

AUSTRALIAN MINING INDUSTRY COUNCIL
THIRD ANNUAL DINNER
Canberra, ACT



9 MARCH 1970

Speech by the Prime Minister, Mr John Gorton

Mr. President, Parliamentary Colleagues, Distinguished Guests and Ladies and Gentlemen :

Thank you, Sir, for your introduction and for the generous way in which you and the people in this room have honoured the toast to your guests. I appreciate what you have said. I am sure my fellow guests appreciate it too, and if through the press of affairs, Sir, it is impossible for me to make this an annual event, at least I can assure you that both myself and my colleagues will make quite sure that it is at least a triennial event for a long time to come!

Sir, although your Council has not been in existence for a long term of years, as years go in our national history, I believe it has already made its mark on Australia, on Government, both State and Federal, and on the way in which the mining industry is conducted in Australia.

As I stand here before you and see the representatives of so many companies, my mind's eye leaves this room, as I think perhaps yours can do, and instead of being here in a hotel in the National Capital, it moves away to the areas where you and your companies are operating. It swings thousands of miles North, for example, to Weipa, where, in the last war the Air Force landed on a lot of little brown pebbles, and they wondered what on earth it was; and they were landing on bauxite where there is now an aerodrome on probably one of the largest bauxite deposits in the world.

It comes south to Gladstone, where that bauxite is turned into alumina for the great benefit of overseas companies! To Kambalda, Sir, this hot, dry area which has given Kalgoorlie, the city of legend, a new lease of life. Because after all, it is far more profitable to mine nickel than gold today, unless of course, you can find some alluvial deposit where you pick up the nuggets!

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Or to Gove - again a great bauxite deposit, or to those dreaming areas in the North-West of North Australia where for so long all the experts, all the geologists told us there was no iron ore; it was a waste of time to look, there just wasn't anything there. This was not entirely the West Australian Department of Mines' geologists, although they had a good deal to do with it - but there to this area today, where Mt Tom Price (with not much Australian equity) but where Mt Tom Price and close to it, Mt Whaleback have some thousands of million tons of iron ore reserves. And where a stone's throw away in terms of our national dimensions, there is the yet unexploited Rhodes Ridge with 3,000 million tons of iron ore reserves - three times as much as the two great mines I have mentioned. And where, hiding over the horizon, and known to many people, so I am giving nothing away, is McCamey's Monster, yet to be proved, but again at least as large as Rhodes Ridge.

Leaving aside altogether the deposits at Robe River, leaving aside the deposits which Broken Hill has taken up recently, we can go from here to all these frontier areas where the companies which you gentlemen represent are taking from the soil of Australia riches which were previously undreamt of and which are the sinews of our growth at present and in the future.

I have mentioned but a few of the new areas being developed, the new frontiers, and what frontiers they are. Because as you go around and look at them, here are the pioneers living in air-conditioned houses provided by the mining company, with electricity, electric refrigerators, with shopping centres, swimming pools, and - thanks to the benevolence of the Postmaster-General - soon to be with television. What a wonderful way of pioneering that is, particularly for somebody with a memory as I have of Aladdin lamps which had to be trimmed every night and a kerosene refrigerator and later an electric generating plant of one's own which only went when one went out and kicked it. Indeed, these modern facilities are provided by your companies to see that people will go and work in these areas.

Of course in some States - not all - but in some States, much more than this is done. I was told by a representative of one significant company that they didn't particularly mind building the railroads and building the ports and the harbours and building the schools, but they thought it was a little tough when they were asked to build the gaol! But they went ahead and did it anyway!

It is a little hard to believe that all this advance, that all this minerals explosion really began only some ten years or so ago. Until 1960, there had been a 20-year-old ban on the export of iron ore from Australia. Indeed, our mineral exports in 1959/60 were valued at \$168 million. Today they are worth \$759 million, and before the end of this decade - well before the end of this decade - they will be bringing us in \$2,000 million. What an immense acceleration in what a short period of time.

And to emphasise this, in 1960, our exports of iron ore were a few hundred dollars. This year they are to be worth \$142 million. Coal exports, ten years ago, were worth \$12½ million. Today they will bring us in \$142 million.

This is an immense expansion in such a short space of time by the companies and the enterprises that you gentlemen in this room represent. And what now? What is going to happen in the future?

It seems to me inevitable that although Japan is our major trading partner now in the export of iron ore, Europe will supplant it as soon as sufficiently large ships are able to be brought in to cut down the cost of freight to Europe. After all, we have got hematite of 64% or 65% iron ore content and they are scratching around at 30% or something of that kind. They have to mine it. All we have to do is to get to the top of a hill and take the hill away!

And I believe, myself, that before long, the United States of America must be a strong customer for iron ore of the quality we have. If US Steel does not come out here and build its own steel plant to use the ore we have, then our ore will go to the United States in order to make steel there. It will be cheaper for US Steel to do that than to continue on the course they are now following in the United States itself.

The openings in front of us, the windows on the future look on to a vista that is virtually unlimited. Let me, Sir, continue a little with the importance which I see to Australia of these new enterprises.

At the end of last month, my colleague, the Minister for National Development, issued a set of new projections for the mining industry. I have mentioned the \$2000 million of his projections.

Stack that up against the projections made by the Vernon Committee which estimated that mineral exports would be valued at about \$330 million a year by 1975. That Committee based that figure on known resources and on expert predictions. There were a few people around who thought this estimate a little conservative and said it might be a \$100 million or so more than that - who could tell? And someone had the temerity to mention that it might be \$700 or \$800 million and this was at once dismissed as a complete flight of fancy, complete nonsense. But it wasn't a flight of fancy. It was an underestimation by experts of what we had and of what we could do with what we had and perhaps this underlines again what I have said - that the future is virtually without limit. We don't yet know all we have got, We don't yet know what it can bring in for us.

There is always difficulty in planning of this kind. I am told that the two best-planned cities in Australia are Broken Hill and Kalgoorlie and the reason that they are the two best-planned cities in Australia is that the roads were designed so that those using them could turn a camel team. I have got to bring this to the attention of my colleague, the Minister for the Interior, in Canberra! But whatever the reasons for it may be, this indicates that sometimes planning has unexpected results and often planning underestimates what can be achieved.

Now, Sir, I have been speaking only of the mining industry so far, But what I have been saying tonight means that the change in our pattern of trade is obvious as a result of our mineral developments. Last year, mineral exports exceeded in value our greasy wool exports from Australia for the first time, and there we get another pointer to the dimension in our national affairs played by the mineral explosion.

In five years' time, the value of our mineral exports from Australia should be greater than the total value of our rural exports today. And since we have grown from an infant nation to our present state, very largely if not entirely on the value of our rural exports, what a great punctuation mark in our national history is here heralded. And that is the export - the overseas earnings side of the question. And I have already said that the future is unlimited.

But we are talking of mining and what mining can bring into this country, and largely one has been thinking of raw materials. Not entirely, of course, because there is to be at Kwinana the new refinery for nickel, there is now - for which I take some personal pleasure - to be in Queensland a smelter which might well be the greatest in the world if you put a four-pot line instead of a three-pot line, as I hope you will.

But very largely it is the raw materials, the ore and the pellets that are being exported. But more and more, if we are to make the best use of what has been discovered, of what has been and is being worked, more and more I think we should seek to process the materials that are torn from the land in Australia.

I would like to see Australia with a second steel industry. I am told there is more than one at present, but I don't believe it. I think there is one which owns some subsidiaries. I would quite like to see a second steel industry. I want to see aluminium smelters in this country. I want to see more and more processing of the materials we produce.

And let me illustrate that by giving you some figures. I have been talking of bauxite. Let's look at what is involved here. One million tons of bauxite - from Weipa or from Gove - earns \$5 million for export. If it is converted to alumina, the equivalent of its earnings is some \$30 million. If that alumina is converted to aluminum, ingot aluminum, it would be worth \$120 million, and if, finally, that ingot aluminum is fabricated into aluminium products then it would be worth \$600 million. There really is a premium, gentlemen, on getting \$600 million or \$200 million rather than \$5, not only a premium in what can be earned overseas by it, but a premium in the factories that are provided, the smelters that are provided, the jobs that are provided, the decentralisation that is provided, if we can more and more get into this field.

I know many companies are already acting along these lines. The more companies that do this the better it will be for them, and for our nation. And I believe that the gentlemen in this room would wish to see that happen and will strive to see it happens.

And if it is to happen, then there is another aspect to which I think we should all turn our minds. Some of you may have heard or read that I have a view that the more Australian ownership there is in these fields the better it is for Australia. Of course we need, and nobody denies we need, overseas capital in very large quantities, both for the development of the mining section and, more particularly, perhaps, for the development of the processing section of which I have spoken. And we cannot but benefit from such an exercise; even if it is 100 per cent ownership, we cannot but benefit from it. We benefit because we are virtually 50/50 partners since we take some 45 per cent of profits in company tax. There are some companies who can minimise their profits, of course, which has some effect on this, but once they really get going and the opportunity for hiding things is gone, then we take 45 per cent, and so we are 45 per cent partners in this manner.

We benefit because of the townships that are built, and because of the people who are employed, and because of the taxation given us by those who are employed. We benefit because of the manpower which comes in and which otherwise we might not get. We benefit because of access to overseas markets which very big overseas companies have got sewn up and which we might not be able to enter if we didn't have this capital here. In all these ways we benefit.

But having said that, and having said that we must not in any way interfere with this flow, it would be wrong, I think, to say there is no price that has to be paid for the benefits I have outlined.

There is a price. There is a price to be paid in that the overseas earnings which companies make are going eventually to be diminished by the dividends that have to be paid overseas for the fixed interest loans that have to be paid off. There is a price, perhaps, to be paid, if there is too great a concentration of overseas ownership, on the refusal of access to particular markets because of arrangements made by international cartels. So there is a number of prices to be paid.

Now, Sir, none of these prices is sufficient for us to prevent the inflow of overseas capital and the benefits which we get from it, but surely the lower we can keep this price without preventing such inflow, the better it is for us and for our country.

And it is for these reasons that my Government has made it abundantly clear that we look with favour on partnership arrangements, that we look with favour on overseas companies offering opportunity to Australian investors to take up equity in those companies. And having made this known, I am happy to say that significant overseas companies are taking notice of it and are, more than before, providing these opportunities.

I have no evidence to indicate that having made this known has in any way inhibited the inflow of capital from abroad. I have plenty of evidence to indicate that overseas companies are offering more ownership to Australians if they are prepared to take it up.

And it was for these reasons that we instituted the idea of convertible notes so that citizens in Australia who have money to invest but who must have an income to live on from that money, would have the opportunity to invest it, to receive income from it, and at a later stage, when a company became profitable, have the opportunity to convert that into equity. And it was for these reasons that we instituted guidelines for

borrowing in Australia by overseas companies, guidelines which would give' to overseas companies an incentive to provide equity to Australians because the greater the equity, the greater the opportunity to borrow in Australia, and the less interest had to be paid by those who were borrowing.

And now we propose a further step, and that is the setting up of a corporation to enable Australian companies to compete in overseas fixed interest borrowing with the giant companies which now can borrow overseas. There is no need to expound upon this to those of you who are in this room because you know it like a book. I have on my right a gentleman whose company is borrowing large, very large sums of money overseas at quite high rates of interest to develop Australia, at any rate to smelt in Australia. The other day, Hamersley had a new float and borrowed large sums of money overseas at high rates of interest to further develop Mt Tom Price. Utah is doing the same.

Let us not go any further. We all know that for purposes of development, companies with complete or partial overseas ownership will borrow as much inside Australia as they can and the rest outside Australia on their business judgment of what will best help to develop their companies, and their business judgment of how they can service the loans they borrow. And this is made easier to do because on the international markets Alcoa, General Motors, companies of that calibre can go and establish with no difficulty their credit worthiness for large loans. What we are seeking to do by this new step, the latest in the ones we have already taken, is to establish a corporation in Australia which, by its size, will be able to be seen by those who have money to lend abroad, to be at least as credit-worthy as General Motors or Alcoa, or other companies of that kind. This is so that it can, in that way, for Australian companies who on a business judgment believe they need it, borrow money at high rates of interest which they think they can service and thereby be put on the same footing as the other large companies of which I have spoken. We believe in that way we will help preserve that Australian equity and reduce the price and we believe that to reduce the price and to protect as much Australian equity as possible is a good objective for a government to have.

These steps, I think, will complement for the benefit of our nation what you gentlemen are initiating and which is I am sure for the benefit of our nation.

Sir, both government and industry are, to a great extent - perhaps not to as great an extent as the Council would like - but to a great extent co-operating in the furtherance of the aims of your Council.