

AT NOON, MONDAY, NOVEMBER 14, 1966

WITH

THE PRIME MINISTER, RT. HON. HAROLD HOLT, M.P.

INTRODUCTION:

P.M. One thing I think I should clear up is the use the Labor Party, including the Leader, is making of views allegedly expressed by the late President Kennedy. They represent such a travesty and such a mis-statement of his own position that I am not prepared to have this perpetrated indefinitely.

To deal first, though, with the cost of the Labor programme, I must take you first back to the document which was put out by Mr. Calwell on Sunday, October 30. Most of you will recall it quite clearly, but I will give you just the opening references, which I think will establish the grounds on which my criticism is to be made. He heads the document, "How Labor Will Pay", and the opening heading is "Cost". "In my Policy Speech on November 10, I will be announcing the full outline of Labor's programme for the coming elections. It will contain proposals relating to the Means Test, Social Services, Health, and other matters. Each item [presumably this includes 'other matters'] has been carefully costed. The total cost of our programme in the first full year of office will be \$300m." That is the ground work on which we start.

I did earlier, in commenting on this document, point out that however specious, it contained fallacies inherent in it. In the first place it talked about natural growth and revenue as something which could be relied upon to finance this sort of programme; it made no reference whatever to natural growth and expenditure. The Treasurer has since pointed out - and it was my own experience as Treasurer - that natural growth and expenditure tended to outrun natural growth and revenue. If you are going to rely upon natural growth and revenue, you cannot turn your back on what expenditure increases are likely to be. Some of these are in-built. There is the natural growth of our payments to the States. There is a natural growth in our payments to roads as population grows; there are increasing bills for social services. Population growth means more hospital payments - medicine and the like. You find that there is a substantial growth based on existing policies. Unless you strike particularly buoyant years of revenue, it tends to out-strip the revenue, and this has been reflected in the increasing borrowings we have made up to this year when with the Loan market less likely to provide the loan moneys we needed, we have had to budget for a substantial deficit in the vicinity of \$270m. That deficit has been calculated after we have taken into account the natural growth we could expect in the financial year 1966-67. In the first place, we have a firm statement by Mr. Calwell before the Policy Speech is introduced that it will contain various proposals. Each has been carefully costed, and the total cost will be \$300m. in the first full year of office.

When you come to the Policy Speech, on page 3, under Social Services, a number of figures are given as estimates of the costs in a full year. There are one or two of these which I suggest should be further examined against what I shall put to you, but the first of these was to establish a universal scheme of national welfare. Without going through all the detail of it, he puts a figure of \$73m. on that, and no-one can check that figure precisely, but for my current purposes I am accepting the figure which he gives.

The second item referred to is to provide a medical entitlement card for all persons of pensionable age, irrespective of income, and we believe he has under-stated this one. Even if you were to assume that the doctors and hospitals would give the same concessional rates to people regardless of income, and that would be a bold assumption in the face of the known views of the medical profession, the cost would be about \$5m. more than his estimate of \$14m. In other words, the minimum figure we would put

CONFIDENTIAL  
MEMORANDUM FOR THE DIRECTOR  
SUBJECT: [Illegible]

DATE: [Illegible]  
BY: [Illegible]

[The body of the memorandum contains several paragraphs of text that are extremely faint and illegible. The text appears to be a formal report or memorandum, but the specific details cannot be discerned.]

on it would be \$19m. I have the Minister of Health here, and he tells me that the realistic view to put on this is to be taken against the known background of the attitude of the medical profession. On the face of it, why should the medical profession give a concessional rate of treatment to a very wealthy man who just happens to have reached pensionable age. If we were to put a bill on that one, in the light of the current attitude of the profession, we would get a figure of \$33m., and not \$14m. or \$19m. which we would regard as the minimum. Mr. Calwell proposed to provide half pensions for all persons over 70, and gives a figure of \$72m. for that.

Liberalised deductions of permissible incomes by deducting only one dollar on every two dollars earned above the permissible income for full pension entitlement. He puts an estimated cost of \$20m. on this. Social Services feel this cannot be checked precisely until the experience of it is gained, but a very much higher figure is regarded as a more realistic one.

Increased payments for child endowment for the second and subsequent children - \$52m., and we don't challenge that.

Double existing maternity allowances. He gives a figure of \$7m. which is accepted.

Double funeral benefits. He has erred in the wrong direction here. One wonders how it could have been arrived at. The cost he puts at \$2½m.. The total cost last year was \$1.49m.

Increased grants under the Aged Persons Homes Act. Three dollars for each dollar raised. He estimated the cost at \$2m. Again an easy calculation could be made there, and it is difficult to see why he should have been in error by under-estimating this one by \$2½ or \$3m. Estimated expenditure for 1966-67 for Aged Persons Homes is \$9m on a two for one basis.

But it is not in the social services area that the failure to calculate appears, because there he has set out each of the items, and while anyone can query some of them as I have just done, it is significant that he omits any costing figure against the other items except a few of those that have been specified, e.g. he talks about establishing a joint parliamentary committee to review repatriation and its administration, particularly now that the value of repatriation benefits has in each instance fallen to a very low level. "We will enable all World War I returned men to be treated under repatriation whether their disabilities were war caused or not." We have moved for this in Parliament several times, and Government members have voted against it. "We will give the benefit of the doubt to Servicemen when medical opinion differs as to the origin of the disability. We will also grant medical benefits to the wives of TPI pensioners." Again, no reference to the cost.

The best stab the Treasurer has been able to make on that is \$5 to \$10m.

When we come to education, there are two items to which he makes specific reference. \$20m. a year to State education departments, and a payment of \$22m. a year to lay teachers in non-Government schools. He talks of the adoption of the Martin committee's proposals for Commonwealth assistance to teacher training, but does not itemise cost. If the whole cost were to be met by the Commonwealth, this would require a maximum amount of \$56m. If the States were willing to share the cost, this figure would be reduced to \$27m.

Free hospital services as part of its national health scheme. Labor will, in the next three years, re-establish free hospital services. He gives no figure, but the firm estimate on this is \$90m.

He mentioned one particular tax matter. Country industry and consumers to be free from the sales tax levied on the amount by which the cost of goods and products is increased by certain charges. \$15m. there.



War Service Homes allocation to be restored to \$75m. There is another \$17m. He also speaks of the loan limit being raised to \$10,000, and the rationing scheme to be ended. Either he means this to be done inside the \$75m. - in which case there would be fewer people who could benefit - or else this is additional to the \$75.

Industrial matters. Equal pay. In the Commonwealth Public Service he talks about equal pay. If female employees' pay was brought up to the males' in the same employment category, the estimated cost would be \$5½m. a year. If it means eliminating the difference between male and female basic wage, with some necessary adjustment to marginal rates, the estimated cost to the Commonwealth Public Service would be about \$14m. in a year. Large additions to the National wages bill could be expected to follow because once the Government gives this kind of lead, the tribunal is not slow to apply this to other categories.

If four weeks' annual leave were given to the Public Service, it would not be long before industry would be pressing for a change also. Employment of additional workers to provide replacements would be necessary. The cost would be about \$13m.

Another big item he hasn't mentioned except as a policy intention is that all the Federal Tax paid by road users is to be spent on roads. There is \$75m. a year extra in that.

One per cent of national income to be devoted to foreign aid. Taking the difference between what we now spend and a full one percent, there is an extra \$50m.

On the items which the Treasury felt it could estimate with a reasonable degree of certainty, they got a total of between \$600m and \$675m. a year, but this was exclusive of the following items which are mentioned to you.

The policy on defence which Mr. Calwell mentions both in relation to equipment made in Australia in comparatively small volume which would certainly be much more costly than getting it from countries that are making it in much greater amounts, the reliance on our own resources very largely both of manpower and equipment. No-one can seriously imagine that these policies would keep our treaty arrangements intact, nor could we place anything like the same reliance upon them in the future. I have not known him at any stage to say the defence vote should be reduced. On the contrary, he rather suggests it should be increased. There is no provision in his statement for any estimate of increased cost.

Rural matters. When that \$600-\$675m calculation was made, the rural items had not been announced, and there are further costs involved there.

War on poverty has been declared, but there has been no figure indicated as to what this will cost, not even in a general sense. This has been put in as a nil factor, just as in the case of child endowment payments to be capitalised for home purchase. If any number of people were to take advantage of this, it becomes immediately a budgetary burden. This leaves open the question as to whether this was the way child endowment was to be employed. The whole basis was to make that payment direct to the mother in aid of the maintenance of the child in her care. Whether a lump sum payment could be used for the purchase of a house is a matter which I would argue.

Education. Items listed for which he suggests no cost.

Taxation. To ensure taxation is levied and deductions are allowed in a more equitable manner. Some of the salient items of taxation increase or relief are: a capital gains tax, from which they would hope to secure some revenue, although I notice Mr. Calwell last night said this would not apply to the little people. Just who the little people are when a capital gain is involved, remains to be clearly defined.



It will be recalled by any Canberra regulars that one item which is always pressed by the Labor Party when taxation legislation is under discussion is the relief or deduction for taxation purposes of the payment of fares. That was not specifically mentioned, but it has been every time they mentioned tax legislation over recent years. There would be a cost of \$53m. involved if that were adopted.

Economic development. "The Labor Government will under-write provision of adequate capital and will improve existing administration." There must be a cost involved there.

Housing. Adequate grants to the States to build homes at the lowest possible interest rate. Subsidies for tenants or purchasers. The homes finance division of the Commonwealth Bank to provide finance to a limit of \$10,000. The raising of these limits, both in the case of War Service Homes and housing finance under the Homes Finance Division, proposed to be set up, would inevitably have an effect on all other government schemes where a limit applies. It applies to housing in Canberra and in the Northern Territory and other places, and there would be a general reaction from this which would add considerably to the cost. These are not items, although they are set out in the Policy Speech, and were taken into account in the Treasury calculation. These were regarded as being incapable of precise costing, but if given effect to would undoubtedly involve very heavy additional costs.

I repeat that the original document which set out to say that the total cost of the programme - each item carefully costed - and covering Means Test, Social Services, Health, and other matters - would be \$300m. was quite misleading and indeed one might use a stronger word than that to describe it.

Most of you will have seen the publication "Eight Famous People Challenge you to Think". You will also have noted the reference in Mr. Calwell's Policy Speech to the view of the late President Kennedy on Vietnam. "Labor views on Vietnam are supported by opinions expressed by the late President Kennedy and by other distinguished Americans like his two brothers, Senators Robert and Edward Kennedy and by Senators Fullbright and Mansfield and 24 other outstanding Senators."

"The President and his two brothers voted against the appropriation for policies to be carried out in Vietnam." As I understand the position, they supported the present President on that issue as their brother in his term supported the general policy of President Eisenhower. Source references are a letter that the late President Kennedy despatched dated March 3 1963 to a Mrs. Prendergras who had lost a brother in Vietnam.

"Eight Famous People Challenge you to Think" contains a picture of the late President and a quote attributed to him was not sympathetic to the policies which were being followed in Vietnam. There was no source reference and no date mentioned.

In the letter mentioned above, President Kennedy said "Americans are in Vietnam because we have determined that this country must not fall under Communist domination. Shortly after the division in Vietnam eight years ago, it became evident that they could not successfully defend themselves without extensive assistance from other nations of the free world.

A book by Sorensen on the late President Kennedy is accepted without challenge as an authoritative work, conveying the late President's views.

On 2.8.61 President Kennedy said: The United States is determined that the Republic of Vietnam shall not be lost to the Communists.

President Johnson has said "We have learned that retreat does not bring safety, and weakness does not bring peace."





QUESTION: Will you be making any statement on the South Australian application for a loan to build a natural gas pipeline from Gidgealpa to Adelaide?

P.M. I am seeing the Premier this afternoon, and cannot say anything before then.

QUESTION: You said money could not be given before the next government came in.

P.M. I said constitutional practice was that after Parliament had been dissolved, governments did not take substantial decisions on new matters of policy until the elections had been determined and the in-going government could look at it. I also said this would be among the first business to be looked at. It was not practical to deal with the matter just before the dissolution of the parliament, and also the attitude of the other States is involved.

QUESTION: Would you comment on the formation of the Basic Industries Group?

P.M. I read about it in the daily press. There has been no mention made of it to me. I have tried to make my own attitude to our coalition government abundantly clear by public statement. Last week in Goulburn, the only electorate so far where I have spoken where there have been both Liberal and Country Party candidates seeking that seat - which is not held by either at the present time - both candidates were on the platform with me, and I said to the meeting that it was my wish that the best man should win.

QUESTION: Does the Liberal Party accept the help that this group is offering?

P.M. So far as the Liberal Party is concerned, our policies and attitude are expressed in statements by our official candidates, by the public advertisements, radio and telecasts, and under the authority either of a named member of the Parliamentary Party or the candidate or a specified official of the Party.

QUESTION: Do you regard this new bid by this group as aiding the Liberal Party?

P.M. When there is not a clear alternative government offering in the eyes of a great many people.

QUESTION: What consideration has the Commonwealth Government given to Adelaide's request for a Festival Hall?

P.M. This is not just a Festival which services Adelaide, but has a standing throughout the Commonwealth. I would look on this matter not unhelpfully.

QUESTION: The Catholic Bishops recently sent you a letter pointing out the needs of the Catholic Education System. Would you comment?

P.M. I have replied to that letter, pointing out what this government and the previous one had done in this field. We have done a great deal.



QUESTION: Has the Commonwealth any interest in determining the State boundaries regarding natural gas, and has any State Premier asked you to intervene in this?

P.M. This falls within the administration of the Minister for National Development. I recall no particular request. I did receive a visit from representatives of the oil and gas interests who felt that the contemplated legislation was too restrictive and was unreasonable in their eyes. There have been meetings between the appropriate State Ministers and the Commonwealth Minister, and he feels good progress has been made from these.

QUESTION: The Australian High Commissioner in England has criticised the migration authorities there. Have you any comment?

P.M. The High Commissioner is much closer to the problem, and he is a man who knows his own mind and is accustomed to speak in a very responsible way. I take his comments as being valuable comments from the Australian point of view. I do not involve myself in action at this stage.