

PRIME MINISTER'S PRESS CONFERENCE, CANBERRA,

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I should make it clear that I do not intend to respond to any questions or speculation about the Budget to be brought down on 19 August. I have taken that attitude in 1973 & 1974 that is normal practice. Nevertheless, it will help you if I say something about the Government's general approach to the Budget in the context of our present economic situation.

The forthcoming Budget will be the result of fuller preparation and consultation than any Budget before it. This process of consultation and preparation has been going on for months. It is a process that involves, not just the Cabinet and our officials, but many outside groups and interests. The Economic Committee of the Parliamentary party met yesterday to discuss the broad terms of our economic policy, with Mr. Haden, the Treasurer. The Government's consultations with outside groups are more extensive this year than they have ever been. They will conclude with a meeting with A.C.T.U. representatives tomorrow morning. In addition, the Government itself has set up new procedures to develop its budgetary strategy. We established earlier this year you remember, the Expenditures Review Committee of Cabinet, backed by a committee of officials who have been working for the last two months.

I want to emphasise that I regard this as a major innovation in budgeting procedures and one with which I am very satisfied. The committee of officials is chaired by an officer of my department and includes officials from the Treasury and the Departments of Social Security, Labour and Immigration and Urban and Regional Development. The Cabinet committee, which is under my chairmanship, has proved very useful in scrutinising the proposals of individual ministers and looking at broad economic policy. The officials' committee has produced two very full reports on the whole range of Government expenditures. Ministers will be considering these reports and debating the Budget in general all next week.

As you know, the Government since coming to office has made many innovations and introduced many social policies and programs that were long overdue. We saw that a lot of things had to be done, and our task was made more urgent, and more costly, by the fact that nearly all these areas had been neglected for so long by our predecessors. That is why Government expenditures rose so rapidly in the past two years. In addition, it was necessary to push expenditures ahead at a time when unemployment was high and the economy was in recession. But we also recognised that it would be necessary to review Government expenditures as the economy recovered.

That is what we are doing. In April this year - I wrote to all ministers telling them to prepare for cutbacks in expenditure and draw up their own programs for cutbacks.

We instructed the officials' committee to examine thoroughly all on-going programs and new proposals and to identify the options open to us for reducing expenditures in the Budget. They have done so in the two reports I have mentioned.

The basic fact is that the industrial western nations are now starting to climb out of the deepest recession experienced since the second world war. This recession has not been confined to Australia; it is not a local affair. Every major country in the industrialised world has been going through a recession over the last 12 to 18 months and in most of them the severity of the recession has been much greater than it has been in Australia.

For instance, in the United States, by far the biggest economy in the world, industrial production during the recession has declined by about 14 percent - compared with 8 percent in Australia - and gross domestic product is running nearly 8 percent below its level in the last quarter of 1973 in the United States, compared with a fall of 3½ percent in Australia. Unemployment in the United States has passed the 8 percent mark. In Australia it is 4.5 percent.

In Japan the decline in production was of the order of 20 percent. Real gross domestic product fell by about 1½ percent. In the European Economic Community there appears to have been a decline in production of about 6 percent over the last year. Real gross domestic product of these countries increased by only 1.3 percent in 1974 following a 5.6 percent growth in 1973. Community-wide unemployment has risen from 2.7 million to 4.2 million over the past 12 months.

Not only is the recession not confined to Australia: there are grounds for arguing that it had world-wide origins. Our experience has been part of the total experience of the industrialised world. There are, however, grounds for optimism. The latest indications are that the recession is ending in the United States, Japan and Western Europe. And there are indications that it is ending in Australia.

PRIME MINISTER: Are there any questions?

QUESTION: I refer to your letter that you mentioned you sent to Mr Berinson and other Ministers about their staff. Why have you decided to ask Ministers to give you such detailed information about their personal staff, and isn't this task already undertaken by the Australian Security Intelligence Organisation?

PRIME MINISTER: The Australian Security Intelligence Organisation doesn't concern itself with aspects other than security. It doesn't concern itself, for instance, with any business activities, or personal connections of that character, which Ministers' secretaries may undertake. Quite clearly it is necessary to insure that Ministers' staffs do not do anything which Ministers themselves are not allowed to do, or not expected to do. I gave evidence on this matter before Mr Riordan's committee concerning the pecuniary interests of members of the Parliament. I said that people whom the ministers appointed should have to make the same declarations, their interests should be registered, in the same way as I advocated, and as the Labor party advocates in its platform, should be the case with ministers. Now it's quite clear that ministers' staffs ought to be under the same, they should operate under the same standards, as ministers themselves, and I propose to ensure that from now on this is the case.

QUESTION: Who do you expect will be enforcing these standards? Will it be yourself, Sir? To what use will this information be put? Will it come to you and will you then vet Ministerial staffs? The second question, quite different. Do you hope that in the near future to be making an announcement about the new Governor of the Reserve Bank?

PRIME MINISTER: The second one: yes. The first one, I have to be informed by ministers of the persons that they propose to appoint to their staffs. As I say, I need to know the previous employment history, the academic attainments, and the family and personal connections of any proposed appointments. If, in my view, the appointments are not suitable, then of course, the persons concerned will not be appointed. I would imagine, however, that discussion with the minister concerned will see that appropriate people are appointed.

QUESTION: Have you been happy in the past with the A.S.I.O. checks on ministerial staff, particularly since December 1972, and is it true that since December 1972 full checks have only been carried out by A.S.I.O. on two ministerial staffs?

PRIME MINISTER: No, I believe that there have been A.S.I.O. checks on the staffs of all ministers who would have any

in
 connection with matters/which A.S.I.O. was concerned.
 Not only them, but on most ministers. This question
 arose several times early in 1973 and answers were given
 in those cases. I have no reason to believe that A.S.I.O.
 checks were not adequate. The matters of dissatisfaction
 which have clearly emerged would not come within the
 sphere of A.S.I.O.

QUESTION: You've prevented witnesses, public service witnesses
 under your control, from testifying before the Senate.
 You've offered no alternative inquiry into the loans
 affair. In the normal procedures of the Parliament you
 haven't offered the documents that the Opposition has
 required. And I ask, what are you hiding, how long
 can it be hidden, and in particular, is there any truth at
 all in the letter that was written by Professor Colin
 Howard to the Age, who was at the time, as is still,
 an adviser to the Attorney-General, that the Government's
 design was to avoid, was to arrange a method by which it could
 get around the Senate's rejection of Supply?

PRIME MINISTER: The Government is hiding nothing. I didn't
 read through Professor Colin Howard's letter to the Age,
 I don't know if he is an adviser to the present Attorney-General.
 Nevertheless, I stated in the Parliament last Wednesday
 that there was no bypassing of Loan Council procedures.
 I was asked a question about this late in March, I think,
 late in May, and I gave an answer. And the answer was correct,
 and it hasn't been challenged. The matter arose at the
 last meeting of the Loan Council and nobody demurred at the Loan...

QUESTION: I'm referring to the rejection of Supply, Prime
 Minister, not the Loan Council. Professor Howard's
 suggestion...

PRIME MINISTER: Oh, well look, if you don't mind, I think
 it was two columns, the letter, so I didn't really read it
 through. I thought you said Loan Council. I didn't read
 Professor Howard's letter, and I don't think it's satisfactory
 for you to ask me to comment on your summary of it. The
 Government is concealing nothing, the Government has
 responded to everything that the Opposition has asked in the
 proper way. That is, by questions to ministers or motions
 concerning ministers. It is the normal procedure for the
 Crown to plead privilege in the matters which are in the
 Senate summons. The Senate summons concerned the, a meeting
 of the Executive Council and matters prior and subsequent
 to that meeting. Quite obviously they are privileged. Any
 Government would claim privilege for them. You might as well
 say that if a witness was called from a newspaper, if an
 editor of a newspaper was called - and no Crown privilege could
 be pleaded in respect of a journalist or a newspaper editor -
 the journalist or the editor would certainly plead privileges
 as to the sources of his information. Are you then to say
 that you're hiding something? ...

QUESTION: Well, you would be hiding something, Prime Minister...

PRIME MINISTER: But the fact is that privilege has always been claimed, and properly claimed for proceedings of the Executive Council. That's what the Senate summons mentioned. That, and that alone. They called public servants alone. You don't politicise the public service in this way. Privilege is something which is claimed by many people in the Courts or, in the exceptional circumstances of them being summoned, before a Parliament. A journalist pleads privilege as often as not when he's called as a witness. A doctor pleads privilege similarly; a lawyer pleads privilege. It is the normal thing, and it is the proper way in which these things are conducted. It's been recognised for centuries.

QUESTION: Today Senator Withers, in the Senate, gave notice that the Senate would affirm its right to summon the people before it. (Unclear). This runs in the face of the directions the ministers have given to the permanent heads...

PRIME MINISTER: With respect, it does not.

QUESTION: Well, my answer is, Prime Minister...

PRIME MINISTER: Well, I thought you were wanting an answer from me...

QUESTION: Well, what do you propose to do if the Senate summons, brings a permanent head before it, asks a question, doesn't get an answer and then decides that he's in breach of Senate privilege?

PRIME MINISTER: It'll be the day when the Senate presumes to imprison a public servant for obeying instructions.

QUESTION: Would you care to explain the difference between public servants giving evidence to Estimates Committees in the Senate, and public servants giving evidence to the Senate as a committee of the whole?

PRIME MINISTER: No public servant has ever been asked by a Senate committee to give evidence concerning, say, a meeting of the Executive Council or the proceedings prior or subsequent to a meeting of the Executive Council. The Senate has accepted, furthermore, that public servants do not discuss at Senate committee meetings matters of policy, the advice given to ministers, and so on. Or the discussions between ministers or the discussions between departments on advice to ministers. The Senate committees have accepted this principle. It's all set out in the book of the Senate Clerk on these matters.

QUESTION: Has the traditional approach been for public servants to claim Crown privilege on matters of Government policy, and not on matters of fact? Have you now received new advice that public servants are able to claim Crown privilege on matters of fact, as distinct from Government policy?

PRIME MINISTER: No public servant has ever been summoned before the Senate before. The only person who's ever appeared to give evidence before the Senate before was the Governor of the Reserve Bank. It may be, I don't assert it to be the case, it may be, that people like the Auditor-General or the Governor of the Reserve Bank, might be able to give evidence. The Auditor-General, of course, is obliged to advise the Parliament. The Solicitor-General may possibly be asked to advise, as long as it doesn't cut across opinions which he's given to the Government. As long as it's not upon subjects; the evidence sought from him doesn't touch upon advice which he has given to the Government. But public servants have never previously been summoned before the Senate, and nor have they been, say, in Britain. The nearest parallel to this was in 1951 when a Senate committee requested the Chiefs of the Armed Forces to appear before it, and the Acting Prime Minister at the time, Mr Fadden, as he still was, conveyed to the Chairman of the Senate committee which made the request that they would not be attending.

QUESTION: Mr Thomas from the Age, Sir, if the Government is concealing nothing about the loans...

PRIME MINISTER: Mr 'doubting' Thomas...

QUESTION: Could you explain which New York and London based companies the Government intended to buy back with part of its \$4,000 million borrowings. And how did the Government intend to breach the gap between the 8.35 % cost of the borrowings and the dividend yield of major resources companies here of about 3 or 4 per cent?

PRIME MINISTER: This was all discussed last Wednesday ... No I know I didn't ...and I don't propose to now.

QUESTION: In the likely event that the Senate decides that the Senate will decide what is privilege - what evidence is privileged and not the Government - what is your reaction to that? If the Senate tomorrow says that this evidence of Fred Wheelers' is, in fact, not true? *privileged?*

PRIME MINISTER: Well I expect that the Senate will accept the advice of Senator Greenwood when he was Attorney-General and Mr Ellicott when he was Solicitor-General. That is they will treat the certificates of the Ministers as conclusive.

QUESTION: And if they don't?

PRIME MINISTER: Well in that case if the Public Servants obey their instructions, they would technically be in contempt of the Senate maybe. I don't believe the Senate would so resolve and if it did, it's not likely to send them to Goulburn Gaol.

QUESTION: Can't you take it to the High Court Sir. In that event would the Government try and get a ruling from the High Court on that matter?

PRIME MINISTER: Well, wait until they get to gaol. There may be dungeons below the Senate Chamber, I don't know. The Senate Attendants would have their time cut out guarding them, keeping them chained up.

QUESTION: A question in relation to ministerial staff.....

PRIME MINISTER: This is the third from the Financial Review; we have had 2 from the Age, 3 from the Financial Review. Are there any other newspapers?

REID: ... (interjection: he's not a newspaper).

PRIME MINISTER: Any other media?

REID: Reid, A.C.P.

PRIME MINISTER: This is not the medium; this is the message. Mr Reid.

REID: In your speech in the House you revealed the oral advice given by the then Attorney-General on the loans matter to the Executive Council. Why not then reveal the advice of the Solicitor-General in the same circumstances as asked for by Mr Ellicott and other Members of the Opposition.

PRIME MINISTER: I quoted already the letter which Mr Byers the Solicitor-General, that is the second Law Officer of the Australian Crown, wrote to the President of the Senate this afternoon. He pointed out quoting Attorney-General Greenwood and Solicitor-General Ellicott, his predecessor, that the privilege of the Crown extends to opinions of the Law Officers. The principle applies whether they be written or oral and Mr Byers, the Solicitor-General, said "as one of its law officers I may not consistently with my constitutional duty intentionally act in opposition to its claim". I didn't quote the opinion of the then Attorney-General, I said we acted on his advice, his oral advice.

QUESTION: In relation to staff appointments were you told last year in the presence of Sir John Bunting and several other people that a certain person who was later appointed to a Ministers staff had offered bribes in an attempt to obtain Cabinet Documents from another person connected with another Minister's staff and was the same advice given to both Dr Cairns and the former Attorney-General, Lionel Murphy.

PRIME MINISTER: I have never heard of any of this. Sir John Bunting never mentioned any such matter to me.

QUESTION: I didn't suggest he did. He was present when it was suggested to you.

PRIME MINISTER: I don't remember any such occasion. I don't remember anybody saying such a thing to me. If you care to tell me afterwards about it, I'll pursue it.

QUESTION: I'll do that.

QUESTION: Prime Minister in your speech last week you said the Attorney-General advised orally that the \$4 billion loan could probably be legal within the terms of the financial agreement. Can you tell me have you received any written advice on this subject. If so who from? And have you got any advice that the borrowing was definitely within the terms of the financial agreement and not just probably within the terms of it?

PRIME MINISTER: There was no written advice sought or received. The matter was also discussed with Mr Byers and the Secretary of the Attorney-General's Department by me.

QUESTION: Can you tell us what advice you got from Mr Byers and the Secretary of the Department as well as what you got from the Attorney-General?

PRIME MINISTER: I sought the advice from the three persons and I acted in accordance with the advice.

QUESTION: Have you decided that Miss Morosi is not to be employed on any Ministerial staffs and have you and have you issued the appropriate instructions?

PRIME MINISTER: I believe I was asked this at another Press Conference about a fortnight ago. I gather that your question is based on one of the Sydney afternoon papers. It could have been either of them I must confess. Their sense of responsibility

saying that I had issued an instruction in respect of Miss Morosi. I have never mentioned that the suitability of Miss Morosi's employment to any of my Ministers.

QUESTION: You were quoted in some papers this morning as telling Caucus that the Auditor-General is somehow involved in some aspect of the Cairns business and the loans business. Can you tell us the involvement of the Auditor-General, what he is investigating, why

PRIME MINISTER: I didn't see any report in the newspapers to this effect. I don't, what I said in Caucus yesterday was not very fully reported. For very good reason I didn't tell any of you. I didn't give a briefing and I didn't give a conference or an interview to any of you or in any of the Media on the Caucus proceedings. I don't, I'm not intending to.

QUESTION: Can I clear something up - was the Government intending to dodge a refusal of supply by hocking what is called now our national heritage?

PRIME MINISTER: I saw some suggestion of this. This bright idea was never discussed. Nor, of course, having been made in one of the Fairfax papers, was it checked with any of the persons that might be concerned.