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PRIME MINISTER

CHECK AGAINST DELIVERY

**SPEECH BY THE PRIME MINISTER
LAUNCHING OF IRON ORE INDUSTRY CONSULTATIVE COUNCIL
KARRATHA - 11 AUGUST 1984**

Today we are formally launching a new mechanism for consultation amongst unions, business and Governments involved in the Pilbara region's great iron ore industry.

We are doing this at a time when the iron ore industry is facing the opportunity of a return to strong growth after a decade of stagnation and several years of decline.

These new opportunities for growth will be fully realised only if all of us involved in the industry's future work together.

The new Consultative Council will help us to work together effectively.

It will help us to achieve for this industry and this region what Australians are seeking to achieve throughout our economy and society.

And our success here depends on the same considerations as those which will determine our success in lifting our national economic performance : on the effective employment of our human and natural resources in their most productive uses; on our application of the world's best technology, sometimes by developing new technology ourselves, and sometimes by absorbing it from abroad; on high levels of investment from home and abroad; on our making effective use of opportunities for profitable international trade, especially in our Western Pacific region where economies are expanding more rapidly than any in the world; and above all on our working together - Commonwealth and State Governments, unions, and business - working together to find solutions to the problems which inevitably arise in the pursuit of growth.

In our free society, we cannot expect people to accept the strains and costs of change and growth unless the benefits of growth are shared equitably. This requires fair taxation and social security arrangements and strong growth in employment.

The approach to these issues that emerged from the Summit, built around the Prices and Incomes Accord between the Australian Labor Party and the Australian trade union movement, has been bearing impressive fruit for the national economy.

During the financial year that has just ended, we have seen the fastest growth in total production since national accounts have been compiled in Australia; the greatest growth in employment in our history, with 234,000 new jobs being created within the year; and the lowest rate of consumer price increases for over a decade, even after the exclusion of the effects of Medicare.

The successful operation of the Prices and Incomes Accord promises continued strong growth in output and employment and continued progress in reducing inflation in the year ahead. Our coming Budget has been framed with a view to making the most of these possibilities.

These national efforts must be supported by special efforts in every region and industry.

And from the iron ore industry in the Pilbara we look for an especially important contribution.

Your industry was hit even more severely than others by the recession which dragged Australia down in the early 1980's. The industry was damaged by the combination of adverse international market conditions with conflict and underperformance at home. Over a number of years the result was a declining share of static or declining markets. Inevitably this led to declining and increasingly insecure employment, inadequate profitability, low investment and pessimism in the Australian industry.

Already this outlook is changing, partly as a result of what we have been able to do together.

The steel industry in the world, in our region and in Australia is recovering more rapidly than anyone expected a year ago. A more co-operative industrial relations environment over the last ten months has improved our competitiveness and enhanced our reputation as a reliable supplier.

After years of stagnation and decline, it is possible that we will achieve higher levels of production and export in 1984 than ever before.

At home, the outlook for the domestic steel industry - for production, investment, security of employment and profitability - has improved dramatically within the framework of the steel industry plan which we announced a year ago. This plan, as generously recognised in B.H.P.'s national advertising a couple of weeks ago, demonstrates what can be achieved by co-operation amongst unions, management, and State and Commonwealth Governments.

Abroad, the outlook is still dominated by conditions in our major market, Japan. Economic recovery in Japan is being accompanied by increased steel production, from last year's depressed 97 million tonnes, possibly to around 105 million tonnes this year.

Just as importantly for us, recently we have been securing a higher share of the Japanese market - in the June quarter a little over 50 per cent, the highest for many years.

When I was in Japan early this year, Prime Minister Nakasone assured me that Australia's position as a supplier to the Japanese market would be maintained so long as we remained a competitive and reliable supplier. In Japan, to Mr Nakasone and his Ministers as well as to business, I stressed the increased efforts that Australians were making to resolve conflict through co-operation rather than confrontation and the effect that this would have on our competitiveness and our reliability as a supplier. My own representations have been supported by the greatly improved state of industrial relations in the nation, where the statistics have been showing consistently the lowest proportions of time lost in industrial disputes since monthly data were first collected in 1970, and by an improved industrial relations environment in this region.

Similarly, we have done well from the strong recent growth in South Korean production of steel and use of iron ore. It became clear in my visit to South Korea in February, that perceptions of Australia as an unreliable supplier had been severely damaging our interests. Our improved performance over the last ten months has been having its effects, but we must build on this over long periods if we are to realise fully the potential of this market.

There has been impressive progress in our trade with China since February, when Premier Zhao and I established the Australia-China Iron and Steel Industry Joint Study Group. Already contracts have been signed for increased sales of iron ore from the Pilbara. Yesterday the Deputy Prime Minister and Minister for Trade, Lionel Bowen, signed on behalf of Australia an agreement with China for technical cooperation on iron and steel.

This treaty will provide a framework for close co-operation across a wide range of activities in the iron and steel industries : trade in steel-making raw materials, including iron ore; joint ventures between Australian and Chinese interests in iron ore making and steel production; trade in processed iron and steel; and mutual technical assistance in iron and steel production.

Last night's agreement between the CRA group and China on the feasibility study for the Channar deposit, could lead to the first new mine development in the Pilbara since the first decade of export-oriented expansion that ended in the early 1970's. The co-operation between China and Australia at Channar, which would create large numbers of jobs both in the construction and production phases, symbolises the new opportunities open to us if we work together to strengthen our competitive position.

The continuation of strong economic growth in the ASEAN countries and the beginnings of recovery in Europe are also opening new opportunities. The Australian industry has done particularly well recently in sales to the Federal Republic of Germany. In these new, and in the case of Europe distant, markets, it is even more crucial that we strengthen our competitive position.

The impressive early development of our mines was on a large scale and this coupled with our high grade ore were factors which initially enabled us to enter the Japanese market so successfully.

The industry was responsible for the creation of large modern social and industrial infrastructure, which helped to attract the workforce of 8000 into the Pilbara.

To maintain its present competitive position the industry is conscious that it needs to concentrate on quality control and reduction in operating costs including the entrenchment of the present good industrial relations. The recent deepening of the ports at Dampier and Cape Lambert and the letting of contracts for deepening at Port Hedland will allow ships up to 270,000 DWT capacity to load, thus significantly upgrading all three ports and leading to further efficiency gains.

The benefits of increased sales of iron ore are already being felt by people in the Pilbara. After a period of job insecurity, in which there was no confidence even that apprentices trained in the industry would find secure employment, new jobs have been appearing. Since the beginning of the year, major producers have increased employment up to 5 per cent.

While we are undoubtedly facing exciting new prospects for expansion, we should be under no illusions about the highly competitive environment in which we are working.

Prospective growth in Asian markets is as attractive to our largest competitors, particularly Brazil and India, as it is to us.

Brazil is developing enormous new reserves of iron ore at Carajas in the Amazon basin. These reserves are being developed particularly for the Japanese market. When ore shipments commence around this time next year they will greatly increase the total supply of iron ore available to the Japanese.

India is also making determined efforts to regain some of the market share they have lost in Japan over the last 15 years. The Indian Government is reported to be willing to undertake the investment necessary to make India a competitive and dependable supplier of iron ore.

The benefits of strong growth in the industry to all its participants cannot be over-stated.

Only an expanding, profitable industry can provide secure employment.

Only an expanding, profitable industry can provide employment within the region for the children of the industry's workers. These are becoming more important with increases in the proportion of the population of these towns that has lived here long enough for their children to be seeking work in the Pilbara.

Only an expanding, profitable industry can support the improvements in conditions over time to which workers aspire.

The achievement of increased investment and production in the iron ore industry, as in the national economy as a whole, requires successful action on many fronts.

Underpinning the whole effort must be co-operative industrial relations, based on shared perspectives about the industry and its prospects.

For several years now I have felt a sense of tragedy that we have too often dissipated our great opportunities as a nation in fruitless, counter-productive disputation between the great elements of our industrial structure.

This feeling on my part has not been associated with the equally fruitless process of blame-allocation; but rather a sense of frustration that these great elements have not grasped an essential truth i.e. that their legitimate aspirations on the one hand for improved standards and on the other for improved profitability should not be seen as mutually antagonistic, but more likely of mutual achievement through co-operation rather than confrontation.

I emphasise that in the iron ore industry, as in the national economy, co-operative industrial relations does not mean that any party must abandon its essential interests.

Indeed, as I have said, the workers' essential interests in secure and expanding employment, at high standards which improve over time, and investors' legitimate interests in earning satisfactory profits, can be realised efficiently only through such co-operation.

I believe that when all parties have a clear understanding of the economic constraints under which they are operating, many disputes can be avoided at the same time as both workers and management realise more of their own aims.

No-one pretends that the unhappy history of industrial relations in this region will be corrected overnight with the establishment of this Council.

Problems will arise, and some will be difficult to solve. But they can be fewer and less damaging than in the past.

Some earlier Australian Governments have seen narrow political advantage in blaming one side in industrial relations problems, and in exaggerating the impact of these problems on our nation's reliability as a supplier.

This exaggeration for narrow political purposes has in itself damaged the iron ore industry and the Australian national interest.

But while deploring these distortions of the past, our eyes should be open to the real damage that has been done by industrial instability. An improved capacity to resolve conflict without disruption of production would have a large and positive impact on the growth of production and employment.

We should not limit our ambitions in this industry to expansion of our traditional role as a supplier of unprocessed raw materials to international markets. There is substantial growth potential - some of it in the Pilbara - in further processing.

We have unique natural advantages in the processing of iron ore, through the presence here of exceptionally high quality deposits of the energy resources which are complementary to our iron ore in steel-making.

There are good long-term prospects for us to establish a major place for ourselves in international markets for processed iron and crude steel.

But here, even more than in iron ore production, there is a premium on high productivity, competitiveness and supply reliability.

Unlike mining, iron processing can be located either at the market or at the source of the raw material, depending on relative costs of production at the two locations, as well as transport costs.

The strong productivity gains in Australian steel-making so far under the Steel Industry Plan are an important first step towards improving the competitive position of iron and steel making in Australia.

But we must not confine ourselves to thinking about traditional iron and steel-making technologies.

It may be that the proximity here in the Pilbara of exceptionally rich deposits of natural gas and iron ore will provide an avenue into internationally competitive iron processing using direct reduction techniques.

It may be that the best possibilities will emerge at the frontier of steel-making technology, for example through the techniques of direct reduction from coal which have been a focus of research and development investment by one Australian company, CRA.

Superior natural resources, application of the world's best technology, co-operative relations between unions, management and Governments, and an effective trade policy linked productively to domestic industry policy, are the keys to future expansion of iron processing, as they are to expanded sales of iron ore.

We have given high priority to the trade policy requirements of expansion in processing and other manufacturing industries. The building of confidence in bilateral economic relationships is of great importance, and an important part of my visit to Northeast and Southeast Asia earlier this year was directed to this end.

Australia's efforts to promote regional co-operation in a new round of multilateral trade negotiations seek to establish international trading rules which allow our most productive industries to compete on equal terms with those of other countries.

The domestic industry policy requirements are varied and complex. Much depends on our maintaining a general environment of interest rates, exchange rates and costs that is conducive to high levels of investment. But successful macro-economic management - which will be advanced significantly in the coming Budget - is not enough on its own.

Taxation policy must be conducive to the encouragement of productive investment. Aspects of this - for example questions of depreciation provisions within the corporate income tax - have been the subject of discussions within the Economic Planning Advisory Council and the Manufacturing Industry Council in recent months.

Community discussion and analysis of these issues has not yet proceeded far enough for clear positions on what is required to emerge, but these are clearly major issues on the agenda of industry policy. Expansion of our own internationally competitive production obviously requires acceptance in Australia of expansion of other countries' most productive industries and willingness to accept gradual structural adjustment at home.

As is clear from our approach to the steel and motor vehicle industries, the Government sees policy in these areas as properly requiring close consultation and co-operation amongst interested parties.

In all of these areas, we as a nation must have clear long-term objectives. We must seek to overcome the impediments to internationally competitive processing in Australia in time to take advantage of opportunities for investment that will arise as growth and structural change removes the current over-hang of world processing capacity later in this decade.

Let me say that I believe that the fundamental elements already exist in the iron ore industry, and potentially in the processing industries, for the strong expansion of production and employment based on this region's rich iron ore resources. It is in the cultivation and enhancement of these essential elements that the Iron Ore Consultative Council will prove to be most beneficial.

In providing a forum for wide ranging discussions of matters affecting the iron ore industry, the workings of the Council should contribute to improved understanding between the parties of their respective problems and aspirations, thereby fostering the continuation of a good industrial relations climate in the industry. It will take some time to develop the full potential of this process, and success will depend a great deal upon the members establishing mutual respect for each others points of view.

Whilst it is not intended that the Council will displace the traditional rights of the parties to the industrial relations system, it is anticipated that improved communication between those involved in the industry will bring about a more co-operative approach to solving problems.

The establishment of the Council has been the result of considerable efforts by many individuals and groups. It is a credit to those individuals that we are here today in a spirit of goodwill to witness the commencement of the Council. I would particularly like to thank Senator Cook, as my personal representative, for his consistent work on my behalf in working to establish the Council.

I wish it every success for the future, for the sake of people working in the iron ore industry, of the people living in the Pilbara, and of the whole Australian community.
