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PRIME MINISTER'S PRESS CONFERENCE,
PARLIAMENT HOUSE, CANBERRA,
TUESDAY, 11 SEPTEMBER 1973

PRIME MINISTER: First I'll give you some of the decisions that Cabinet made yesterday afternoon:

AUSTRALIAN CAPITAL TERRITORY: Cabinet decided to set up an A.C.T. Schools Authority and approved the construction of a 96-bed nursing home in the A.C.T.

HUMAN RIGHTS: Cabinet authorised legislation to ratify the International Covenant on Civil and Political Rights.

HEALTH: Cabinet approved a three-year program of planning and research for health services. In the three years from 1973/74 to 1975/76, the Australian Government will make grants up to \$500,000 a year on a \$2 for \$1 basis with the States to develop State health planning agencies; grants up to \$300,000 a year on a \$1 for \$1 basis to universities for independent research and evaluation of health care systems; and grants up to \$200,000 a year to universities and other organisations for studies directed by the National Hospitals and Health Services Commission. In addition, the Australian Government will assist national, State and regional health assemblies with expenditure up to \$25,000 a year.

Cabinet approved legislation to enable the Minister for Social Security to direct medical and hospital benefit organisations on the use of their reserves.

REHABILITATION: Cabinet agreed to the establishment of a Regional Rehabilitation Centre in Townsville.

MEAT: As already announced by the Treasurer, Cabinet has decided to withdraw export incentives for meat. In addition, in order to recoup the cost of the Government's contribution to the brucellosis and tuberculosis eradication campaign, Cabinet has agreed that the proposed export charge on beef and veal be increased from 1 cent a lb. to 1.6 cents a lb., with provision for exemption or partial exemption from the charge to be made by regulation in cases of hardship.

WHEAT: Cabinet considered a joint submission by the Minister for Primary Industry and Minister for Overseas Trade on credit sales for wheat. We agreed in principle to credit terms up to 12 months for developing countries. The difficulty in this year is, as you know, that we could sell all our wheat for cash. This, however, would disappoint, in fact it would break faith with a great number of developing countries which have been accustomed to receiving wheat on credit and some of them need wheat very badly this year because of local conditions, and we didn't want to leave them in the lurch just because they had to get credit, as they always have whereas other countries, this year, were prepared to buy for cash. It was agreed that the Government may extend such terms in exceptional cases and would, in such cases,

bear the additional cost to the wheat industry. Cabinet agreed to establish a committee, representing the Departments of Primary Industry, Overseas Trade, Foreign Affairs and the Treasury, to recommend on the quantity and terms of payment for wheat to be offered by the Australian Wheat Board to developing countries.

Then there are a few matters on foreign affairs. At my last Press Conference I told you that I would be making an official visit to Japan during the last week of October. Today I would like to announce that my visit to China which I foreshadowed earlier this year will take place from 31 October to 3 November, i.e. directly following the visit to Japan. This will be the first official visit to China by an Australian Prime Minister although, of course, it will be my second visit, the first being in the company of many of you, the second also I hope, in the same company. We shall be accompanied by Mr Crean, Dr Patterson and Mr Connor. I see the visit as providing a valuable opportunity to exchange views with the Chinese leadership not only on a wide range of international issues but also on the development of our bilateral relationship since the Government recognised the People's Republic last December. I expect with the participation of the ministerial colleagues I have just mentioned, we should be able to broaden the exchanges and focus on specific areas of mutual interest. While we are generally happy with the progress made in our relations with China so far, we hope the visit will give fresh impetus for the development of a wider and more balanced relationship with China in the future.

The Middle East. Recent developments in the Middle East have focused international attention on world oil production and the likelihood of adequate supplies continuing to be available to importing countries through the next decade or longer. In this context, I wish to announce that the Government is sending Mr Ian Haig, a fluent Arabic linguist who was until recently Australian Trade Commissioner in Beirut, on a special mission to a number of countries in the Middle East area. Mr Haig will be in the area from approximately the end of September until the middle of November. During that time he will study aspects of the oil industry in the countries he will be visiting together with the relationship existing between Australia and those countries and possible ways of broadening those relationships in the future.

In a separate press release which I issued today, I announced our participation in the next meeting of the Ministerial Conference for the Economic Development of South-East Asia which is to take place in Tokyo on 12th and 13th October. Senator Willesee will represent Australia at this conference. I refer to this development here because I want to emphasise our strong and continuing interest in and readiness to assist the efforts of our nearest neighbours to promote economic growth and to raise the living standards of their peoples. That Australia has been invited to join in the work of the ministerial conference highlights the interest and shows also, I believe, that our neighbours recognise and appreciate it.

I don't know whether you have already heard, but in case you haven't, I could let you know that the total ban on French mail has been lifted. I received a telegram from the Amalgamated Postal Workers' Union in these terms:

"Federal Executive of Amalgamated Postal Workers' Union of Australia unanimously resolved today to lift communications bans on metropolitan France".

I have acknowledged that telegram.

QUESTION: Sir, how do you reconcile the Government's decision to increase interest rates to a record level with Labor's long established policy of low interest rates colloquially called "cheap money" and economic policy often repeated and enunciated by your Treasurer, and does the decision on interest rates mean that the economic policy or policies of your Government are the prerogative of a small coterie of ministers and not for the whole of the Cabinet to decide?

PRIME MINISTER: You all know how much this goes against Mr Crean's grain to have to increase interest rates. It is, however, a course to which we have to resort because other forms of controlling or rationing money are not within our hands. When you mention a small coterie I suppose you are referring to the fact that that revaluation was decided on Sunday by the Treasurer, the Deputy Prime Minister and the Prime Minister, as the revaluation of last December was decided by them. Now we certainly accept responsibility for this. The interest rate matter is not solely a matter for those three, and it is, of course, very largely, mainly, a matter for the banking system. Parliament can override the banks proposals in this regard.

QUESTION: Who made the decision on interest rates?

PRIME MINISTER: The decision on interest rates through the banking system is, of course, made by the banking system. The only matter that was discussed in this regard was that the Reserve Bank advised strongly that it should go into the business of selling bonds, and we concurred in that course. Interest rates in public loans are decided by the Loan Council on which, of course, the States have a say as well as the Australian Government.

QUESTION: Is it not the case, however, that the Government put their views to the Reserve Bank - that the Government believed that interest rates should be increased - and not the other way round as you seem to have just put it?

PRIME MINISTER: No. This matter was raised by the Reserve Bank and the Treasury. I won't however say any more about how these matters are determined. Of course we take responsibility for revaluation. We also, as I announced, quite frankly state that we concur in the policy that the Reserve Bank proposes to take as regards the selling of bonds. But it was on a simultaneous, urgent, insistent advice of the Treasury and the Reserve Bank.

QUESTION: In point of fact you haven't told us that the banks were going to increase bank interest rates. It wasn't in your statement.

PRIME MINISTER: No I'm going on speculation. You are quite right.

QUESTION: Can you tell us when?

PRIME MINISTER: What?

QUESTION: When bank interest rates are going to be increased?

PRIME MINISTER: This was not discussed but the banks always announce that.

QUESTION: But you did say that the Reserve Bank had advised you that this should happen - that bank interest rates should be increased?

PRIME MINISTER: This was about the selling of bonds. That is the only thing in the statement about.....and it is from that that all the speculation flows concerning interest rates.

QUESTION: But you, yourself, mentioned bank interest rates?

PRIME MINISTER: Yes, in answer to Mr Power. He raised this matter, and it has been raised in the House.

QUESTION: Bank interest rates will increase?

PRIME MINISTER: I would expect so.

QUESTION: Do you know when?

PRIME MINISTER: No.

QUESTION: You also said that you didn't have.....

PRIME MINISTER: But quite frankly you know that if I did know I wouldn't say don't you?

COMMENT: Well it strikes me that it could be said actually. You say there are no other ways of rationing within your hands. Does this mean that there is going to be rationing through the bank system as well as through the interest rates?

PRIME MINISTER: Well, of course, any increase in interest rates is done with the objective of encouraging expenditure in some directions and discouraging it in others. Of course interest rates are a form of rationing.

QUESTION: I would like to say how interesting I have found this conference. I think Parliament ought to be equally interested. Are you going to stop this practice of explaining things to the press before you explain it to the House and do you remember how critical you used to be of other Prime Ministers when they were doing exactly what you are doing now?

PRIME MINISTER: I don't think any Prime Minister - certainly not in recent times - has given Press Conferences as regularly and freely as the present Prime Minister. If members of the Parliament, of the House of Representatives on either side, were to ask me questions such as I have been asked now I would answer them as I have answered them now. I have foreborne to ask members of the Government parties or to suggest to members of the Government parties that they should ask questions like this. This is a very obvious device to which anybody in my position can resort. There has been a great deal of speculation in the papers as to matters that come before Cabinet and as to matters which have been determined by Cabinet. If any member of parliament were to ask questions within the terms of the Standing Orders on any of these subjects of course I would answer the question. But I would venture to suggest that if I were to make a statement on all these matters, as I have just now, and before questions in the House, I would be constantly interrupted. And then, of course, I would have members of the Liberal Party and the Country Party wanting leave to comment on them. Question Time is three quarters of an hour every morning. Never less than three quarters of an hour, and any member of parliament can ask any of these questions and he will get an answer.

QUESTION: In a recent television interview you told a British television interviewer that you admired most, of the world leaders, Willy Brandt.

PRIME MINISTER: Yes.

QUESTION: Would you now follow Brandt's example in expressing your concern either publicly or to the Soviet authorities of the Soviet Government's treatment of their intellectuals in particular Dr Sharkarov and Alexander Solzenhitzen?

PRIME MINISTER: I wasn't proposing and, despite your invitation, I don't think it is likely that I will protest to the Soviet Union about these matters but nevertheless I can say here what I think must be in the minds of you all. It is one of the constant disappointments in the Soviet system that like successive Russian governments for the last couple of hundred years, they so penalise their intellectuals. There is a premium put on conformity and it is one of the ugly features of Soviet life. I would have hoped that it was diminishing. I regret to say that there have been so many recent incidents where this penalising has come to public knowledge.

QUESTION: Do you intend to hold a judicial inquiry into the security services of Australia?

PRIME MINISTER: Mr MacCallum was going to ask me that question.

COMMENT: No, it's not true, I have another one on the security services of Australia.

PRIME MINISTER: I think it is very likely that I shall ask a judge to hold an inquiry into our security services. When I do, I will announce the terms and announce the name of the judge. One of the reasons for doing so, of course, will be so that interested persons or organisations can let him have their views. It would not, however, be an inquiry which, because of the nature of the matter, be held in public. Nor would I believe it is a matter upon which the report would be published.

QUESTION: The judge's name has been mentioned though Sir?

PRIME MINISTER: I have no doubt. I saw one judge mentioned. I have never mentioned it to him, nor has he volunteered.

QUESTION: Why is it necessary to hold an inquiry into Australia's security service?

PRIME MINISTER: No comment.

QUESTION: Can I ask you about the security services in New Guinea. Mr Somare, the Chief Minister of Papua New Guinea, said yesterday that he felt Papua New Guinea could handle its own security and intelligence services, and he went out of his way to link the two together several times at his press club lunch - security and intelligence. Can I ask you what is the status of the Australian intelligence service in New Guinea; is it linked to ASIO; is Mr Somare's Government aware of everything that it is doing; and will the Australian Government in view of the fairly broad hint that Mr Somare gave yesterday, withdraw its own security and intelligence services, particularly its intelligence services, when self-government comes on 1 December. And can I also explain that I am informally dressed at your invitation because of the lights of the foreign television crews.

PRIME MINISTER: We are gradually deteriorating at this conference. The first question referred to a British television interviewer. The next reference was by one of you who, at an earlier conference, had referred to him as a Pommy journalist, and now I have a reference to a foreign television station. I would like the loyal viewers of this session to realise that you are referring to the BBC. I can say no more - I will say no more about this matter. I would say to the BBC itself, I would say to Mr David Frost himself what I will say to you. On this matter I can and will say no more that any activities of this nature which Australia carries on in Papua New Guinea are carried on with the knowledge and approbation of the Government of Papua New Guinea. Mr Somare and I did not discuss this matter. He stayed with me last night. He had dinner at the Lodge and stayed the night.

QUESTION: Since we last met the Senate has rejected one of your bills of substance - the Electoral Bill. Do you intend to now seek a double dissolution?

PRIME MINISTER: I wouldn't even answer that question in the House of Representatives at this stage.

QUESTION: Do you regard your announcement that the Government intends to site its second international airport at Galston as irreversible?

PRIME MINISTER: No. I think it is a very strong probability. I don't know how much more you want me to say on this subject at this stage. The irreversible political fact is that no Australian Government will increase the operation at Mascot. The former Government realised that, the present Government realises this. The people within the area of Mascot or Towra Point or Wattamolla will not tolerate an increase in aircraft movements in that area. Everybody knows it. Now it is completely unreal to suggest that what would be the cheapest proposal, that is double the facilities at Mascot can ever come into effect. In those circumstances, as I told you a fortnight ago at this press conference, the closest feasible site is at Galston and it has the great advantage that fewer people would be affected who are already there and fewer people in any proposed development of the area would be affected than at any other site. There are two other features that should be acknowledged. Sydney does need better airport facilities than it has at the moment. Secondly, most of the people who use air facilities live on the north side of the harbour. In fact, Galston would suit them more than it would suit most people who use air traffic.

QUESTION: Do you expect the economic measures you announced on Sunday to lead to some unemployment if they are to be successful against inflation? If so, what level of unemployment would you allow before reversing it?

PRIME MINISTER: I don't expect that there will be any unemployment from the measures that we announced on Sunday night. The adjustment measures which we devised after the revaluation before Christmas are available to meet any consequences of the revaluation which we announced on Sunday.

QUESTION: I was thinking more of the interest rates. Will they lead to a cutback on demand?

PRIME MINISTER: They will lead to some cutback on demand, but this will be healthy because there was an extraordinary increase in the money supply in the last financial year - an increase of 26 per cent in the amount of money during 1972/73. Most of that increase, of course, taking place while Mr Snedden was Treasurer and before Mr Crean became Treasurer. This was obviously an increase which could not be allowed to continue - you couldn't continue increasing the supply of money at that rate.

QUESTION: Have you any comment at all upon the Australian High Court's decision on the Rhodesian Centre, and is this one instance where you are sorry you turned thumbs down on the Privy Council affair?

PRIME MINISTER: No. I don't believe that appeals should be taken from Australian judges to British judges. The High Court's decision points out that, as the law stands at the moment, the Postmaster-General was not entitled to take the steps he took in respect to the Rhodesian Information Service. We considered this this morning in one of the Cabinet committees and I expect that there will be a submission by the Postmaster-General as to possible amendments of the law. It is important in our view that we should carry out Australia's international obligations.

QUESTION: The advice from the Reserve Bank and the Treasury on controlling the money supply - did it contain any other advice?

PRIME MINISTER: I can't go into matters such as this. I am sure you will understand.

QUESTION: On the Rhodesia question. Have you decided not to introduce legislation using the external affairs power to back up the sanctions against Rhodesia, and do you intend simply to work on the postal power.

PRIME MINISTER: I would think that we can also use the external affairs power. That would be the justification for amending the Posts and Telegraphs legislation. I wouldn't like to have any restriction on mails or telecommunications except in the very special circumstances which international organisations have applied to the situation in Rhodesia and which they may well, in the coming years, apply to other countries in Southern Africa. As I read the judgement - I have had to read it pretty quickly - I would believe that the external affairs power would justify legislation. Of course, as you suggest, it would be justified under the Posts and Telegraphs legislation anyhow, but we would be doing it not as a special bill just dealing with Rhodesia but just as an aspect to amendments to the Posts and Telegraphs legislation which are always taking place. We may - the submission is not there yet of course - make this amendment in the course of other amendments to the main Posts and Telegraphs Act.

QUESTION: On the question of interest rates again. In February the Government required borrowers from overseas to deposit 25 per cent in the Reserve Bank without interest. Since then, interest rates have shifted up and they will now presumably shoot up rather sharply. If Australia becomes again attractive to overseas lenders, would you be prepared in principle to vary this deposit which is now 25 per cent.

PRIME MINISTER: There is no proposal before us, and I am not proposing to initiate any proposal to vary the 25 per cent. Australia is very attractive to lenders and traders. We have got to face the fact that we are still having a very great inflow of overseas funds, and it is the duty of all countries to try to see that their trade remains in balance this way. A country is irresponsible if it is always trading at a deficit or always trading at a surplus. One ought to try, particularly if you are a big trading country as we are, to have a balance.

QUESTION: Can you tell us formally why the decision has been taken to control health fund reserves. Has the Government had advice from the Attorney-General's Department that it now lacks any power to control reserves?

PRIME MINISTER: I haven't got any papers here with me on this. You ought to ask Mr Bill Hayden any further details on this.

QUESTION: At the last Ministerial meeting between Japan and Australia I think the Japanese were keen for Australia to enter a Treaty of Commerce and Navigation. I think, in the meantime, some months ago you initiated an inquiry into this. Can you say what your approach would be on this question at your talks in Tokyo?

PRIME MINISTER: I'm myself very much attracted to such a treaty. The traditional name for it is a Treaty of Friendship, Commerce and Navigation. I am not wedded to any particular form of words in its title. I do believe, however, that it would be appropriate for Japan and Australia in a formal context to acknowledge the very great interdependence they have on each other. Japan should be certain that she will always have a secure access to Australia's resources. She is deficient in those resources. Australia has by comparable standards a plenitude of such resources. We must never get back to the situation that was produced about 1940 when Japan was denied access to markets and resources. It is important that Japan should always be sure that she gets such resources. And this would apply not only to mineral resources but also to primary resources. One only has to see the distress caused in Japan by America's sudden cutting off of the soya bean. By the same token, Australia should be assured that as Japan's prosperity continues - she may well be the most prosperous country in the world per head of population in the next couple of decades - that our prosperity rises with hers. There are very few countries in the world apart from adjacent countries, whose prosperity is so interdependent as that of Australia and Japan. We ought to acknowledge that position much more frankly and formally than we have. I believe a treaty would be an appropriate way to do it.

QUESTION: In view of the cheapening of Australian shares on overseas markets, is there any prospect of the Government using its considerable reserves to buy back portions of selected industries or key industries which at the moment are relatively cheap on overseas markets?

PRIME MINISTER: This has been formally discussed among people whom I meet. There is no formal paper being discussed on it at the moment. I don't in any way disparage the idea.

QUESTION: Do you have any information on the progress of the current series of French tests in the Pacific. Do you know, for instance, if they are within one or two tests of finishing?

PRIME MINISTER: I have no more information on this.

QUESTION: I am not sure that I understood your answer to Mr Barron, but it might have been my fault. I think that when you reduced tariff rates you said in your statement that those who lost their jobs because of the Government's action would receive payment from the Government at the rate of their average weekly earnings over the previous six months. Do you have in mind a similar scheme for people who lose their jobs because of the new interest rate policy and, if not, don't you think there is a rather large anomaly involved?

PRIME MINISTER: There has been no further reduction in tariff rates. Accordingly, the measure which was taken following the reduction in tariffs by 25 per cent across the board doesn't arise. The adjustment assistance which was made available after the 7 per cent revaluation last December is available following last Sunday's 5 per cent revaluation.

QUESTION: If I could try to clarify my question. What is the difference between a man who loses his job because the Government cuts tariffs and a man who loses his job because the Government and/or its bank raises interest rates?

PRIME MINISTER: I don't believe people will lose their jobs in the circumstances that you mention.
