

BBC "MONEY" PROGRAMME

TV INTERVIEW WITH THE PRIME MINISTER,
THE RT. HON. JOHN G. GORTON

Interviewer: Mr. John Tusa

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Q. What do you see Prime Minister as the dangers from a completely "open door" policy towards foreign investment?

PM. I suppose a possible danger would be something which was, in its effects, even greater than the effects, say, of American investment in Canada. Those, I suppose, one could indicate in this way. First, I think it is true to say that in Canada about fifty per cent of the earnings, or dividends at any rate, made by companies leave Canada. And, secondly, there is a possible danger in the control by some headquarters company outside a country of companies operating inside a country. An example of that sort of control - and I am not saying it is a bad thing that happened - but an example, I think, was the instruction, as it were, given by a motor car company in the United States to a motor car company which it owned in Canada that its products were not to be sold in a particular area. That is the sort of problem that one might run into - and I say might.

Q. What made you raise this sort of storm warning about the dangers of foreign investment at this particular time?

PM. I don't think I raised a storm warning so much about the dangers of foreign investment because we must have foreign investment - we must have it and we must have it in large quantities in order to develop at all. What I did raise was the desire of the Australian Government that Australians should be allowed to participate, and be given an opportunity to participate, in the enterprises which foreign investment made possible. I flagged that desire quite strongly.

Q. But do you think that even doing this has scared off any foreign investment?

PM. No, I don't think it has scared off any at all. I've seen no figures to indicate that the foreign investment has dropped or foreign interest in investment has dropped. And I draw your attention to the announcement made just the other day of this huge investment in the Robe River development project, which I am glad to say is to be at least 25 per cent in regard to equity offered to Australians.

Q. Could you define your Government's attitude to the question of foreign takeovers of existing Australian companies? What would you like to see happen there?

PM. Well, the first thing I would like to see happen is for companies to know whether in fact they were in the process of being taken over by foreign companies. In other words, I would like to see that shares in Australian companies held in the names of nominees, once they reached a certain percentage of the total shares, had by law to be openly described as being in the beneficial ownership of the particular overseas company, or indeed the internal company that owned them. This, I think, is in line with what is done in the United Kingdom and in the United States. That is one of the first things, so one would know what was going on, so that the companies would know what was going on. Secondly, one would want to see that an approach to take over an Australian company was properly made and was not made on a basis of "first come first served" offers, but made on the basis which all the shareholders would know about and all the shareholders could consider and all the shareholders could decide upon. Those are a couple of points.

Q. But you said you were concerned about efficient Australian companies being taken over just because they were a good going concern. Is there anything you can do about this in practice?

PM. Well, I am not sure whether legally at the moment there is anything one can do about it in practice. Also, of course, one has some difficulty obviously in saying, "Well, this is efficient. This is inefficient". In the broad, it is easy enough to see in particular cases. It is also possible to imagine that even efficient companies could, by partnership rather than takeover - I would sooner see it done by partnership with some other company - bring in more technological expertise, more managerial expertise. So it is very difficult thoroughly to define. But there is in the United Kingdom power, at any rate under I think the Exchange Control, for a government to say, no matter what the shareholders may want, "This particular company is so important to the United Kingdom nationally that we would not allow it to be taken over. We will use our Exchange Control". We, to some extent, do this in Australia now. We do not allow foreign banks to come into Australia. We do not allow civil aviation companies from abroad to operate in Australia or to take over Australian companies. I think the same applies to our television companies. So there are areas already where the Government has said, "Well, we don't believe that these areas should be allowed to be invaded". I don't see us extending areas but it would be worth looking at, and is being looked at to see whether there should be some legal capacity for a government to say, in a case of a particular company - let's, for example, take BHP, an enormous Australian company - to say, "Well, we wouldn't want this company to be taken over. We would wish to be able to stop it". It would have to be an ad hoc decision in each case and very rarely made - and publicly known.

Q. Now, what about the question of equity participation in new developments. You say you want a greater Australian equity participation. Now, how are you going to get this?

PM. Well, I think that in the case of any reputable company, clear statements of the government's requirements do have an effect. Indeed I believe they have had an effect, since we have been making it clear that this is what we want. We have some examples - even before saying so strongly what we would like - of the sort of things that Australia would wish to see. I believe that the fifty per cent partnership between ESSO and BHP in discovering oil is one example of that. I believe the sixty per cent ownership by Australia of Mt. Newman is an example of that. The participation in the Robe River, which, I understand, is going to be 25 per cent. There does seem to have been a realisation by foreign companies that a government, having expressed a desire for an offer - and I stress the word "offer" - of Australian equity (because we are not going to make the development of some great industry dependent on Australians taking up what is offered; Australians might not have enough money and might not wish to do it), there does seem to be evidence that this is now being offered in greater amounts than previously.

Q. But you aren't going to lay down say a firm figure of say 25 per cent of Australian equity participation as a condition of the development starting?

PM. I don't think you could. I don't think you could lay that down for a thing like that because there would be so many enormously differing propositions. There might be one proposition for a billion-dollar development. Another proposition for a \$200,000 development. Well, clearly, trying to lay down there must be 25 per cent Australian participation or that that must be offered would be so different in each of those cases that I don't think you could definitely lay it down. But there is something one could call a code of good corporate behaviour which one could say that one expected foreign companies to follow. That originated, I think, in Canada, and is well known to the significant and reputable companies who want to work with governments. It includes participation in management by, in our case, Australians, it includes the offering of equity initially and the indication that further equity will be offered, and indeed it approaches a partnership which is really what one wants.

Q. Now, when it comes to starting developments like the exploitation of mineral resources from scratch, is there a larger part that Australian institutions especially insurance companies can be persuaded to play, and this is what the Labor Opposition wants, isn't it?

PM. Well, I don't think from listening to the Leader of the Opposition I would agree that what he said was that they should be persuaded to play a greater part. I rather understood him to say that they should be compelled to play a greater part. And I would not by any means wish to say to an insurance company, which is after all holding the premiums of people from all over Australia who are expecting to be paid if they have to make a claim, I would think it quite wrong to say to them, "We will compel you to invest in this enterprise whether you wish to or not or whether you think you will get a good enough return or not on your income".

Q. But what about persuading the insurance companies to play a more positive role - not to be investing in city centre buildings but in mineral resources?

PM. I wouldn't think that insurance companies would need to be persuaded to invest their funds in areas where they were going to get a good return. They are being run by their hardheaded business directors, and I believe that the opportunities for investment are ones which they will judge and into which they will channel the funds they hold.

Q. You said earlier, Prime Minister, that you were worried about the question of excessive dividends leaving the country. Have you considered or are you considering limiting the rights of foreign companies to repatriate dividends?

PM. No.

Q. Would you say that you are an economic nationalist?

PM. I would like somebody to define "economic nationalist" before I felt I could properly answer that question. But if wanting an Australian participation of the greatest possible amount is being an economic nationalist, then I would say I was an economic nationalist. On the other hand, if wanting the greatest possible amount of overseas investment, without which we can't develop as quickly as we need to develop, is not being an economic nationalist, then I am not an economic nationalist. I want - we must have - this overseas development. We must have this development and we must have overseas capital. But I want Australian opportunity to participate at the beginning, if possible, of new enterprises, and to continue to participate as the enterprises grow.

Q. Haven't you modified your views on this since the controversy first started over the MLC about six months ago?

PM. No, I don't think so. You see, the MLC matter was this. . . . that large numbers of shares (from memory something over 20 per cent) were being held in the names of nominees and nobody knew who was holding them and nobody could find out who was holding them. But we suspected they were being held by an overseas company. It appeared that still more shares were being sought. Now the first thing one wanted to discover was who was in fact seeking to buy control of the MLC - if they were seeking to buy control of it. The second thing was that this was an insurance company, an Australian insurance company with enormous assets, with assets which grow very largely each year, and that is the sort of company which one might very well wish to keep in Australian hands, and in fact would wish to keep in Australian hands.

Q. Many people seem to have got the impression that you started at that time with a wish to be fairly tough on foreign investment but that you have been back-peddalling ever since?

PM. Well, I don't quite know what you mean by being fairly tough. Do you mean that it is tough to say we want Australian participation? To say to companies who are seeking to come here from abroad, "The Government wants you to do this; the Government wants you to follow a code of good corporate behaviour; you will be operating in this country for a very long period of time and you don't need to be told that it is to your advantage to co-operate with the Government?" If that is tough, then I was and am being tough. But I don't believe I ever indicated that I was going to legislate for a particular percentage, because one can't do that. One flags the course, one says what one expects and in some instances, such as companies who are holding shares in the names of nominees, I think we must act and must see that beneficial ownership is disclosed when it reaches a certain percentage.

Q. In the last resort, Prime Minister, you are saying that for a Government to express its wishes that this is going to be an effective enough way of getting the policy that you want? It looks as if you are not going to legislate on any of these matters. Now do you think it is going to be effective?

PM. I didn't say I wasn't going to legislate on any of these matters. We have discussed the question of the nominee ownership of shares. We have discussed the question of methods of takeover. We have discussed the question of whether there could be some ultimate reserve power for a government to protect some very significant Australian company. All those matters we have discussed, and I haven't said that we wouldn't legislate on those. What you may be asking about was were we going to legislate to insist that something couldn't go ahead unless there was an offer to Australians of a particular percentage of equity. And I have indicated I wasn't going to legislate on that.

Q. Prime Minister, thank you very much.
