

AUSTRALIAN INSTITUTE OF DIRECTORS' LUNCHEON,
MELBOURNE

20TH MARCH, 1967

Speech by the Prime Minister, Mr. Harold Holt.

Mr. President and Gentlemen:

I regard that as a somewhat qualified introduction but I have already been told that you will have to leave at two o'clock, so I shall not be speaking to you either at the length the Treasurer finds necessary at Budget time, or as Prime Minister on a leisurely evening occasion such as I felt able to indulge my audience and myself in just on 12 months ago.

It was for me a privilege to be chosen as the guest of honour at the first annual dinner of the first annual conference of the Australian Institute of Directors and I look back to that occasion with a great deal of pleasure. Your reference to having acquired a proprietary interest over me Mr. President, which in some other context might not have worked out so favourably, does not appear to have done me very much harm in the meantime in the eyes of the Australian electorate. If there was any blur on my national image as a result of hobnobbing with so many directors at one time on that occasion, at least the twelve months seem to have given me time to live it down.

There is in Australia, I'm glad to say, a growing maturity, a growing sophistication, not registered always in all quarters at one and the same time, but broadly this is a generalisation I think we can claim. Where at one time a prophet was not only without honour in his own country but a profit spelt rather differently was almost a matter of guilt, people these days realise that we are producing a few Australian prophets who are listened to at times abroad and can with equal advantage be heard at home, and that a profit in the well conducted industrial enterprise is a national dividend capable of being distributed through the medium of the tax mechanism through all sections of the Australian community.

In one sense I am here with you as a fellow director, indeed I think I could claim to be a Chairman of Directors of the National Corporation. You mentioned my previous incumbency of the Treasury, Mr. President, that, of course, made me probably the biggest shareholder in most of the companies represented here today, so that I feel I have come not only amongst friends - I hope they are still friends - but I have come amongst people whose language I understand and whose problems also I have had to cope with in various Ministerial capacities.

Now you have enjoined me, Mr. President, that these busy, alert, brisk, intelligent executives must be springing from their seats and getting into action on behalf of the national economy by two o'clock and I'll do my best to distill such wisdom as occurs to me on this occasion in the time which remains available to me.

In the twelve months since I last met the national body much has happened. This is a continent and a nation in which much continues to happen. It is undoubtedly the most stimulating and exciting period in our national history, and in the course of the year amongst other things I, as a good national chairman of the board of the National Corporation, found it necessary to give some account of my stewardship to my shareholders, to several millions of them who record a vote (I hope not much more frequently than every three years) and to give them some account

of what we had in store for them over the period ahead. I think it's a good Chairman of the Board who, while giving a faithful account of what has occurred, and gives the facts about what is planned for the future, doesn't try to promise too much. Better the people should be agreeably surprised that you have done rather more than you undertook to do, than that they should build false expectations on rosy and glowing promises which are incapable in the result of fulfilment, and that was the approach I chose to make at the time of the last national assessment.

We set about a programme for the electorate which we felt was manageable, which would not unduly disturb the national economy and yet which continued our forward advance on a number of fronts and I am glad to be able to say that the Government having come officially and formally back into office we have set briskly about giving affect to those undertakings. I won't, because of the limitation of time, try to take you through in any detail just what we have already done and where we stand at present in relation to these matters - that will emerge from statements made by my colleagues and certainly by the end of the current Parliamentary Session, I hope to be able to give some account of how rapidly we have advanced in all the directions which we undertook to attend to.

In the fields of education, social services, housing, water conservation, beef roads, the wool industry, tourism, which I specifically mentioned in the Policy Speech, I can tell you that action has already been put in hand, some are completed, much of it to be completed by the end of this Parliamentary Session.

My colleagues and I - and we are in a sense the Directors of this National Corporation - can look with pleasure and a certain measure of pride at the general state of affairs. The past year has not been an easy one, only those of us - and this includes many of you in this room - who have had to grapple with quite abnormal circumstances developing in the year, realise this because for the most part the public was relatively unaffected by the problems with which we had to grapple. Internally we experienced a major drought and the effects of this are only now beginning to ease. Perhaps I could just pause there for a moment because I don't think there has been a full realisation of just what this drought meant to Australia.

If you look at it merely in terms of farm incomes, in 1964/65 the farm income amounted in total to \$1,255 million. In the following year - and normally we would have expected some reasonable progression in our earnings from farm income - it dropped to \$902 million. In other words a drop of 37% in farm income, and if you carry forward as one might reasonably have been expected to do if you were planning a business, what you would have earned had you retained the stock of cattle and sheep we possessed at that time, then we could have anticipated a drop amounting to 40% below what we had received in the previous year and certainly much lower even than that we might have expected in the year which was to follow.

Translating it into rather different terms, if you take the fall in our sheep population. In Queensland, there was a fall of 32%, in New South Wales a drop of 15%. Altogether we lost 18.6 million sheep in that period in those two drought-affected States. The total of sheep population didn't fall as much because in other States there was some gain, but with normal conditions there would have been a gain, of course, in New South Wales and Queensland too, but in those States alone there was a loss of 18.6 million sheep. There was a loss of just on a million head of cattle. Here I think we can claim some credit that the loss was held as low as the statistics now

confirm, because we had, as you will be aware, been giving effect to a programme of beef road construction and this enabled the rapid movement of drought effected stock from one area to more favourable areas and so we were holding down that particular drought effect in relation to a very valuable stock of beef cattle.

You get some indication of the magnitude of this programme when I tell you that our commitment up to the end of June this year of beef roads will be of the order of \$57 million and we have made offers to the States of a further \$50 million to be spent on the beef road programme over the five or six years which lie ahead of us. As this programme takes full effect not only will we open up areas of great potential value for beef production in a world which is increasing its requirements of beef, but we shall also be helping to safeguard against the effects of drought as it no doubt will occur from time to time in this country in the future.

But those of you who have to conduct your own businesses, if you found a drop in income in a major area of your resources, from \$12.5 million to \$9 million would know that pretty serious adjustments would have to be made and when this occurred at a time when we were in the process of doubling our expenditure on defence and diverting national resources for this purpose, when in the same period we had to contend, particularly in more recent months with the effects of flood and bushfire, you will I think, be the more impressed by the relatively even way in which the economy has moved throughout this period, and on present indications the prospect is an even brighter one ahead.

We might have been pardoned if we had regarded the nation's performance as falling far below what actually occurred, but in the result we moved steadily forward. In the December quarter of this year, the post-Budget critics and analysts were saying that not enough stimulus had been given but there was actually in that quarter an increase in gross national product of the order of 8% as compared with the December quarter of the previous year, and even then that is reduced in real terms making full allowance for price changes and matters of that sort, you get a very significant increase in gross national product upwards of 5%.

The December quarter also saw a revival in retail sales of goods. The value of retail sales was up 5.6% above the level of sales in the December quarter of the previous year and, more importantly, during the September quarter there was a most notable improvement in the percentage increase in the sales of the clothing and consumer durables group, an increase which at very least promises improved conditions for manufacturers of these particular goods.

Also important in the December quarter of course was the rise in the level of motor vehicle registrations. However it's not always easy to please everybody and some people have suggested that the most recent figures for February reflect a falling off in the motor vehicle market. In fact the February sales suggest an annual rate of sale of a minimum of just under 400,000 and the industry appeared to be in an excellent position to move along over that 400,000 annual mark as the year progresses.

Housing. This was an area of expenditure about which some doubt was expressed at times last year, but at the close of the year, housing approvals were running at an annual rate of 124,000 and commencements at an annual rate of 117,000 which are very close, both of them, to record levels and present indications are that a higher level of activity will be maintained in 1967.

The other encouraging picture is in relation to exports in recent months and these have reached record level. In the first seven months of 1966/67 exports have been 10% greater than in the same period of the previous year and as a result, in these seven months the balance of overseas trade was 157 million dollars more favourable than it was at the same stage of 1965/66. The strength of our export sales is, of course, largely due to the improvement of conditions in the rural industries, which I have already mentioned, and of course to an increasingly important extent to our exporting capacity of minerals.

Exports of iron ore, oxide and their derivatives are fast developing into a major item in our overseas trade. You might be interested just to have a quick glance at the way in which these export figures have moved, because they have risen over the last six or seven years from \$1,851 million value in 1960/61 we reached the highest point in the following year in our history to \$2,128 million. There was a sharp jump again in 1963/64 to \$2,732 million and this year the estimate is \$2,900 millions, and taking an informed guess for 1967/68 I would say that we could expect \$3,100 million or \$3,200 million in 1967/68.

Now going back to 1960/61, or if you think that was a bad year, but it wasn't a bad year actually for exports. I'll take you back then to 1961/62, which was the previous record year for export income, \$2,128 million. If by 1967/68 we hit \$3,100 \$3,200 million, which is roughly a 50% increase on the earlier record figure, you will see that the national policies have been fruitful in stimulating that most valuable of our goals, a rising export income enabling us to maintain a good level of imports and at the same time build up the internal standards of the country and the living standards of our people.

There is just one cautionary word I'd offer about this whole picture, because, as you know restraints have been imposed in the United States and the United Kingdom, on the investment of capital from those countries, and whereas we had a phenomenally large increase in the previous year, some of it is due to abnormal factors of a temporary character. We are now finding a fall away from those levels, anyhow, to what we would regard as more normal levels of investment, particularly from the United Kingdom and the United States. I hope that in respect of both these countries, this is only a passing phase. I am convinced that it can be demonstrated to the satisfaction of thoughtful planners and heads of government in those countries, that it's in their own economic interests, to see Australia develop.

Most of our reserves are held in sterling for a start, to the extent that we better our position, we better the position of sterling and it is demonstrable that in the case of the United States, our export earnings, and in particular the investment of capital from the United States and this country, has been accompanied by increased export earnings and increased purchases from the United States of America, far outweighing any investment total which may come to us from that particular country. And so we hope that we'll have some success in persuading the governments of these countries that they are taking a short view of the economic picture if they in any way inhibit the development of Australian resources.

But quite apart from that aspect we have to play our own part internally, and we know that over a period of at least a couple of years we are going to face a fall in our overseas reserves. We are fortunately strongly placed there, and to have a certain degree of room for manoeuvre, but it behoves us at the same time to take our own situation quite responsibly and I say that because our rise in the wage level last year was, I think of an order which it's going to take industry some time to digest.

If my recollection is correct the total rise was of the order of 6% - and I speak subject to correction - but that's my recollection of it, and anyhow it was of a dimension which will take industry some time to digest. Faced with problems for our export industries, many of whom are facing difficult competitive positions overseas, and faced with a need to digest an increase of this sort, and to keep the economy in good flexible supple condition to meet whatever problems we have to face with decline in overseas reserves, we can hope in 1967 that we will have a year of comparative wage stability. That anyhow is the view which the Government takes of that matter.

Now I did say something about investment, I'd like to elaborate on that a little. To reach this stage of our development, and to carry on our programmes of development in various parts of the Commonwealth, vast amounts of capital have been and will be required. My colleague the Minister for National Development has provided a number of detailed facts about Australia's development programme in a publication which I recommend your officers secure, which shows that at the end of June last, major development work under construction in Australia had an estimated total value of completion of \$2,327 million. These works, chiefly those of Commonwealth and State Governments and their instrumentalities, don't include such things as expenditure on housing, hospital and educational facilities, which would of course have swollen the total very much more, and the figures do not include expenditure of nearly \$600 million by the Commonwealth Government on the Snowy Mountains Scheme. The figures I have quoted are really on the small side because to keep the publication to a reasonable size water projects costing less than a million dollars and railway and road works costing less than half a million dollars are not counted. Now by any standards this total is a huge investment programme for a nation of under 12 million people. We have now in hand investments in development equivalent to some two hundred dollars a head of our population.

I spoke of myself as Chairman of the National Corporation but we don't see that in competition, with the other corporations and companies represented here, ours is a national partnership with you and it's our responsibility to work in aid of the development by free enterprise of the potentialities which emerge from time to time, whether it's building, railways, improving loading facilities at ports, establishing wharves and townships - as we are doing now, particularly in the north and over in Western Australia - various facilities in the Northern Territory and other developmental areas, these are to be carried out to assist the amazing developments which are occurring in these parts of Australia. The Government's approach to the developments is by no means dominated by the view that the project must be big to be important or worthwhile, and indeed in a multiplicity of relatively small projects there may be even greater national advantage than in one or more of the major or more spectacular developments. Where a need exists and is seen and where it is clear the Government can make a real contribution then given all the demands on our limited finances we wish to co-operate.

I want to say a word about the supply of capital in order to assist the Australian entrepreneur to take a bigger hand in the development of our own national resources. This has been much canvassed and I can assure you a great deal of work has been done on this matter at our own Cabinet level. I am hoping that within a matter of days my colleague the Treasurer will be able to make an announcement on one aspect, and an important aspect, of this problem we have been looking at in Cabinet, not just one proposal nor is one proposal necessarily exclusive of another or of others, but we do know that our own banking system is here to be helpful in this matter by some combination of resources and of facilities; we do know that there is a willingness on behalf of the trading banks to

join together for these purposes, and we have had some fruitful discussions with them.

The objective will be to assist the Australian entrepreneur who wants to secure a larger or even the total Australian equity for this country in these developments of our national resources, not to be frustrated by a lack of locally available capital. It may be that in each case it won't be possible to furnish all. It may be that there are very good reasons why this should be less than a full Australian equity participation, but at least we are mobilising ourselves to do far more in this direction than we have found it practicable to do in the past, and the story doesn't end there. We are looking at other proposals which could have the effect of enabling an Australian equity participation to occur in conjunction with overseas debenture capital brought in by other interested parties. I can only tell you this in the broad at this time but you can be sure that as finality is reached in negotiations on these matters statements will be made by the Ministers most directly concerned.

Now, Sir, my final word is really in the nature of an appeal to calm judgement and good sense in relation to a matter which doesn't directly concern you in your conduct of your businesses, but which does concern us all in the conduct of the nation. Just as you have to overhaul the machinery of your business organisation from time to time and make readjustments in staffing or additions to staff where great expansion has occurred, so it becomes necessary - although at very much less frequent intervals in practice - for us to make some study of the machinery of government, and you will be aware that we are bringing forward a referendum which is designed to break what is known as the nexus between the House of Representatives and the Senate, regarding the membership of Parliament.

Now we can expect between now and the date of the poll that there will be a great deal of misrepresentation on this issue, attempts made to mislead the people as to what is really involved. Although the leaders of the three principal parties, the Liberal Party, the Country Party and the Labour Party have all joined together unanimously, and the vote was unanimous in the House of Representatives in supporting this particular proposal, there are opponents and there are critics including some sections of the Press and the Press are able to present this matter in a way which doesn't either tell the story fully or give a completely clear account of what is intended. I say that deliberately because already I've run into situations where even that august institution the A.B.C. - and this has been repeated in some of the newspapers - have presented this referendum as a referendum to increase the size of the House of Representatives. This was the way in which the A.B.C. recently led in a new comment after I'd fixed the date for the referendum.

The referendum to increase the size of the House of Representatives will be held on May 27th. Well if we just want to increase the size of the House of Representatives, we don't need a referendum. We have got full power to do that at this time. Those people who say we don't want more Members of Parliament, might very well reflect on our objective, which is designed to enable from time to time modest increases without at the same time being compelled to increase the size of the Senate, which most people regard as being large enough anyhow for Australia's present and prospective needs. It will have been twenty years since the last increase occurred by the time we reach the next Parliament - the next election.

We don't put out of range the possibility of increasing the size of the Senate at some future time, but we say it's absurd if we want to increase the House of Representatives by say twelve or thirteen, but on the present system of voting, we have to increase the total number of Members of Parliament by seventytwo. That wouldn't strike you as being good business and it doesn't strike us as being good sense, and yet without an alteration of the Constitution, if we wanted to provide a Member of Parliament for every 85,000 persons (and that's above the figure we had back in 1949 when the last increase occurred) then if we stuck to the present system of voting we would need to increase the Senate by ~~twentyfour~~ and the House of Representatives by fortyeight. I won't spell out the detail of it for you now. Just take my word for that, they will do it so well before the campaign comes along. There have been suggestions that we could alter by having our twelve in the House of Representatives and only appoint one additional person to each State in the Senate. Well that would mean you would have six people elected in one three year period, five elected in another. The possibility of deadlock would be about double the present level, and heaven knows we have enough trouble now with an evenly-divided Senate.

Quite apart from the rather odd circumstance that on the system of proportional representation those who are lucky enough to have been chosen in the period when six went out would virtually have a life tenure of their occupancy of the Senate without any serious prospect of challenge, but to have it in mind that if we want to make some sort of increase, a modest increase, not year by year - the last one was just on twenty years ago - but from time to time then what better time than at the beginning of a new Parliament, when no one can seriously argue that in the light of our current majority we are doing this in order to take some particular advantage of our Opposition. The Opposition joins us in supporting this, so does the Leader of the Country Party and his colleagues in the Parliament. The vote, I repeat, was unanimous in the House of Representatives, and if you are running a business and knew that when we last increased to our present numbers the population of Australia was just on eight millions, and when we next meet the electors it will be just on twelve millions, you'd say it's not unreasonable that we should have a handful more people to assist in doing the increasingly complex task that a Government and Parliament have to carry out.

Well gentlemen more, no doubt, will have to be said on these matters as we get closer to the event. Some people have vested interest, one party in particular which can't win a seat in the House of Representatives, and makes its gains in the Senate, wants to see a larger Senate, of course, because then its quota for return in the Senate drops accordingly and becomes easier, and you'll find it quite vocal. Other people who become critics have talked about us doing ill by the smaller States. Well that's not the view of the State organisations represented on our own political party bodies and I think that can be shown to be a very feeble fear. You do get these misrepresentations, some are quite accidental. I read in my paper this morning one of my colleagues saying that the Commonwealth Government had no contact with the State Government. When I asked him about this he said the word was conflict, not contact, and there's quite a difference in meaning. Then he said he was reported as saying that the Federal Government is always in a state of flux. What he said was the Federal Constitution is always in a state of flux. And again there can be this failure of communications, and our problem in getting the story over is to have it clearly and reasonably understood by our people.

Well Sir, by my clock I am five minutes late. Sorry to have detained you so long, thank you very much for your attentive hearing.