"This Shrunken Planet—Earth"

In a speech at Boston in April, Adlai Stevenson, with his singular talent for coining the acutely perceptive and arresting phrase, spoke of "the little shrunken planet, Earth".

Not much more than a century ago, the world, to most people, was a vast, unknown and, in some ways, terrifying place. Only a few knew much about it, or what went on beyond their own little corner. To travel 100 miles was a great adventure. Then, with the advent of the steam train and the steamship, and later the telegraph, the telephone, the motor car, the radio and the aeroplane, the world began to shrink rapidly in size. But these wonderful developments proved to be a mere beginning. In the last two decades we have evolved a form of travel that greatly exceeds the speed of sound; weapons that can leap the oceans to devastate continents; rockets that can propel man hundreds of miles into space and enable him to circle the entire planet in little more than a matter of an hour and to take photographs that embrace a large part of its surface.

The races and nations of the world, whether they like it or not, have become next-door neighbours. Decisions and instructions are relayed to the far corners of the earth in a matter of seconds. What happens in a remote jungle can have immediate repercussions in teeming centres of population thousands of miles distant. "Every shot fired in anger is a shot heard round the world."

The planet Earth can be likened to a journeying spaceship — perilous, dangerous enough in itself, but made infinitely more perilous and dangerous by the fact that the crew and passengers are at loggerheads, vying and disputing with one another over the control of the ship and its destination.
If an intelligent observer from Outer Space were to accept an invitation to join this space-ship, he would, no doubt, wish to get off as soon as possible and return to the safety of his own particular part of the Universe. He would be compelled to conclude that planet Earth was in "one hell of a mess". Wherever he looked he would see the fires of conflict burning and smouldering and threatening to erupt into huge, annihilating conflagrations. Our guest would be appalled at the homicidal, or suicidal, tendencies of the supposedly civilised human species. He might fairly ask: "Have these beings become so tired of life that they wish to destroy life itself?" He would be confused by the paradox of the great advances in the civilised arts and scientific and technical achievement and material welfare on the one hand, and man's abject failure to live in harmony with his own kind and his insane multiplication of weapons capable of obliterating human life, on the other. But his astonishment on this score would find an echo in the dismay and confusion in the hearts and minds of most members of the human race itself.

In these times the ordinary man finds it hard, indeed impossible, to know whether most of the great decisions that affect him so profoundly are right or wrong, wise or foolish. The issues have become so complex, so intricately involved and inter-related, so fraught with dire potentialities, that his reason stands aghast. He is expected to have opinions — and being human, he will have opinions — yet, if he is honest with himself, he will concede that his opinions are necessarily based on a most imperfect knowledge of the facts, and may, therefore, very well be wrong. In this situation, where all seems hopelessly confused, has he any alternative but to give his blind support to the decisions made for him by his leaders, on the fair assumption that they know so much more than he does?

But even the leaders themselves, aided though they be by armies of experts and specialists, cannot be sure that their decisions are the right ones. Not that they can afford to convey even a hint of their uncertainty to those they lead, because that might result in even greater confusion. But the leaders and decision-makers, unlike most of us, cannot indefinitely continue with the debate to find the right answers: they are forced to act. President Johnson may stand before the world
to uphold his policy on Vietnam, but it would be surprising if, in the dark hours of the night, he were not beset by inner doubts and uncertainties. But he cannot afford the luxury of argument without decision. He must choose a course of action, and having chosen it, hope that subsequent events will not prove him wrong. Despite his access to all, or most, of the facts, and to the expert knowledge of his advisers, he has, in the last analysis, "to play his hunches". He is compelled to gamble. How will China react to the continued bombing of North Vietnam? How will Russia react? How will the other Asian countries react? He, and none of us can be sure. Yet these reactions may well determine the fate of the space vessel on which we are all inextricably embarked.

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But human beings like to know where they stand. They seek an Answer and in a situation where answers are so hard to come by, they take refuge in simplification and dogmas. If you simplify an issue sufficiently to the point where you can dogmatise about it, an answer can easily be found. It is not likely to be the right answer, but what does that matter? At least, it resolves doubts and confusions and avoids the agony of further thought.

This tendency to over-simplification, to seek solutions through the dogmas of rigid ideologies, is perhaps the greatest temptation, and menace, of our times. Many see the world as a conflict between opposing and irreconcilable ideologies — between the Free Society on the one hand and Communism on the other: and the only possible outcome to be total victory for one side or the other. The people who take this stand often claim to be the only true realists. In truth, their attitude is the height of unrealism. The one true realism of our times is that we will either somehow learn to live with the Communist States, or we will certainly die with them. We cannot destroy them without destroying ourselves. Equally, the Communist States will have to learn to live with us, because they cannot destroy us without destroying themselves. This is the truth that lies behind the policy of co-existence to which the West is officially committed and to which, we have reason to believe, the major Communist power, Soviet Russia, is becoming committed.
The inflexible ideological approach is unreal also because it ignores the fine nuances and complexities of the world situation in 1965. Those who see the world conflict in the stark terms of Communism versus the Western way of life overlook the fact that Communism, in practice, varies widely in different countries, and that some Communist nations are not overtly hostile to the West, and may even be said to be exhibiting signs of friendliness. There is, today, no solid world Communist bloc, and in truth, the divisions between some of the countries professing Communism are apparently wider, and more unbridgeable, than those separating certain of these countries from the West. Yugoslavia, for instance, is outside the main Communist camp and has generally been on reasonably friendly terms with the West for some years. Poland and Hungary follow policies of co-operation with the West, while Rumania is said to be positively friendly.

The most portentous development in recent years, however, has been the lessening hostility between the two major world powers, the United States and Russia, and even the first faint indications of understanding and of a desire to get along with one another. Most people who have visited Russia or have had anything to do with Russian people have discovered them to be far different from their imaginings. They have been disarmed by their friendliness and have found them to be people, in most respects, very much like ourselves. Senator Fulbright (the Chairman of the Senate Foreign Relations Committee in the United States) in a brilliant article in the New York "Saturday Review", writes, "Our pre-occupation with ideology has partly blinded us to the fact that Communists are human beings with many of the same hopes and fears and sympathies and prejudices that we have. It also makes us forget that Russia, as well as other countries, has a history and traditions that are much older than Communism, and perhaps more influential. We seem to have trouble believing that Brezhnev or Kosygin or Khrushchev could ever have been motivated by national considerations of security, by historical memories of war and invasion, by personal considerations of pride or vanity, or by anything that does not come out of 'Das Kapital' ".

An attitude of mind on the part of the West that regards Russia as an inevitable, irreconcilable enemy is defeatist and
must result in an indefinite prolongation of the arms race and the cold war. We are not today dealing with the Russia of Stalin, with its iron repressions and implacable hostility to the West. Internally, the magnitude of the changes in Russia, both in material well-being and, with the rise of a new, educated younger generation with different outlook and attitudes, has astonished Western observers.Externally, the barriers of suspicion, while still considerable, have been greatly reduced. We are dealing with a new Russia, which, in many respects, bears little resemblance to the Russia of rigid Marxist ideology and which seems to be moving, inexorably, closer to Western economic and social conceptions. This offers a situation, not without promise, or without prospect, that new initiatives in co-operation and peace-making might achieve spectacular results.

The late President Kennedy put forward the idea that the United States and Russia might combine their resources in a great joint endeavour to put a man on the moon. Senator Fulbright has suggested that the United States invite all users of the Panama Canal, including the Soviet Union, to participate in an international consortium to replace the existing canal by constructing a new sea-level canal. President Johnson recently said that the United States was prepared to make available $1000 million for the economic reconstruction of the South-East Asian countries and invited Russia and other nations to add their weight to what could be a vast, co-operative enterprise.

In these directions may lie the promise of a way out of the existing feverish morass and a break-through into a healthier, sunnier climate of international relationships. At least we, on the Western side, should not be daunted by lack of early success in wooing the reluctant and suspicious guests.

In the concluding words of Adlai Stevenson’s Boston address, "This space-ship, Earth, has, in our times, become far too small for bitter divisions or for fighting ideologies. On the Western side, at least, let the debate be of nobler things — of the survival under law of all God’s children, of the raising up, with the aid of modern science, of the hopes and standards of all mankind.

“This is the dialogue that should engage free men in an open society. This is the dedication and truth which, in turn, will help to keep them free”.

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Overseas Investment

For some time an attitude of antagonism to overseas investment in Australia has been building up. The Symposium on Investment in Australia, organised by the Melbourne Stock Exchange last February, rather surprisingly served to exacerbate the growing volume of criticism. It was noticeable that Senator Gorton's admirably reasoned paper on the considerable benefits accruing to Australia from overseas capital was received critically by a not insubstantial number of his audience. Moreover, editorial comment on the Symposium in prominent Australian newspapers revealed a decided tendency to side with the critics rather than the champions of overseas investment.

While it is entirely right that we should be taking a careful analytical look at the economics of foreign capital inflow, it would be regrettable if the analysis were to be clouded and distorted by considerations that have more to do with emotion than with realistic economics. The miracle of development we have achieved in the last decade or two should be bringing with it a growing maturity of outlook rather than a disposition to nationalistic self-assertion.

But, these things apart, it would surely be the height of folly to turn our backs on one of the most important of the factors which have made the miracle possible. For, whatever the critics of overseas investment now contend, it is perfectly certain that, without the great inflow of capital that has nourished the Australian economy since the War, our present industrial stature would be a puny thing compared with the robust dimensions it has assumed. It is no exaggeration to say — and this was forcibly argued by Senator Gorton — that without this overseas capital (amounting in all to around £2,500 million) the great post-war immigration programme would not have been possible. The critics of foreign investment in Australia would do well to pause and reflect on this single, salient fact.

While the expansion of population remains the prime objective of Australian policy, the assistance of overseas capital in large amounts will continue to be indispensable. Yet a strange, new argument has recently made its appearance. This is, that while overseas investment may have been necessary in the two decades since the War, our need for it has now, for some inexplicable reason, suddenly diminished. It has even been suggested that in the not-distant future we will be able to do without it altogether, and, indeed, become a net exporter of capital.

This, surely, is a remarkable contention. Can it be, that, at this point of time, Australia has reached a condition of such size and maturity in its industrial development, that we can go it alone; that we no longer need the financial sustenance that has contributed so much to the healthy growth of the recent past? Are we already beginning to think of ourselves as another United States with the size, power and technical resources to be exporting capital and distributing
largesse to the rest of the world? Those who believe so should cast a glance at the size of the current deficits in our balance of payments over the last decade. They might do well to remember, too, that even the United States was a net importer of capital up to the First World War. The tremendous development of the American economy from the middle of the 19th century to the outbreak of World War I (in this period population grew from 23 million to almost 100 million) was assisted by substantial capital imports, chiefly from Europe. While foreign investors did not buy American industrial securities in significant quantities (most of the investment was in Government bonds and railway stocks) the capital inflow that resulted released American savings to finance industrial development.

The basic economics of overseas investment are very simple but will bear restatement. All countries which aim to develop their economies (and populations) rapidly find that the main stumbling block is a shortage of domestic savings.

A view is sometimes expressed, or implied, that we have ample savings and resources in Australia to finance our own development. This view is fallacious. There is no unused reservoir of savings available within Australia for financing additional investment. Moreover, the idea that we can somehow secure greatly increased savings by appropriate policies or incentives, overlooks the fact that the total of Australian savings in the public and private sectors, as a proportion of national income, is already very high by world standards. Indeed, quite a substantial part of these savings are not the result of voluntary abstinence from consumption, but are in the nature of "forced savings" obtained through taxation.

If taxes were raised further to finance additional investment in the public sector, this would inevitably reduce the sum of voluntary savings available for the private sector of the economy. People become accustomed to an habitual standard of consumption or standard of living to which they tenaciously adhere, and attempts to reduce this standard would, at best, produce additional savings of a marginal character. The volume of domestic savings available for investment thus imposes a limit on the rate at which we can expand. In order, therefore, to overcome this obstacle to rapid expansion we must supplement the savings generated in our own economy with the savings of peoples of countries that have a surplus for investment abroad.

The words "growth" and "development" are little more than synonyms for "investment". A nation grows by increasing its production. Increased production can be obtained by more effective use of existing capital facilities. But the scope for this is necessarily somewhat limited. In the main, therefore, increased production will depend on two things: the replacement of old or outdated capital equipment with modern, more efficient equipment, and the addition of new capital equipment. Both are the products of investment financed out of savings. It is this investment which makes possible both more production from the existing work-force and additional production from an expanding work-force.

The Australia of 1965 is producing in round terms about 50% more in goods and services of all kinds than it produced in 1950. This additional 50% is the result of a 30% increase in the work-force and a 20% increase in output per person employed. The basis of both the increase in productivity per worker and the employment of additional workers has been a total net investment over the period in question of about £16,000.
million. Of this sum, overseas investors have provided around £2,200 million.

The real value of overseas investment to the Australian economy, however, cannot be compressed into simple mathematical aggregates of this kind. A large part of foreign investment goes into those industries which, for one reason or another, would not have been developed without it, or, at best, would have been developed at a much slower pace. There are the industries in which local scientific, technical and managerial know-how is inadequate. The development of the Australian-made motor car and oil refining are good examples. There are the industries in which the prospective rewards may be great, but the risks are of such a magnitude that local capital and enterprise may be reluctant or unable to undertake them. Then there is the kind of development we are seeing in the bauxite and iron ore fields, of paramount importance in a country such as Australia with vast, unexploited natural resources. In these projects, astronomical amounts of capital must be sunk over a period of years before any financial benefits can be realised. Large, wealthy overseas organisations, with international marketing ramifications, are in a much better position to engage in this type of venture than smaller, localised interests with necessarily limited resources.

If they were listed, the contributions of overseas capital to the development of post-war Australia would present a formidable picture. But the critics of overseas investment, by fastening on the drawbacks, or costs, real or imagined, put this picture out of mind. Among the criticisms they advance, two are paramount: first, they deplore the growing cost of servicing the investment through dividends and interest payable abroad and the increased burden they imagine it is placing on the balance of payments. Some even argue that a continued heavy inflow of overseas capital must eventually lead to a major crisis in the balance of payments. They contend that external commitments for dividends and interest must eventually grow to the point where they exceed the yearly intake of new capital investment from abroad, thus imposing a net charge on the balance of payments and making our international solvency dependent on the continued large-scale receipt of overseas capital.

It is, of course, obvious, that over a long enough period, the total of profits remitted abroad must exceed the total value of the capital on which the profits are earned. If the effect of overseas capital on the balance of payments stopped here, it would clearly be adverse.

But the argument is fallacious because it is shallow and half-baked.

Other critics, to their credit, go deeper. They concede that many forms of overseas investment assist the balance of payments by making a direct contribution to exports on the one hand, and to the replacement of imports on the other. Outstanding examples of enterprises in widely different fields which have both these effects are Mt. Isa Mines and the Holden car. The former claims to be the biggest exporting company in Australia and General Motors estimates that it will earn some £10 million in export income in the current year. While some critics of overseas investment concede that it does, in isolated cases, contribute to exports, they contend that the bias of overseas investment has been towards industry catering for the home market rather than for export production. This claim could do with further analysis. Certainly, in recent years, an increased proportion of foreign capital inflow is going into basic resource development which is expected to contribute spectacularly to exports in the years ahead.

But even if it were valid, the claim is perhaps of no great significance. The truth is that it is quite impossible to as-
less at all the effects of overseas investment on external trade. Everything in economics is so interrelated that one cannot isolate one force at work in the economy and calculate its effects. For instance, any investment of foreign capital represents an addition to total savings available. Even a take-over of a local concern by overseas interests will release some savings for investment elsewhere in the economy. These savings may find their way into government bonds used to finance the improvement or extension of facilities, such as new roads in the interior, for transporting beef cattle thereby contributing to an expansion of exports. There may be other beneficial effects from the take-over. Let us assume that it involves a locally-owned concern engaged in food processing. Should the take-over result in improved technologies and efficiency, it will contribute directly and through competition to keeping down the cost of living and, thus, wage costs throughout the economy. The take-over investment may thus, in devious ways, improve Australia's export potential.

The important thing is not only whether overseas investment adds directly to exports, or replaces imports, but whether it contributes to a general strengthening of the economy. Strong, high productivity economies usually have no great difficulties with their balance of payments. It is the weak, ailing, technically backward economies that run into trouble.

It is here, of course, that the benefits of overseas investment are most pronounced. They bring with them new technologies, new products, fresh ideas and approaches, and often highly efficient managements. By competition with established local industries, by association, and by force of example, as well as by their direct contribution in technical knowledge, they help to lift the whole economy to a higher plane of productivity and efficiency.

In discussing the effects of direct American investment in Europe, a report of the Organisation for European Economic Co-operation in 1954 drew attention to these indirect benefits and concluded: "The contribution of such investment to economic progress in Europe may be very large indeed and out of proportion to the amount of money involved in the original investment and ensuing service charges". It is certain that overseas investment in Australia since the War has contributed greatly to strengthening the Australian economy in countless similar ways, but in ways quite incapable of measurement.

The other major criticism of those hostile to overseas investment is that we are, in effect, "selling our birthright". It is argued that Australian industry is in danger of domination by foreign interests and these interests may be more concerned with their own profit than the welfare of the Australian economy.

At least it can be said that Australia with 25% of manufacturing assets owned overseas has still a long way to go before reaching Canada's 60%. At present American direct investments in Australia amount to about $100 per head of population; in Canada to near $650 per head. But, in one sense, it is quite inconceivable that Australia could ever reach such a position, because from the narrow, economic standpoint, Canada is almost a part of the United States. There is, in the nature of things, a special economic, financial and geographic nexus between Canada and the U.S.A. Not only is overseas investment in Canada (and here it contrasts with Australia) predominantly American, Canada's external trade is also, in the main, with the United States.

The extent of American economic influence, it is true, has given rise to widespread concern in Canada. Three or
four years ago many were urging that checks be imposed on the import of American capital. Even at that time, however, there was little disposition to question the immense material benefits which American capital and technology had brought to the Canadian economy. It was widely acknowledged that without this capital and industrial "know-how", the post-war economic progress and development of Canada, and improvement of living standards, would have been very much slower. Canada, was thus caught on the horns of a very uncomfortable dilemma. While deeply concerned at the extent of the intrusion of the United States into her economy, she was forced to concede that the pace of her industrial and resource development would have been seriously retarded without the assistance of American capital, technology and management.

This dilemma still exists, because — and this is significant — the Canadians have been reluctant to take action to resolve it. The massive report of the Canadian Royal Commission on Banking and Finance, published last year, examines the question at some length. Some of its conclusions are of interest in view of recent trends in Australian thinking on the subject:

"While it is beyond our terms of reference to examine all the political and economic issues connected with non-resident ownership of Canadian industries, it should be pointed out that it brings with it important advantages which contribute to domestic employment and economic growth. Among them are the development of our resources, the establishment of new manufacturing enterprises and skills, and the creation of wide markets for our output. This is true also of many take-over bids, which often breathe new vitality into the company concerned. On the other hand the view is expressed that some foreign-owned enterprises do not always give enough emphasis to the appointment of Canadians in top management positions, do not make a sufficient effort to purchase as many Canadian supplies as they economically could, are not allowed to compete in export markets and may be less concerned with maintaining their Canadian operations than those in the home country. Concern is also expressed about the amount of independent research carried out by such firms, many of which have completely Canadian management, extensive research facilities and are vigorously competitive in export markets; some of the others have costs too high to compete in foreign markets and are too small to support major research facilities.

"Our purview is, however, confined to the financial implications and financial policy effects of foreign investment in Canada. As long as this investment is productive and adds to Canadian incomes and wealth, it will give rise neither to serious servicing costs in relation to Canadian earnings nor to misallocation of resources in the Canadian economy. On the contrary, it will accelerate our development and bring closer the day when this country will become on balance a net exporter of capital to other nations.

"We do not look with favour on Canadian legislation which thwarts capital flows for reasons unrelated to our underlying economic need for them. If certain practices of either foreign or domestically-controlled enterprises are found to be harmful, we would prefer that any remedies be directed to the practices themselves and not to investment as such."

These conclusions might be pondered by those who would like to see the introduction in Australia of official controls over capital imports such as legislation to compel an Australian equity in foreign concerns. One altogether extreme, and frightening, proposal which has been made is that no overseas interests should be allowed to establish or expand an industry, without investigation by a body of experts, similar to the Tariff Board. This has only to be mentioned to be rejected.

Any advantages of a non-economic kind—such as those associated with national pride—which might result from an Australian equity in overseas enterprises, would almost certainly be greatly outweighed by the economic disadvantages. The pattern of our external payments has become adjusted to the heavy inflow of capital each year. There is, admittedly, some element of risk in this, but
these are risks we cannot avoid if we wish to pursue development and population growth at high speed. Properly considered, the risks are the risks of rapid growth of which overseas capital is an integral part. Most Australians are prepared to accept these risks in the interests of the great enterprise of national development.

To insist on an Australian equity in foreign capital projects would directly reduce the total yearly inflow of capital. Indirectly, it would carry the danger of discouraging projects that might otherwise have taken place, and thus further reduce the extent of capital inflow. Under the current and prospective state of the balance of payments this could throw an insupportable strain on the external reserves.

There is a further consideration: Australian capital invested in these enterprises, let it be borne in mind, would not carry with it the advantage of Australian control (because it would certainly be a minority interest) but, because of the drain on domestic savings, would reduce the level of purely locally financed investment and development. There may even be doubts, therefore, whether it is wise, particularly in present circumstances, for the Commonwealth Government to endeavour to persuade foreign concerns to make provision for Australian participation in ownership except, perhaps, in certain special cases.

Paradoxically, if the policy of persuasion led to an Australian equity in the great majority of overseas projects, the Commonwealth Government would be seriously embarrassed by the success of its own policy. The reduction in the volume of capital inflow, in this event, could have disastrous effects on the balance of payments and the pace of national development.

The world is entering upon a period of tremendous technical and scientific transition. We cannot even pretend to predict the shape of things to come, but at least it is likely that, within the next two or three decades many of our traditional concepts and ideas about economics and industry will be profoundly altered by what has frequently been described as the "new industrial revolution". We seem to be poised on the brink of a dramatic scientific and technological "break-through". Developments in automation, electronics, computers, in medicine, synthetics, supersonic travel, nuclear and space research, are transforming the world with which we are familiar. Whether we like it or not, the basic research, the pioneering of these new developments and their applications to industrial processes and to everyday living will be carried out, for years to come, in the larger advanced countries, because they alone have the financial resources and the scientific and technical facilities on the scale required.

This would, therefore, seem a singularly inappropriate time for Australia to say, in effect: "Enough is enough; from here on we can do without your assistance and money. We will now go it alone. We are quite capable of developing our own estate". There are exciting times ahead. But, we are not going to participate in them, and travel in step with others along the twentieth century road of technical and scientific progress, by erecting walls around ourselves and by telling the rest of the world to keep out.
The basic philosophy lying behind the introduction of the legislation is, in the Australian context, still open to question. In his speech introducing the Bill, Mr. Snedden argues that the benefits we expect from free enterprise may be endangered by the existence of business practices which seriously threaten or reduce competition. He affirms that for some years business has been conducted on a non-competitive basis in a number of important respects and, surprisingly, that practices restricting competition have become more prevalent since the War. Mr. Snedden claims that during the War businesses became accustomed to non-competitive conditions and, with the withdrawal of war-time government regulations in the post-war years, replaced them by their own privately imposed restraints.

This general argument seems hard to sustain in the light of our experience over the last two decades. In these years it cannot be gainsaid that Australia has enjoyed the greatest period of economic expansion in its history, along with rising living standards and improving community welfare. Productivity has increased at a faster rate than ever before and remarkable gains in efficiency have been achieved in rural and manufacturing industries and in the field of tertiary services,
such as retail distribution. Over this period one could hardly accuse the business community of lacking enterprise in initiating new projects — many of vast scale — and in the modernisation of industrial operations. The Attorney-General's implication that competition has been seriously reduced over the wide range of commercial activity would no doubt occasion wry amusement among the business community where, from so many quarters today, one hears references to the severity of the competitive conditions with which it has to contend.

It cannot, of course, be denied that there are abuses in the conduct of business transactions — many minor, and, no doubt, some major. These abuses arise from the imperfections of human nature and in this regard business is no different from other fields of human activity affecting the economy — notably the trade unions, the professions, public administration or politics itself. The introduction of legislation that singles out business for special treatment would be more understandable if it had its source in a Government whose philosophy led it to be unsympathetic or overtly hostile to business. It is not surprising, therefore, that, even at Cabinet levels, there have been sharp differences of opinion about the wisdom of such a measure. It seems a fair assumption that the Trade Practices Bill had its origin in the strong personal beliefs and cast of mind of Sir Garfield Barwick, the Attorney-General at the time the legislation was first mooted. The previous Attorney-General's attitude toward industrial and trade practices seemed to have had an echo in the rather doctrinaire acceptance of abstract economic conceptions by some of the younger, less experienced members of the governing parties. All this was probably reinforced by the fact that, in the matter of trade practices' legislation, Australia appeared to be the odd man out and the view was no doubt taken that what was good enough for the United Kingdom was good enough for us.

In devising legislation to control business practices two broad approaches are possible: although not necessarily alternatives, a clear distinction should be drawn between them.

The first is to aim at the limited objective of protecting members of the public or the business firm against exploitation or unfair treatment. The second, and much more far-reaching objective, is to attempt to enforce more or less rigorous competition throughout the economy. This is the intention that
lies behind the American Anti-Trust Laws and the British Restrictive Practices Act. The British legislation was introduced quite clearly because of the belief that British industry had become flabby and unenterprising through lack of competition, brought about by the widespread existence of business practices to limit competition. It was thought that efficiency, productivity and innovation were lagging and that costs and prices were much higher than they would be in a vigorous, competitive climate. On the other hand, in some countries, for example, New Zealand, restrictive practices' legislation seems to be based more on the narrower concept of protecting the community against blatant instances of exploitation and practices of a morally reprehensible character.

The Commonwealth Government has, regrettably in our view, adopted the much more ambitious objective of enforcing a much sterner competitive climate throughout the economy.

The strongest support for restrictive practices' legislation comes from those who believe it will promote a more enterprising and progressive economy, a faster rate of growth, and a lower general level of costs and prices. But experience in other countries which possess legislation of this kind, notably the United States and Britain, provides no solid grounds for such an assumption.

It is not widely realised that, after nearly two decades, the restrictive practices' legislation in Britain is still largely in what might be described as an experimental stage. Experts who have examined the impact of the trade laws on the British economy are, almost without exception, reluctant to come to definite conclusions about its broad economic effects. The latest, and perhaps one of the best papers, on the subject, is by Mr. J. B. Heath of Manchester University. Mr. Heath, who supports the principle of restrictive practices' legislation, suggests a number of improvements in the British laws, but, nevertheless, makes the qualification, "I do not believe that amendment to the 1956 Act will be likely to result in any really important contributions to the progressiveness of the British economy, or greatly accelerate its rate of growth". He says that the increase in competition which has resulted from the legislation has so far been less than was expected. After examining the effects in 238 agreements which have been
abandoned as a consequence of the Restrictive Practices Act, Mr. Heath concludes that in two-thirds of the cases, both prices and the degree of competition have been much the same as if the agreements had continued.

Those who imagine that the legislation of this nature will somehow effect a rapid or radical transformation in the Australian economy seem likely to be sadly disillusioned. In the first place, it is obvious that the effects of action to reduce restrictive trade practices must be painfully slow. This is clearly borne out by experience both in the U.S.A. and Britain. In Australia there is the added obstacle of the limited constitutional powers of the Commonwealth Government in this field. To be fully effective the Snedden Bill will depend on the passing of complementary legislation by the States. There is no certainty that this will be done, particularly in the two major industrial States, Victoria and New South Wales.

One of the greatest obstacles to making restrictive practices’ legislation effective is that it is very difficult to close the many gaps by which the intention of the legislature can be voided. Experience with the British legislation has shown that abandonment of formal agreements, as a consequence of adverse rulings by tribunals, frequently leads to their replacement by informal arrangements of various kinds tending to achieve the same result. In view of the special constitutional problem in Australia, the gateways for evasion in this country could probably be much wider even than in Britain.

It is here that restrictive trade laws encounter a fundamental dilemma. The difficulty is to compel people by law to act in ways which they believe to be opposed to their own best interests. Experience in America, under the Anti-Trust Laws, confirms British experience in this regard. Many prominent American economists and lawyers have raised doubts about how far the laws have been effective in enforcing competition.

Furthermore, Australia is in a very different category from the United States and Britain. The Australian economy is small, young, and passing through a crucial stage in its economic development. All this would suggest that we should tread warily before embarking on a field of legislation, the effectiveness of which is still being disputed after so many years by experts in countries that have adopted it. The size of the Australian market is tiny compared with the great con-
tinental markets of the United States and Europe, and small by comparison with Britain. In Australia the important economies of scale are thus more difficult to achieve, and, in many fields, monopolistic or at least semi-monopolistic organisations are unavoidable. In the paper referred to above, Mr. Heath states that one of the main reasons for the spread of restrictive trade agreements has been the need for heavy capital expenditures in many of the basic and important, modern growth industries. It is simply unreal to expect private capital to risk huge sums of money on these ventures without some degree of certainty in the marketing and disposal of products. In a limited home market such as Australia these considerations assume additional force. Attempts to compel increased competition may conflict with the need for achieving such economies of scale as are possible, and the public itself could be the loser.

It must be recognised that in the modern technological age, there must be a fair balance between competition, and stability and security for the individual firm. It is true that competition, by introducing a strong element of uncertainty about the future level of revenues from sales, provides an important stimulus to technical improvement and progress. But it is also true that firms faced with too much uncertainty about their marketing prospects may be unwilling to assume the risks of heavy capital expenditures, of expensive research and development and of long-range planning. These considerations would appear to be of special importance in the Australian setting where the total market is limited in size, and where growth, economic expansion and development, and the exploitation of unused, natural resources are the prime objectives of policy. There are quite enough risks and uncertainties in an economy of this kind without adding to them.

The proposed legislation must enlarge the already substantial area of Government supervision and interference in the economy. There is, undoubtedly, a danger of an element of "busy-bodyness" and of prying into business transactions by people who do not have to bear the risks and responsibilities of enterprise.

In his examination of the British laws, Mr. Heath has commented that the returns to the economy from efforts to diminish labour restrictive practices may be larger than the
returns from further efforts against business practices. “At least,” he says, “the likelihood should be examined.” We think it is unrealistic to suggest that legislative action should be taken against restrictive practices imposed by the trade unions. More can be achieved by co-operation, education and improvement in industrial understanding than by government intervention of a kind that would certainly give rise to bitter labour resentment and unrest. Our opposition to comprehensive laws directed against restrictive practices in business is based on practical considerations of a similar kind. In our view any benefits to the economy which might result from the legislation in its present form are likely to be small, and to be far outweighed by the costs and undoubted difficulties inseparable from its administration.

The arguments we have raised against the proposed legislation do not imply any condonation of the more flagrant business abuses which undoubtedly occur.

So far as possible abuses of this kind should be remedied and the Commonwealth Government would be on unassailable grounds if it confined the legislation to the means by which this can be done. The law on trade practices in Canada and New Zealand is worthy of attention in this regard. In neither of these countries are businessmen required to comply with an unwieldy procedure necessitating the registration of a mass of trade practices covered by the legislation. Action by the Government against a practice originates in a complaint by a member of the public, or in a decision of the authorities concerned with the administration of the laws. Several years ago the New Zealand Government abandoned the system of registration. The New Zealand authorities instead satisfy themselves that a complaint has substance before proceeding against suspected offenders.

No right-thinking person could take exception to legislation which would discourage serious abuses, and provide members of the public and business firms with ready access to machinery for having legitimate grievances rectified. The Commonwealth Government would be well advised to recast the Snedden Bill along the lines required by this more limited approach, and thus avoid the drawbacks — not to say dangers — inherent in an ambitious, and largely impractical, attempt to enforce greater competition in what is already a pretty strongly competitive environment.
Trade Practices Bill

APPENDIX

It is interesting to compare the main differences between the Trade Practices Bill introduced by Mr. Snedden on 19th May and the original Barwick proposals made in December, 1962. They are as follows:

1. The Practices

The Barwick proposals outlawed four practices. These have been reduced to two in the Snedden Bill: collusive tendering and collusive bidding. But a standing agreement to engage in collusive tendering which is subsequently found to be in the public interest may be approved.

The other two practices — persistent price cutting and monopolisation — have been transferred to a list of ‘examinable’ practices.

The Barwick proposals provided for the registration of nine trade practices.

Under the Snedden Bill five categories of agreements are registrable and subject to examination:

(i) Price fixing and terms of sale.
(ii) Concessions in connection with dealing.
(iii) Restrictions as to quality or output.
(iv) Zoning restrictions.
(v) Restrictions as to persons to be dealt with.

There are four practices subject to examination:

(i) Obtaining discriminatory treatment by threat or promise.
(ii) Supplying goods on the condition that the purchaser deal with a third person.
(iii) Trade association boycotts.
(iv) Monopolisation, i.e., the taking of an improper advantage of a dominant position in the market. “Dominant position” is taken to mean not less than one-third of the market.

The Snedden Bill does not apply to vertical restrictive practices (i.e., those from manufacturer to distributor) as distinct from the horizontal type between ostensible competitors.

The Snedden Bill abandons specific action against resale price maintenance as such, unless it is part of a multilateral agreement or a monopolistic practice. Membership of trade associations, and mergers and takeovers, are no longer registrable.

2. Administration

Under the Snedden Bill the administrative machinery is simplified.

(a) The Barwick proposals provided for compulsory registration of nine defined trade practices. These practices were then to be considered by a Commission of Laymen with a Registrar in each State to determine whether they should be challenged before a Tribunal composed of Judges and part-time laymen with prac-
tical business experience. All trade practices were to be examined and prohibited if against the public interest. There was no right of appeal.

(b) The Snedden plan is for compulsory registration of a narrower list of practices. The administration is to be comprised of:

(i) A Commissioner of Trade Practices who shall examine agreements and practices to see whether they are contrary to the public interest. The Commissioner is substituted for the Commission of Laymen under the Barwick scheme. The Commissioner shall not institute proceedings unless he has first consulted the parties concerned. The object of these consultations is to give the parties the opportunity of modifying or abandoning practices which may be against the public interest.

(ii) A Tribunal consisting of a barrister or solicitor as Chairman, and full-time, non-legal members appointed for their experience in industry, commerce and public administration. It will be the only body to examine agreements and practices, and to determine whether they are in the public interest. There is now a right of appeal to a Review Division of the Tribunal. However, the grounds of appeal are restricted to —

(a) inconsistency with a previous determination, or
(b) the matter being of such importance that reconsideration is desirable in the public interest, or
(c) a material error of law has occurred.

3. Gateways

The 14 "gateways" under the Barwick proposals by which restrictive trade practices might be accepted have been virtually abandoned. Instead the Tribunal is to take into account:

(i) the interests of consumers, employers, employees, producers, distributors, importers, exporters, proprietors and investors.

(ii) The needs and interests of small businesses.

(iii) The proportion of new enterprises.

(iv) The need to achieve efficient production and distribution methods as will best meet the requirements of domestic and overseas markets.

(v) The ability of Australian producers and exporters to compete overseas.

4. Onus of Proof

Under the Snedden Bill, there is no specific "onus of proof" requirement.

Under the Barwick proposals it was up to the trader to establish that a practice was not opposed to the public interest.
Scientific Research

Is Australia Spending Enough?

There is an uneasy, and growing, feeling that Australia does not spend enough on scientific research.

Industry, in particular, is frequently accused of not being sufficiently "research conscious", and of leaning too heavily on the technological "know-how" and developments of overseas companies. A survey of 75 leading Australian companies made several years ago by two staff members of the Commonwealth Scientific and Industrial Research Organization revealed that the great majority were either subsidiaries of overseas concerns "producing last year's models", or locally-owned firms importing "know-how". In neither group was there the desire, nor the necessity, to employ research and development staff commensurate with the size and nature of the companies concerned.

The feeling that Australia is lagging in research — not altogether a new one — has been intensified by the realisation that we are living in a time of bewildering scientific achievement and technical change. A recent United Nations' report claimed that more changes have been produced by science and technology in the last two decades than in the whole of man's previous existence. Not without good grounds, we are said to be on the verge of a new "industrial revolution". Nuclear fission, supersonic flight, space research and exploration, automation and electronics, the development of synthetics and plastics, the new "wonder drugs" of medical science, are transforming man's physical environment and material prospects, and consequently his attitudes to life and the world around him. The scale of scientific research has been lifted to a new dimension, not only in Russia and the United States, striving to outdo one another in space and the development of nuclear weapons, but in other large, industrially advanced countries. The output of trained scientists from universities and technical institutions has multiplied many times in recent years; even so, the demand, stimulated by the fear of losing out in the scientific race, is for more and more.

This year America alone will spend $20,000 million on research and development: a sum exceeding Australia's total national expenditure. This compares with only $3,000 million in 1951. In proportion to gross national product, the United States is spending three times as much on research as in the early 1950's, and five times as much as before the War. While the greater part of this expenditure will be devoted to rocketry and weapons research, at least $5,000 million will be spent by American industry in developing new products and improving productive techniques. (In
1953 the comparable figure was $2,200 million.)

Where does Australia stand in all this? With her small population and limited resources, she cannot hope to rival, even remotely, the giants of the new scientific and technical age. Does this mean that we must inevitably lose ground in industry and other fields certain to be profoundly affected by the discoveries, products and vast prospects of large-scale scientific and technical research? Is there anything we should do or, more pertinently, can do about it?

It is perhaps disturbingly indicative of a lack of public interest in scientific research that Australia is one of the few countries that does not publish an official estimate of annual expenditure on research. A C.S.I.R.O. estimate submitted to the United Nations' Economic and Social Council suggests that the total was in the vicinity of £54 million in 1962/3. How does this compare with other countries? Figures compiled by the Organisation for Economic Co-operation and Development show the following trends in research expenditures, as a percentage of GNP, since 1950. (The Australian figures are from other sources.)

**Gross National Expenditure on Research and Development as a Percentage of Gross National Product**

<table>
<thead>
<tr>
<th></th>
<th>1950</th>
<th>1956</th>
<th>1962</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>1.0</td>
<td>2.2</td>
<td>3.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.8</td>
<td>1.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Canada</td>
<td>n/a</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Australia</td>
<td>0.4</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>France</td>
<td>n/a</td>
<td>n/a</td>
<td>1.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>n/a</td>
<td>n/a</td>
<td>1.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.3</td>
<td>0.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Japan</td>
<td>n/a</td>
<td>0.6</td>
<td>1.5</td>
</tr>
<tr>
<td>India</td>
<td>n/a</td>
<td>0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>

There are a number of reasons for Australia's apparently poor showing in research expenditure. The most obvious are our reliance on the United States and Britain for much of our industrial technology, and the massive defence effort of these two countries with heavy emphasis on research. About half of British and American research, including that in industry, is for defence. Another reason is that scientific research in many fields demands large numbers of trained specialists and expensive facilities that only the bigger and wealthier countries can provide. Even Britain has found that she can no longer go it alone on some major projects, because of the astronomical expenditures involved: for example, missile and aeronautical research.

Similarly, in private industry, research is largely the prerogative of the wealthiest and largest firms. For example, in the United States only 340 firms, employing over 5000 or more people, account for about 85% of research expenditures by American industry. In Britain, 335 firms, employing 2000 or more people, contributed over 90% to the total of industrial research expenditure. In Australia, barely a score of industrial companies could muster a payroll exceeding 5000 employees. The late Dr. Bastow, a former member of the Executive of C.S.I.R.O., once stated that there were perhaps only half a dozen independent Australian companies big enough to justify a laboratory of a size that has come to be accepted as necessary for first-class research. Returns from research can be long delayed. About half of all American companies do not expect research to pay off with a commercially saleable product for at least four years. Barely one in five new products is commercially successful and only the large, diversified corporation can meet this burden. Dupont's took over a decade of research, and the investment of $27 million, before it achieved the commercial production of nylon.
Research is also heavily concentrated in the so-called "growth" industries. Aircraft and missiles, electrical equipment and communications, and chemicals and allied products account for 70% of research expenditures in American industry; research on food products only 1%. The "growth" industries are mainly those in which major technical innovation takes place as a result of new scientific discoveries. Examples are the exploitation of the transistor by the electronics industry and the discovery of such new materials as polyethylene by the chemical industry. The oldest model in a leading American catalogue of automatic office equipment was launched only 3 or 4 years ago, and the pharmaceutical industry estimates that 60% of its sales and 75% of its profits come from products developed within the last 5 years.

With few exceptions, the "growth" industries in Australia are either controlled by large overseas concerns or bound to them by licensing agreements. In both cases the benefits of research are imported. In Britain and the United States, more than half of the great volume of research done in company laboratories is financed by the Government. In 1960 the American aircraft industry spent 22.5% of net sales on research and development, but 88% of the funds were provided by the Federal Government, and only 12% by the aircraft companies themselves. Government support for private industrial research in Australia is negligible. For this and other reasons, company industrial research constitutes less than 1% of GNP, compared with 1% in the United States and nearly 4% in the United Kingdom.

A survey by the Australian Institute of Engineers shows that Australian industry, on the average, spends barely one-third of 1% of sales on research and development, compared with 1½% in Britain and 2% in the United States. It is plainly quite unreal to expect Australian industry, with its relatively small and dispersed plants, often the off-shoots of parent companies overseas, to attain the levels of Britain and the United States in research. In the opinion of some experts, Australia's main problem is not so much a deficiency of scientific research as a shortage of industrial innovators to utilise the ultimate findings in industry. Innovation is the actual adaptation and application to industry of possibilities opened up by scientific research and invention, whether of local or overseas origin. The development of the ore flotation process at Broken Hill and the utilisation of Australian hardwoods for paper pulp are two of the outstanding examples in Australia of innovation by the scientist-cum-businessman.

The appointment of more able men with scientific and technical qualifications to the higher levels of direction and management of Australian industry is highly desirable. The application of scientific discoveries and knowledge to industrial processes depends, to some extent, on the "cast of mind" of boards of directors and top management, and a stronger representation of men of a technical bent would undoubtedly help greatly in this regard.

In order to keep abreast of overseas developments, Australian industry has no alternative but to import "know-how" on a large scale. Even the larger countries are quick to take advantage of research results achieved abroad and have no hesitation in purchasing "know-how" from one another. After all, no country has a monopoly of brain power. But this does not mean that Australian industry should not strive for a greater degree of self-reliance in research and development. The effort will demand enterprise, patience and faith, but it is part of the whole process of "growing up" industrially and, if neglected, will be to our serious detriment in the years ahead.
In the field of government research
Australia ranks high. As a percentage
of GNP, government laboratories spend
1 1/2% on research in Australia, just under
3% in the United States and 1% in
Britain. Apart from C.S.I.R.O., the major
Commonwealth Government laboratories
are in the Department of Supply rocket and aeronautical research
divisions, the Atomic Energy Commis-
sion, the Department of Health and the
Bureaux of Mineral Resources, Timber
and Forestry and Meteorology.

Despite our limited overall research
expenditures, Australia has achieved
world renown in several special fields of
research. The work of Sir Macfarlane
Burnet in virus diseases and immunology
at the Walter & Eliza Hall Institute of
Medical Research is an outstanding case
in point. The C.S.I.R.O., established
only in 1926, has returned to the Aus-
tralian community many times the £100
million which it has invested in this body
over the last 40 years. The virtual
elimination of the prickly pear with the
cacto-blastus, and the rabbit with myxo-
morhosis, are only two of the great ben-
efits it has helped to contribute to the
national economy.

C.S.I.R.O. has a staff of 1500 scien-
tists and is spending about £15 million
a year. Of this, £11 million comes from
the Commonwealth Treasury, £2 1/2 mil-
on from the Wool Research Trust Fund
and the balance from industry, founda-
tions and sundry sources. The Treasury
grant was expended as follows:

<table>
<thead>
<tr>
<th>Research into—</th>
<th>£ million</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>4.0</td>
<td>36.6</td>
</tr>
<tr>
<td>Processing Agricultural Products</td>
<td>1.1</td>
<td>9.7</td>
</tr>
<tr>
<td>Chemicals</td>
<td>0.9</td>
<td>8.1</td>
</tr>
<tr>
<td>Minerals and Coal</td>
<td>0.7</td>
<td>6.8</td>
</tr>
<tr>
<td>Fishing</td>
<td>0.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Secondary Industries</td>
<td>2.5</td>
<td>23.4</td>
</tr>
<tr>
<td>All Other Services and Administration</td>
<td>1.3</td>
<td>12.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.8</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

About one-third of C.S.I.R.O.'s total ex-
penditure is devoted to basic research
and the balance to applied research in
agriculture and industry. Some hundreds
of C.S.I.R.O. discoveries have been
patented (for example, the "Si-ro-set"
process for permanently creasing wool-
len cloth) and licensed to a wide range
of industrial firms.

No country, and certainly not Aus-
tralia, has unlimited resources for re-
search. It is important, therefore, that
the resources available should be applied
in the directions that can produce the
greatest economic and social benefits.
This, in turn, largely depends upon the
pattern and structure of the economy of
the particular country concerned. It does
not necessarily follow that the extent or
pattern of research expenditure in one
country is necessarily right for another.

The basic structure of the Australian
economy is clearly quite different from
that of the British or American econo-
 mies. The life-blood of the British
economy lies in its ability to compete on
export markets with the products of its
manufacturing industries. The health
and growth of the Australian economy
are hitched to the exploitation of its vast
natural resources and to a few major pri-
mary products. The spectacular growth
of manufacturing in recent years does
not alter this fundamental fact. Indeed,
the continued rapid expansion of the
manufacturing sector of the economy is
likely to depend on our success in ex-
ploring newly discovered primary re-
sources and in the maintenance and ex-
pansion of our traditional exports. This
may suggest that whereas the emphasis
of British research must naturally be in
the highly developed manufacturing in-
dustries, in Australia we should concen-
trate our research effort in the primary
resource fields which are most vital to
the sustained growth and health of the
economy. All this is not to say that
there should not be much more emphasis
on research and development in the rapidly growing manufacturing sector of the economy.

Most countries provide some tax inducements to firms undertaking research. For example, under new proposals introduced in the Canadian 1965 Budget, a grant will be made equal to 25% of certain expenditures on scientific research or development carried out by a business, either directly by its own staff or by contract with others in Canada.

The Manufacturing Industries Advisory Council has pressed for greater tax concessions for research expenditures in Australia. The time has arrived when the Commonwealth Government should heed these representations and give strong inducements to industry to undertake more research on its own behalf.

One problem at the moment is that there are just not enough highly trained people in Australia available to do research. Australia has 1.7 scientists and engineers per 1000 of population, against 2.6 for the United Kingdom, 4.6 for the United States and 6.5 for the U.S.S.R. With the serious shortage of high quality research workers, it is far better to concentrate our efforts rather than spread them out too thinly. The present policy of carrying out most of the nation’s research in a few large laboratories operated by Governments and private industry could well be the one most advantageous to the economy, and offering the best prospects of substantial returns. This is not to play down the vital role that research by the smaller firm frequently performs in raising the technical level of its staff and management. Research must be encouraged at all levels if industry is to take practical advantage of the basic findings of C.S.I.R.O. and the larger organisations in Australia and overseas.

There would appear to be a great deal of merit in the suggestion of Professor Baxter, Chairman of the Atomic Energy Commission, for a national directorate of research in Australia to advise on the broad priorities of the nation’s research effort. In Professor Baxter's view the directorate should comprise 7 or 8 men having wide experience in research and development, economics, government and industry. In the Australian context, the channelling of research expenditure into the fields likely to bring the greatest returns to the national economy would appear to be supremely important.
Developing
Australia's
Tourist Industry

by

R. D. PIESSE,
LL.B., B.A., Dip.Ed.

Mr. R. D. Piesse was a lawyer and school teacher before he joined the
Australian National Travel Association in 1955. For four years he was
Associate Editor of "Walkabout". From 1959-62 he was ANTA's re-
presentative in San Francisco and he is now Director of Travel Develop-
ment. Mr. Piesse is well qualified to write about the rapid expansion of
Tourism in this affluent era.

TOURISM is the biggest single indus-
try and one of the fastest-growing
activities in the world today.
The volume and monetary value of
this industry are staggering. More than
105 million foreign tourist arrivals were
recorded throughout the world in 1964.
This represents an increase of 15% over
1963, when 91 million arrivals were re-
ported. The value of tourism is greater
than that of the entire international
trade in wheat, or the total turnover of
such international giants as Britain's
I.C.I. or America's I.B.M.

Few people really comprehend what
the growth of travel means in human
terms. Gavin Lyall, a former air corres-
pondent of the London "Sunday Times",
writing in The Observer (March 28,
1965), gives a dramatic picture of the
"Battle-of-the-Atlantic" travel situation:
"On the afternoon of Wednesday, July
21, 1965 (arbitrarily chosen for heavy
traffic), 56 planes and 13 ships will
be on or over the Atlantic ... (And)
at any moment of the day or night ...
two dozen communities, adding
up to some 25,000 people, are steam-
ing or flying steadily east or west
across the Atlantic."

This means that, in the air above, on
an average spread throughout the day
and night, this works out (although not
in operational fact) at one jet flight every
25 minutes going in either direction at an airspeed of roughly ten miles per minute!

International tourist spendings attributable to travel abroad are estimated to have risen to more than $10 billions, an increase of 13% over 1963. This is the first time that both international visitor arrivals and receipts have passed the hundred million and ten billion marks respectively.

VOLUME AND VALUE OF INTERNATIONAL TOURISM, 1964

The figures for the main world areas, based on a conservative estimate of the world's international tourist movement made by the International Union of Official Travel Organizations, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Arrivals (millions)</th>
<th>Receipts (millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>77.0</td>
<td>6000</td>
</tr>
<tr>
<td>North America</td>
<td>19.0</td>
<td>1700</td>
</tr>
<tr>
<td>Latin America</td>
<td>4.0</td>
<td>1500</td>
</tr>
<tr>
<td>Asia and Australasia</td>
<td>2.0</td>
<td>600</td>
</tr>
<tr>
<td>Middle East</td>
<td>2.1</td>
<td>180</td>
</tr>
<tr>
<td>Africa</td>
<td>1.6</td>
<td>250</td>
</tr>
</tbody>
</table>

N.B.—These arrival and receipt figures only relate to travel abroad and exclude movements of persons and markets attributable to domestic tourism, which amounts to hundreds of millions of people and billions of dollars.

In Italy, Austria and Spain foreign tourism earns more than any single export. In Hawaii the visitor industry is second only to the military. In Britain it ranks fourth among earnings of overseas currencies, in South Africa fifth, in New Zealand and Yugoslavia sixth, and in Australia it is estimated to rank seventh among export-earning industries.

ECONOMIC IMPORTANCE OF THE VISITOR INDUSTRY AS AN EXPORT-EARNER

Exports which ranked ahead of tourism in 1963 are shown in the following table:

1. Wool            £481 million
2. Wheat and Flour  203,,
3. Meats            122,,
4. Sugar            78,,
5. Sheepskins       37,,
6. Lead             33,,
7. Tourism         32.6,,

The United States is by far the main reservoir of international travellers. Americans spent more than $3,000 million abroad in 1963, in which year, for the first time, over 1,000,000 went to Europe. So many Americans have now gone abroad that it is no longer much of a status symbol to have done so. But there are other potentially great reservoirs of travellers. West Germany has developed into one and Japan could, in time, follow — to Australia's great advantage. Rising standards of living in the post War period have led to a great increase in tourist expenditure.

During the 1951-63 period, an increase of $1 billion of disposable income in the United States has been associated, on the average, with an increase of about $12 million in foreign travel expenditures. Stating this relationship differently, an increase of 10 per cent in disposable personal income has resulted in nearly
20 per cent increase in foreign travel expenditures.

Among its striking advantages, tourism —

- depletes no natural resources, using commodities which are almost without exception produced locally;

- creates employment (it is calculated that not less than 5% of Europe's labour force earns its livelihood in tourism), being especially suited to providing gainful occupation for older or retired persons as guides, attendants, tour conductors, etc.;

- stimulates, by its multiplier effect, other economic activity.

- greatly increases, by attracting industrialists and other "key people" on vacation, the prospect of foreign investment; and last, but by no means least, it

- generates tax revenues.

It has been calculated by Checchi & Co., a Washington firm of economic analysts, that governments obtain 10% or more of the gross expenditures by tourists in the form of taxes and other revenues.

For these reasons particularly, it is usually an ideal industry for a developing country, especially as the needed skills are easily acquired.

With the Nineteenth Century came the beginnings of mass travel. For the first time in history long-distance transportation was industrially mass-produced. It could be sold — as Thomas Cook, the first travel agent and real pioneer in the making and marketing of conducted tours, found — to lots of people, and it could be sold at a comparatively cheap price. Necessarily it had to be sold in large quantities. And so foreign travel spread into the middle-class and became democratized. It was by now another mass-promoted and mass-transported commercial product, the aggregate of many interlocking, skilled personal services. In the process the travel experience, although still a very worthwhile one, has itself been transformed and diluted. Adventure could now be woven around "images" and sold in "packages" — inclusive price tours.

All this was immeasurably hastened along by the post-World War II transportation revolution. New ocean liners shortened travelling time considerably, but began either to cut out ports of call or time spent in port wherever possible. Most of all, air travel became faster, safer and cheaper. The beginning of the Jet Age in 1960, with magnificent aeroplanes carrying over 100 passengers at speeds approximating 600 miles per hour, suddenly shrunk the world in half, in terms of time and distance.

The number of international tourist destinations doubled by 1948, tripled by 1962 and is still growing. Cruising became a tremendous activity on both sides of the Atlantic. And even in remote areas, modern facilities reached even higher standards.

The Australian National Travel Association (ANTA), the official organization for the promotion of travel to Australia, was established in 1929 as a consequence of a recommendation by the Development and Migration Commission.

Throughout the pre-War and post-War decade, Australia was considered by many people to be both too distant and too costly to compete successfully for a share of visitor traffic. We had to wait until the 'sixties until the introduction of the "jets" and the sharp rise in living standards, particularly in Western
countries led to a great increase in demand for international travel.

In 1964 Australia attracted over 165,000 visitors. This was over twice the total of five years ago. In round figures, some 50,000 were New Zealanders, and about 20,000 were from the United States and about the same number from the United Kingdom. The ANTA estimates that international visitors spent about £29 million in 1964. This excludes Australia’s earnings from international fare payments, amounting to approximately £6 million, bringing the total income from the overseas visitor industry to about £35 million.

ANTA estimates that Australia will be receiving 300,000 visitors by 1970. This appears not at all unreasonable on a number of grounds. For instance, the Boeing Aircraft Corporation has forecast dramatic passenger traffic increases on the major intercontinental routes from 8 million passengers in 1961 to 15 million in 1965, 23 million in 1970 and 31 million in 1975. In short, Boeing’s projection forecasts a doubling of the intercontinental air traffic in the ten years from 1965 to 1975.

Although a considerable number of services share in visitor spendings, the main categories are as follows:

<table>
<thead>
<tr>
<th>HOW THE INTERNATIONAL TOURIST SPENDS HIS £</th>
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<tr>
<td>On —</td>
</tr>
<tr>
<td>Australia*</td>
</tr>
<tr>
<td>United States†</td>
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<tr>
<td>%</td>
</tr>
<tr>
<td>Accommodation (inc. hotel restaurants)</td>
</tr>
<tr>
<td>Meals (non-hotel restaurants)</td>
</tr>
<tr>
<td>Entertainment</td>
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<tr>
<td>Shopping</td>
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<tr>
<td>Tours</td>
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<tr>
<td>Transport</td>
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*From Survey of Overseas visitors in Australia conducted for ANTA, 1962-63.
†American Hotel Association assessment.

The greater part of promotion of Australia is undertaken by ANTA, directly and, to a much less extent, through an area-promotion body, the Pacific Area Travel Association. Some destination promotion is also undertaken by shipping and air-line companies, and joint ANTA-carrier advertising and publicity efforts are increasing.

ANTA’s budget in 1964-65 for its travel promotion activities had grown to a total of £480,000 of which £350,000 (about 73%) came from the Commonwealth Government and £130,000 came from other sources, including State Governments. This budget is a small fraction of the total of £70 million being spent by all countries on tourist promotion. ANTA’s budget sustains overseas offices in London, San Francisco, New York and Auckland; limited advertising campaigns in all these markets; the production of publicity material for distribution free to potential visitors around the world; a series of seminars for the travel trade abroad; and little else. It allows for limited market research, but not for expansion into potential new market areas such as Japan (where ANTA recently sent a market research Mission), South Africa and parts of South America.
While interest in Australia has undoubtedly increased and her accommodation and internal transport capacity have improved tremendously, travel promotion has been difficult because air fares to the South Pacific have remained high. For instance, there is still no economy fare from North America, and Australia is at a decided disadvantage for "round the world" travel, vis-a-vis the Northern Hemisphere route.

Other areas have, generally speaking, become cheaper to reach and competition for visitor traffic more intense. There has also been a great expansion in business activity in many countries. This, combined with intense world-wide business competition, has stimulated the flow of international business travellers. In our age when trade no longer follows the flag but rather the traveller (as the energetic Japanese salesmen are illustrating), the importance of lowering the cost of getting to and from Australia, even as a trade developmental incentive, cannot be over-emphasised if Australia is to gain new investment and industries from abroad, open up new trade partnerships, or maintain and build on its precarious new export footholds.

The relationship between promotion (judged by ANTA budgets only), the growth of visitor intake and estimated visitor spendings, is shown by this table.

<table>
<thead>
<tr>
<th>Total Budget</th>
<th>Estimated Direct Spendings by Visitors</th>
<th>Total Number of Visitors</th>
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<tbody>
<tr>
<td>1962/63 340,469</td>
<td>1963 26.6 &quot; 1964 29 &quot;</td>
<td></td>
</tr>
<tr>
<td>1963/64 411,275</td>
<td>1964 29 &quot;</td>
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</tbody>
</table>

Despite this growth, it is still true to say, as did the Bank of New South Wales "Review" (February, 1965) that:

"At present (tourism) is, relatively speaking, an under-developed industry in Australia. In relation to total receipts for foreign trade, which in 1963/64 were in the order of £1,400 million, tourism's contribution ... was a very minor one. Great scope obviously exists for a substantial increase in the amount of foreign exchange which the tourist industry can contribute to the overall balance of payments."

There is still disagreement among Australians as to what are the main attractions of their country for visitors. The tourist is seeking the distinctive character of Australia — whatever we have to offer (whether it is of particular interest to us or not) which is unique or different to his own surroundings and way of life, or those of other regions such as Europe, with which he may already be fairly familiar. Blatant attempts to ape the place-names of Florida, the designs of Las Vegas or the music of modern Hawaii strike him as curious and even irritating. Certainly he (and particularly she) may well be interested in some aspects of our cities, such as any outstanding architecture or design (as in Canberra); Australian houses and their gardens (as in Perth or Sydney's North Shore suburbs); art and the better museum collections (given sufficient time to absorb them properly). Especially is this so if these aspects are properly unfolded to him.
Australia's Big Five specific visitor attractions at present are undoubtedly the Great Barrier Reef, the Canberra-Snowy Mountains Scheme area, the outback, the climate and, of course, Sydney (with Tasmania and Perth each also important according to the country of origin and direction of the visitor's tour).

People everywhere are interested in other people, and research evidence points conclusively to the Australian people and their "way of life" as being the outstanding attraction of any in Australia, once visitors have been there. Furthermore, there is clearly an unfilled desire on the part of many tourists, who now leave our shores feeling they have missed out somehow on what Australia has to offer. Many want to see not only outback scenery but also view (and even examine) sheep on a sheep station and meet typical people who run it; or to see exhibitions of various Australian skills such as shearing, boomerang-throwing, sheep-dog trials, and life-saving drill.

These considerations point to the desirability of Australia launching people-to-people-type programmes such as operate successfully in other countries. In particular, the needs of the overseas visitor underline the following potential features of every Australian tour:

- the desirability of a Home-Host Scheme in all major cities (Perth has just launched the first — a Visitor Introduction Service);
- the development of an Australian-style outdoor entertainment in a typical bush setting which would include a really first-class folk museum.

The latter would provide a means by which the features of our annual Royal Shows, of various fauna and flora reserves and of our growing "crop" of folk museums can be woven into the one "piece of Australia" for the benefit of visitors and Australians alike. California, Canada, Sweden and Denmark have very successful attractions of this type.

It will be noted that there is a differing emphasis required as between the traditional needs and interests of domestic tourists and overseas visitors. Overseas visitors, being necessarily much smaller in numbers, generally speaking, must be fitted into the pattern of tours, etc., which have already been established for Australians. But, if there is difficulty in catering for both at present, this cannot be regarded complacently if the increase in our visitor traffic is to be sustained. Promotion alone cannot be expected to achieve this. The produce, measured in terms of visitor satisfaction with his Australian facilities and experiences, must be good.

Accommodation generally, restaurants (at least in the capital cities), sightseeing equipment and many of the major roads in south-eastern Australia are recognised as having improved greatly in the last eight or ten years. But there is still much to be done in a host of directions including, for instance, the recognition and introduction of proper training facilities and courses for hotel staff, chauffeur-guides, and for park rangers (to cite three areas of visitor satisfaction).

To achieve the sort of visitor attractions Australia deserves to have for its guests, so as to bring out fully the "personality" of Australia and its people in
the eyes of the world, is going to need vision, "know-how" and remodelled internal organisation to enable special handling arrangements for visitor traffic. All this falls constitutionally within the responsibilities of the six States and two Territories as well as our tourist industry operators and entrepreneurs — a fact which in itself presents tremendous problems of communication and co-ordination.

Although the Commonwealth Government greatly increased its grants to ANTA for travel promotion, the attitude of governments to the tourist industry throughout most of the 'fifties was one of indecision. Even now there would seem to be a difference of opinion between certain senior departments, with the Commonwealth Treasury tending towards the view that, in a situation of full employment of labour and capital resources, the development of the tourist industry is not a priority need.

There appear to have been two primary reasons why governments vacillated between encouraging and not encouraging overseas tourists to visit this country.

First, there were — and still are — contradictory opinions as to the true amount of foreign exchange earnings which the visitor industry brings to Australia (the balance-of-payments figure for spendings by visitors is much less than ANTA and industry estimates).

Second, Australia has hitherto lacked any plan for the future development of the tourist industry. (The first Tourist Industry Development Survey is currently being completed by two New York firms brought to Australia in 1964 by ANTA on behalf of the Commonwealth and State Governments.) In the government sector, this has meant that there has been no top-level co-ordination of the policies of the various Federal Government departments. Thus, decisions on a wide variety of matters (such as entry/exit formalities and customs; international air fares and charters; fostering of international exchanges falling within social tourism and youth tourism; trade publicity and promotion of convention business; and many more) appear to have been made, or the issues even bypassed, with scarcely a passing thought for their effect on the encouragement of tourism.

No country seeking to build a strong tourism to its shores can afford to lack a clear-cut and overall government policy which recognises its full economic and external implications.

Without a doubt the cultural and diplomatic implications of tourism for Australia are an even greater prize than its economic returns. The Prime Minister himself has stated that "nothing could be more remarkable than the impact on the ordinary mind of a visit to another country and of moving around even for a few days or a few weeks among other people . . . ."

While a very large part of the pleasure travel market has consisted of older people, say over 50, who have the desire, time and means to travel, there is a rapidly developing and large market abroad for students and teachers, not only because of their interest in seeing the world but also as part of organised educational programmes between countries.

Australia urgently needs, and many thinking citizens are ready to give their support to, government - encouraged social tourism and youth tourism. Under such schemes, not merely a hundred or so university students might go to nearby Asian countries each year and a couple of Japanese groups come here as part of a cruise, as at present. We need schemes backed by employers, universities, newspapers, industry and community organisations such as Rotary and the Junior
Chamber of Commerce. What a dividend would result if thousands of Australians in the 18-40 age group could be encouraged to go to South-East Asia, the United States, South America and elsewhere for educational tours of one type or another, with a reciprocal flow of government-assisted groups from our neighbour countries to Australia! Such schemes, however, can never succeed without a top-level lead (as President Kennedy gave to the U.S. Peace Corps) and an integrated policy in which departments such as Treasury, Prime Minister's, External Affairs and Civil Aviation, as well as ANTA, play their part.

Australia is still only “at the opening verse of the opening chapter” of its history in international tourism. It has a tremendous opportunity not only to earn more urgently needed foreign-exchange but to win understanding and friendship around both the Old and the New World. This it needs increasingly. But with the vision, initiative and the will-to-win we have shown we possess in other developmental fields, plus the willingness to learn from the experience of other countries, we can create our own unique “quality of tourism”. And the country will be in many ways richer for having done so.