.

The changeover to the new decimal currency system for which work and planning have proceeded over several years went remarkably smoothly. The fact that it did so reflects great credit on the many people in all walks of life who played an active part in one aspect or another of the planning for this highly complex operation. Naturally, there were some uncertainties, and even an element of confusion, as was to be expected, in a few areas during the early stages, but, by and large, the general public has rapidly become familiar with the new coins and notes.

The United Kingdom had a team of official observers in Australia at the time of the changeover. Presumably these must have reported favorably, because shortly afterwards the United Kingdom Government announced its own firm decision to change to a decimal system in 1971. New Zealand will be moving into decimals in July of next year, and several other smaller countries will also be following suit over the next year or two. There will be very few, if any, countries remaining outside the decimal family by the time of the British changeover. Australia thus will have become part of a world-wide decimal currency community.

IMMIGRATION.

The Government has been making a review of the restrictive aspects of our immigration policy. Australia's increasing involvement in Asian developments, the rapid

growth of our trade with Asian countries, our participation on a larger scale in an increasing number of aid projects in the area, the considerable number of Asian students—now well over 12,000—receiving education in Australia, the expansion of our military effort, and the scale of diplomatic contact, the growth of tourism to and from the countries of Asia, combine to make such a review desirable in our eyes.

It is, at the same time, important that there should be a clearer understanding in Asia of our policy, and the reasons for it. It is certainly not based on any false notion of superiority. We are fully aware that many of the peoples of Asia can point to cultures dating back centuries before those of Western Europe. But, in these modern times, every country reserves to itself the right to decide what the composition of its population shall be; it has regard to the preservation of standards and of national characteristics and to the maintenance of the essential homogeneity of its people. Australia derives strength from its unity and a community life free from serious minority and racial problems. All countries in South East Asia maintain restrictions against immigration to serve their own national policies. Our basic policy has been firmly established since the beginning of our Federation. It is widely supported. But it has been the wish of the Government, as it would be of the community at large, that the policy should be administered with a spirit of humanity and with good sense.

Following our most recent review, the Government has decided on some modification and a degree of liberalisation. Under current policy, a non-European admitted on a long-term entry permit, must complete 15 years in Australia before applying for resident status and Australian citizenship. We have decided that, in future, application can be made in these cases after five years, the same period as applies for naturalisation application by settlers from Europe. There are other changes which, while maintaining the basic principles of our policy, can be made with advantage to enable more flexibility in administration. The Minister for Immigration (Mr. Opperman) will shortly indicate to the House the Government's conclusions in more detail.

LEGISLATION PROGRAMME.

Honorable members will realise, from what I have been saying, that the Government has been, and will be, active on many fronts. Legislation will be needed to put into effect some of the matters I have mentioned to-night, and, of course, there will be numerous other items not covered in this statement, encompassing as it does the broad field rather than the detail.

The legislation being prepared will cover a wide and important range of subjects. Some of them are complex measures which will require much drafting and consultation, such as the shipping provisions for the trade practices legislation, and measures relating to copyright and off-shore petroleum. In relation to off-shore petroleum we have had a remarkable instance of effective Commonwealth and State co-operation in the arrangements reached after the discussions which have occurred. There is also the comprehensive review of the defence legislation. Other subjects will reflect our immediate preoccupations at home and abroad, such as the legislation seeking approval of our decision to join the Asian Development Bank, and legislation in regard to drought relief. I am sure that all honorable members will welcome our proposal to give full voting rights to the member for the Australian Capital Territory. This is a matter which I shall leave until tomorrow, when my colleague, the Minister for the Interior (Mr. Anthony), will be making a statement on it.

CONCLUSION.

My fellow Australians will find reflected in what I have said tonight the change of orientation which marks Australia's situation in this second half of the 20th century. We find ourselves playing an active and not unimportant part, in the world community, but we have become increasingly involved in the affairs of Asia. We have found our external responsibilities increasing as we have increased our population and economic strength. Others expect us to play an increasing part in military assistance, in international aid and in diplomatic discussion. We are all conscious of a heightened influence on our community life from a quickening spirit of nationalism. We see dangers ahead, but they seem to occupy far less of the horizon than happier vistas of national growth. We have the good fortune

to live together in a true democracy. We breathe the air of freedom. We do not always succeed in doing so, but we have learned to co-operate effectively at all levels of Government, and in the relations between Government and industry. We are confident that our greatest years have yet to be.

Mr. Whitlam.—Hal

Mr. HAROLD HOLT.—I appreciate the chagrin of the honorable gentleman opposite. I hope that he and his colleagues will be able to eradicate the repression under which they suffer.

It is a privilege for all members of this Government to have the opportunity, through their Ministries, to make a contribution towards Australia's progress. We commit ourselves to the tasks ahead with enthusiasm, with our hard work and our devotion.

I present the following paper—

Statement of Policy by New Government—
Ministerial Statement 8th March 1966—

and move—

That the House take note of the paper.