



# PRIME MINISTER

EMBARGOED UNTIL DELIVERY

CHECK AGAINST DELIVERY

AUSTRALIAN MINING INDUSTRY COUNCIL ANNUAL DINNER  
CANBERRA - 7 MAY 1987

Ladies and gentlemen,

Within a relatively short time we will be celebrating our Bicentenary. Undoubtedly this will be an occasion of great enjoyment. But the Bicentenary also offers the opportunity for serious reflection - about our national achievements over our first two hundred years and about the national challenges that await us in the future.

It is important as we approach the Bicentenary that we make use of this opportunity. For we meet tonight in a period of great challenge and of great opportunity - for the nation as a whole and, certainly, for the mining industry in particular.

If together we prove we are capable of meeting that challenge and exploiting that opportunity, we will move into Australia's second two hundred years as a competitive, productive nation able to provide jobs for its people and exports for its region and the world.

If however we fail, Australia risks being left behind by the world, weighed down with an imbalanced economy whose capacity to provide jobs and security for our people has fallen permanently below its potential.

The theme of this seminar is "Mining - Still the Backbone of Australia".

As a description of the current position, that assertion is incontrovertible in economic as well as geological terms.

Mineral and metal exports now account for about half of Australia's total merchandise export earnings. In other words, your industry makes an indispensable contribution to underpinning the living standards of the Australian people.

International commodity markets are, however, weak, including the markets of most of the minerals Australia exports. The continued overcapacity on world markets in recent years and the resultant depressed prices are problems that most commentators agree are likely to persist into the 1990s, despite the important exceptions of gold, mineral sands and diamonds.

And our major resource buyer, Japan, is facing enormous pressure to restructure its economy following the strong appreciation of the yen. That is having a harmful impact on Japan's capacity to buy Australian mineral products.

The mining industry has reacted with great determination to those difficult circumstances.

However the assertion that mining is still the backbone of Australia must not become a self-satisfied description of an assured future.

If the industry is to remain the nation's economic backbone it must continue determinedly to confront an unfavourable trading environment. Further, the industry must play a central role in the process of massive restructuring which the Australian economy is undergoing - a process which will change forever many of the economic assumptions on which Australia relied during its long easy decades of commodity-based wealth.

Clearly that is a long term strategy. At its most basic, it must involve a willingness to seek out and to take advantage of all the opportunities our economy and our region offers.

It also requires the mining industry to expand and diversify its market base. Both traditional raw materials processing and the exploitation of high technology to manufacture new materials must increasingly supplement the export of unprocessed minerals. The Government has recently asked the Basic Metals Industry Council to review policies to promote the processing of minerals and metals within Australia.

It is in this sense that your industry, far from being a spent force, is what Gareth Evans describes as a bridge to the future.

The Federal Government is determined, within the realities of the international commodities market, to create the best possible macro-economic environment so as, among other things, to allow the mining industry to achieve this transformation.

Principal among these policies is the task of economic reconstruction facing Australia.

The slump in Australia's terms of trade meant that a temporary reduction in domestic living standards was necessary, and that the task of economic restructuring had to be thoroughly addressed after decades of neglect by conservative governments.

I outlined this task in my Address to the Nation last June. No-one would have been more acutely aware of the dimensions of the task than you who earn your livelihood in the mining industry.

The Government took steps to reduce inflation and preserve international competitiveness; to dampen growth of domestic demand to facilitate increased net exports and lower domestic expenditure; to increase domestic savings; and to encourage the development and manufacture of new products, employing the talents of our skilled workforce and capable of finding new export markets.

Tight fiscal and monetary policy and continued wage moderation were necessary to achieve our policy objectives.

There can be little doubt that these policies are producing the desired results.

As we predicted in the last Budget, the slowing in the economy then evident was short lived. The December quarter saw a return to strong growth in Gross Domestic Product with an increase of 1.1 per cent.

Latest estimates of the 1986-87 current account deficit are of the order of \$1 billion less than the Budget forecast of \$14 $\frac{3}{4}$  billion.

Moreover net exports are expected to contribute substantially more to growth than the 1 $\frac{1}{4}$  percentage points forecast at Budget time.

Weaker than forecast consumption growth - a desirable development in present circumstances - has also greatly assisted this turnaround in the current account.

It should be noted that interpreting the current account trend over the coming months is likely to become more difficult as the seasonal increase in the deficit begins to inflate the monthly statistics.

However the underlying improvement in the current account is now well established and is expected to continue in 1987-88.

As for GDP growth overall, it appears likely to be rather weaker for 1986-87 as a whole than we forecast at Budget time, essentially because of the slower growth of consumption.

Employment growth has however exceeded our expectations.

In the six months to April, employment grew by 1.4 per cent. This means just over 100,000 new jobs, bringing the total number of jobs created under my Government to over 780,000 - the highest rate of employment growth in our post-war history.

More than any other statistic, this robust employment growth demonstrates the underlying strength of the economy and the success of the Government's economic policies.

It demonstrates too that we are making progress in achieving our social goals.

We are and we remain committed to the creation of a fairer and more compassionate society - and no better solution exists to poverty than the creation of jobs.

We can confidently expect inflation to decline over the course of the coming year or so, given continued wage restraint and currency stability.

Interest rates, which have been high for some time, have begun to decline. This is partly in anticipation of further responsible fiscal measures and lower inflation, partly because of the progressive reduction in our current account, and partly because of greater overseas interest in \$A assets.

We are determined to preserve and build upon these gains.

Our commitment to that goal will be reaffirmed in next week's May Statement and in the Premiers' Conference later in May.

There is always a danger at a time like this of unrealistic expectations being created. But those who would set impossible targets for this, or for any Government, must be able to answer this question: how should we balance our economic responsibilities with our responsibility for the poor and the disadvantaged?

This Government has a proud record of being able to strike the right balance - and we will do so again on Wednesday night.

The May Statement will reinforce the Commonwealth's efforts to cut public sector demand and reduce our national need to borrow abroad to finance domestic expenditure.

But we cannot do the job by ourselves. The reality is that the total Public Sector Borrowing Requirement must decline as a share of GDP - and not simply the Commonwealth's share of it. The States will be required to play their part.

Wage moderation will also continue to be a crucial element of our economic management.

The new two tier wages system is designed to continue the wage restraint which has seen a 6 per cent fall in real unit labour costs since we came to Government.

But it can only do so if each party is prepared to play its part constructively and within both the letter and the spirit of the Commission's principles.

Productivity offsets are central to the operation of the second tier. I am aware of many instances in this industry in which workers and management have co-operated for their mutual benefit to raise productivity and to preserve competitiveness.

The new two tier structure provides a further opportunity to secure increased productivity at all levels of the enterprise, from pit-face to desk top.

We remain committed to the centralised wage fixing system. But we are also determined to make whatever sensible reforms are necessary to ensure it remains a relevant and useful element of the Government's economic policy.

The Government will next week be introducing into Parliament a new Industrial Relations Bill based on the Hancock Inquiry which will contain a number of reforms to enhance the centralised system.

On the matter of sanctions, I can assure you that the new legislation will ensure the effective operation of the industrial relations system, and will include appropriate penalty provisions and means of redress.

I am sure that when they have studied it both unions and employers will generally recognise the inherent good sense and equity of the new Bill.

Having discussed the macroeconomic environment, let me now turn to some matters of specific relevance to the mining industry.

We recognise that State taxes and charges on the industry are in urgent need of rationalisation. The Federal Government favours the application of profit-related taxes rather than the more inefficient production-based ones.

The Resource Rent Tax for the petroleum industry, which is currently before the Senate, provides a good balance between on the one hand providing an appropriate incentive for exploration and, on the other, protecting the community's interests in obtaining a fair share of the profits derived from the exploitation of a non-renewable resource.

Let me add that after a review of the taxation arrangements for the gold mining industry, we decided not to remove its current income tax exemption so as to encourage exploration and development and to maximise production and export income.

The NSW Government recently introduced some welcome relief for the coal industry but other State charges - Queensland's rail freight charges being a particular case in point - are in need of further examination.

My government also has a very positive record in terms of eliminating unnecessary regulatory burdens on the industry.

We have given particularly close attention to reducing export controls. Where they no longer serve useful purposes, we are reducing them. In September last year I announced some major changes in this area.

The controls on coal, bauxite and alumina, and crude oil surplus to domestic needs were substantially streamlined or relaxed. The controls on tungsten were terminated.

In addition to these very significant reforms, we have also established a Business Regulation Review Unit which imposes strict disciplines upon the Government to scrutinise carefully the costs and benefits of all proposed regulations. A special Sub-Committee of Cabinet has been formed to consider a number of areas in which action could be taken to reduce impediments to trade competitiveness.

We are also taking steps to reduce controls on foreign investment.

Last week Paul Keating announced further changes to foreign investment policy. These will remove Foreign Investment Review Board control over proposals for takeovers of businesses with total assets of less than \$5 million. Takeovers within a number of industries, including resource processing, will now be approved unless they are judged contrary to the national interest.

Ladies and gentlemen,

I opened this evening by talking of the challenge which faces your industry and the nation as a whole.

So far I have addressed issues which go to the economic aspects of Government policy. But I would not want it thought that I see the challenge as relating purely to dollar issues, or the contribution to the nation by the mining industry as being purely an economic one.

The truth is - as AMIC recognises - that the mining industry has a vital role to play in the determination of social issues in Australia.

At a time when the nation urgently needs export income, there is a clear cost incurred from not exploring or developing a particular mineral deposit.

But in some instances the social cost of proceeding with a project is too high - particularly in terms of its effects on the environment or on Aboriginal interests.

To fully meet the challenge of our future we need to strive together to balance the legitimate interests of all parties, so as to maximise mineral exploration and development in this country while being sensitive at the same time to environmental and Aboriginal interests.

For my part, I firmly believe economic development is compatible with the environmentally sound management of Australia's resources.

Some recent decisions by the Government illustrate the way in which we have found that balance.

In the case of the Shelburne Bay sandmining proposal, the Government concluded that as the project would not be of major economic importance, the economic and commercial advantages flowing from it were insufficient to offset the adverse impact on the environment of the Cape York peninsula.

In the case of the Stage 3 extension of Kakadu National Park the Government has also struck a balance between its considerable Aboriginal and environmental sensitivity and its high mineral prospectivity.

A basis for mineral exploration in the Kakadu Conservation Zone is currently being developed. The Government remains unequivocally opposed to mining in Stages 1 and 2 and the remainder of Stage 3 which, apart from uranium, are not considered to be areas of high mineral prospectivity. Our policy on uranium remains unchanged.

The Government is also aware of the mining industry's concern about the implications of areas being listed on the Register of the National Estate.

However, concerns that listing on the National Estate will necessarily result in the permanent locking up of the resources in an area are misplaced. Listing on the Register is not in itself incompatible with development proposals. It does however serve the useful purpose of focussing attention on the broader environmental and heritage issues involved.

As for issues of Aboriginal land rights, I know Gareth Evans outlined to you today the details of the Government's proposed new legislation covering exploration and mining on Aboriginal land in the Northern Territory.

Gareth introduced the new Bill into the Senate this evening and I don't want to dwell on the specifics of it at present.

I do however wish to draw out a very important principle from it.

What we have seen has been an outstandingly successful process of negotiation which has reached a proper and honourable consensus.

The legislation demonstrates that conflicting interests on sensitive development issues can be balanced to the satisfaction of all parties. What is needed to achieve that balance - and what was present at all stages of this matter - is genuine and committed consultation and negotiations by the parties involved.

I was personally involved in discussions with representatives of the Land Councils and put to them what we proposed. I also arranged for them to meet Gareth Evans, Clyde Holding and a committee of MPs to discuss the proposal further.

The consensus that was reached reaffirms two principles: the ability of aboriginal land owners to protect their land, if they wish, from any developmental intrusion; and the desirability, in the national interest, of facilitating and maximising mining activity.

We reached that goal without confrontation and without acrimony and, indeed, with unanimity.

The commitment to the process of consultation which this process displayed has been a hallmark of our government over the last four years.

It is my hope that future issues will be able to be resolved with a comparable spirit of co-operation.

For make no mistake, we will face difficult decisions as we confront the economic challenge ahead of us.

But this government has a clear strategy to meet that challenge.

That strategy has four elements:

We will continue to restructure the economy.

We will continue to govern with fairness and compassion.

We will continue to provide stability and strength in government.

And we will continue to govern for the long-term future even at the expense of copping some of the flak for decisions which do not please everyone along the way.

I know that this is the final day of Sir Bruce Watson's presidency of AMIC. Let me take this opportunity to thank him for his work and to express my best wishes to Mark Rayner of Comalco who is taking Sir Bruce's place. I look forward, and I can speak on behalf of all Ministers who will deal with AMIC, to a continued constructive relationship.

Within the framework of that strategy, and with your assistance, Australia will emerge with renewed competitiveness and renewed confidence for a productive and prosperous future.

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