



MR. YEEND
EMBARGO: AGAINST DELIVERY
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PRIME MINISTER

FOR MEDIA

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AUSTRALIAN MINING INDUSTRY COUNCIL

It is a great pleasure to be addressing the Australian Mining Industry Council tonight. As you know there is a national strike of certain transport workers. It is having a serious effect on Australian industry. The irresponsibility of the Transport Workers' Union leadership which is prepared to cut off essential food supplies to the cities knows no bounds. As a result of their action the Department of Industrial Relations is preparing a case to go before the Federal Court for deregistration of the Union.

The trade union leaders seem incapable of grasping the fact that they and their members are part of the community that they are injuring by their actions. There are processes by which the Union's case can be properly heard. The Government will not tolerate -- the community will not tolerate -- the situation in which as a first step in the bargaining process trade unions inconvenience and harm the public -- in this case including hospital patients, families, and small children.

There is no way that a trade union leadership can prevail against the resolution of Government and the determination of citizens. But it's an ill wind that doesn't blow some good. The strike also restricts the mobility of politicians. They cannot attend as many speaking engagements. Fortunately, your meeting was in Canberra and I still remember how to drive. I am happy that I made it and can speak to you at a time when economic and business conditions are improving.

We have had to negotiate a difficult path to reach this point. In any complex economy there is a long lead time between initiating correct economic policies and their producing the desired results. We have had to deal with Labor's economic legacy and overcome it. This has taken effort and determination but now many people can see that our policies are working.

No doubt you would like me to tell you what the future holds -- which reminds me of the qualifications required of an economist. It is the ability to foretell what will happen tomorrow, next month, next year, and to explain afterward why it did not happen. What has happened is that the Government has set the conditions for economic recovery in Australia and business is taking advantage of this.

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Confidence in our country's growth prospects has increased with the release of major economic surveys. The February Metal Trades Industry survey found three quarters of the respondents expecting improvement in general business and employment conditions in 1979. The March Confederation of Australian Industry and the Bank of New South Wales survey found a majority of respondents predicting an improvement in the general business situation. Your own Council survey suggests that mining companies expect to increase their investment in 1979 by 32 percent, and this is on top of an increase of 51 percent in 1978.

A succession of economic statistics show that this confidence is well based. The National Accounts released on Thursday show that real GDP in the December Quarter 1978 was 5.5 percent above the previous December Quarter and real non-farm GDP grew by 4.3 percent for the same period. While the National Account figures are always subject to revision, this result is the best for a long time. It confirms the thrust of economic surveys, and the general mood of confidence.

The growth in GDP for 1978-79 is expected to be the highest for some years. Private investment grew by 24 percent in 1978 and remains at a high level. A number of industries are reporting that order books are filling up. Moreover, BHP's sales within Australia rose 17 percent in the six months to November 1978.

As a result of our sales tax reductions and the introduction of world class models, the motor vehicle industry is showing signs of renewed strength with February registrations seasonally adjusted growing by 13 percent over January.

The February seasonally adjusted private new dwelling approvals were 14 percent higher than in February 1978. Our rural industries are having their best year for a very long time. Company profits are rising and a number of major companies have reported increases in interim after tax profits of over 20 percent.

Australia is now more competitive than it has been for seven years. Australian industries are again a force to be reckoned with here and abroad. In the three months ended February 1979, total exports seasonally adjusted were 13 percent higher than in the previous three months.

In the employment area, seasonally adjusted civilian employment has increased for each of the last seven months - the first time this has occurred for five years and seasonally adjusted overtime and vacancies are rising.

Our policies have brought inflation down dramatically. Under our predecessors it was 17.5 percent in the year to March 1975. It is now about 8 percent. We are determined to maintain the policies that have made this progress possible. We will keep up the fight against inflation.

We will maintain the policy of expenditure restraint. We will continue to keep the growth of the money supply within sensible bounds, which will allow the economy to grow in real terms while continuing to bear down on inflation. We will continue to argue in the strongest possible terms for wage restraint.

Because of our policies, business can look to the future with confidence and plan with certainty. Steady responsible economic management and good long-term prospects for Australia are important for all businesses. They are crucial for the mining industry where planning horizons are long, and financial requirements large.

Bearing in mind the economic disarray that we faced on coming to office, the progress that has been made over the last three years is outstanding. We have put behind us Labor's policies and Australia's development is going ahead again. By June we expect capital expenditure in resource development projects to have approximately doubled in two years.

On the trade scene there is a much brighter outlook for metal prices and markets. New markets are emerging for our iron ore and coking coal. The expanding markets in the Asian region -- such as Korea -- are particularly promising. The modernisation and expansion of the steel industry in China has opened up an important new market for Australian iron ore. This is good news for Australia because mining is a vital sector of our economy. In 1969-70 mining accounted for less than 30 percent of our exports. Today mining accounts for nearly 40 percent of Australia's export earnings.

The Government has provided special incentives to the mining and petroleum industries because we are confident in your future. These include the extension of tax-depreciable capital expenditure to cover port development, increases in depreciation rates for transportation facilities and accelerated depreciation for allowable capital expenditure on mine or oil field development. Mining companies are, of course, also eligible for the investment allowance.

To assist the industry, and to help State Governments finance infrastructure, we supported the Loan Council decision giving State Government instrumentalities improved access to Australian and overseas funds. The first infrastructure financing arrangements will amount to more than \$1.7 billion. It will support projects such as the \$700 million Worsley alumina project in Western Australia and the \$620 million coal loading project at Hay Point in Queensland. These projects are only some of the new mining and mineral processing developments in Australia. The impressive list of new announcements includes the \$500 million Gladstone aluminium smelter, the \$200 million Wagerup alumina project and the Ranger and Narbalek uranium projects. It is the Government's policy to encourage developments such as the Gladstone aluminium smelter which involve further domestic processing of our resources. The realities of economics put Australia increasingly in a strong position to process minerals.

We are an energy rich nation. We are about 70 percent self-sufficient in crude oil. We have extensive resources of coal suitable for power generation, for energy use and for export. We have substantial reserves of natural gas and our reserves of uranium are of world rank. We have appropriate energy policies designed to encourage the search for and development of our energy resources, as well as ensuring that these scarce resources are not squandered.

Of particular importance in this context is our crude oil pricing policy. For some years oil in Australia was priced at an unrealistically low level. The Commonwealth's policy of bringing oil prices to world parity will serve the Government's fundamental energy objectives of encouraging the exploration and development of our oil resources, greater economies in the use of energy, further use of alternatives to oil, and intensive research in the development of alternatives to oil.

Some countries have attempted to insulate their economies from movements in international oil prices. This has resulted in them using an excessive amount of the world's energy. It cannot stave off the necessity of adjusting to the reality of international oil prices. It can only make the inevitable adjustment more painful. Our policies in relation to LP gas support our oil policies. We give a continuing preferential excise concession to LPG as against motor spirit. To provide a substantial incentive to producers to expand their markets we have also removed the price of naturally occurring LPG from the ambit of the Prices Justification Tribunal.

Another aspect of our energy policy relates to research and development. This year the Government has made available \$15 million for a specific energy research and development programme. This amount is over and above that provided through normal funding to such bodies as the CSIRO, the Atomic Energy Commission and the Bureau of Mineral Resources.

The Government has established the National Energy Research Development and Demonstration Council to help co-ordinate energy research in Australia and to advise the Government on research developments in Australia and overseas. The Government has also established a coal research programme, financed by a levy of 5 cents per tonne of coal production. As this programme develops in coming years the returns to industry from its activities should be substantial, for instance by deriving alternative uses for coal.

Our oil policies in conjunction with our taxation and investment incentives have seen a large addition to our known reserves and a substantial increase in exploration activity. Australia's oil reserves have been upgraded by over 600 million barrels which constitutes about three years additional supply at current levels of consumption.

Oil exploration activity is at a high and rising level. According to industry estimates between 83 and 143 exploration wells could be drilled in 1979. Even the lower end of this forecast would constitute the best result for seven years. Esso and BHP are committed to investing over \$1,000 million in exploration and development activity over the next five years. By 1985 it is estimated that 30 percent of Australia's crude oil production will be derived from fields which have become directly viable as a result of our energy policies and incentives. This revival is of obvious importance if we are to maintain an appropriate level of self-sufficiency towards the turn of the century.

Recent events in Iran and the associated disruption in the world's oil supplies, combined with last week's announcement in Geneva of a 9.1 percent rise in official OPEC prices, have again underlined the importance of the Government's energy policies. Our comparative advantage in energy will be of immense advantage to Australian miners -- an advantage which will increase with every passing year.

We are a favoured country for international investment because of our resources, because of our valuable energy supplies and our labour force, and as importantly because we have a stable political climate. This is of crucial importance in developing confidence and the predictability that is essential to successful economic enterprise. Our political stability creates confidence in Australia as a reliable economic partner.

Recent developments in Asia, the Middle East, and Africa have underlined the importance of political stability and have highlighted the risks and uncertainties that have become a characteristic of the present international scene. The strategic environment is changing rapidly and some of the world's most resource rich regions have become the focus of political instability, throwing into doubt the access to resources by the world's industrialised nations.

In a world troubled by instability and uncertainty and with political upheaval and turmoil in many of the world's potential resource producing countries, Australia has a major role to play. We must make the most of the opportunities which are now emerging.

The economic outlook for Australia is promising. The Commonwealth's firm and successful policies have been essential to achieving this, but no less important is the fact that there are companies with vision, companies which realise that our resource rich nation has the potential to assume a far more important role in world trade. Only the private sector can develop our resources. No Government initiative can replace the private sector's vital role. We have provided a stable and certain framework within which companies can operate. We look to Australian enterprises to succeed in this favourable environment.