



PRIME MINISTER

AUSTRALIAN MINING INDUSTRY COUNCIL

Speech by the Prime Minister, The Rt Hon. William McMahon, C.H., M.P.

Mr President, Distinguished Guests and Gentlemen,

This occasion offers both to my Government and to your Council, the chance to exchange views at first hand. The establishment of the Mining Industry Council just five years ago showed the importance you attach to the communication of your views and trends in your industry to the National Government here in Canberra.

For our part, we have for a considerable time now conducted regular consultations at the Cabinet level with the organisations representing the major groups in the economy. Your Council has become a more important part of these regular economic consultations in recent years, reflecting the dramatic increase in its contribution to the national economy. We consider this direct consultation to be an important two-way stream of communication between the Government and other component parts of the economy. We want it to continue and develop, and I am sure you do too. You know the figures relating to the Mining Industry's contribution to the nation just as well as I do. Nonetheless, these figures need emphasis to a much wider audience. Since the mid-sixties the Mining Industry in Australia has trebled its performance in both total production and in its share of our export income. In 1965, the "ex mine" value of mineral production was worth \$542 million. By 1971, the figure was \$1600 million. In 1965, minerals and metals brought us in about \$300 million in export income. For 1970-71, the industry earned \$1250 million overseas or about 29 per cent of total exports.

These are impressive, and I am told that on present indications, there could be a further trebling of export earnings from mining and metals during the seventies to reach \$3,500 million by 1980. The upsurge in mining activity and production of minerals which those figures describe has had the most significant effects on the growth and progress of this nation. Our pattern of trade was transformed as the export contribution of minerals firstly overtook in 1969 - wool, and has since continued to overtake the contribution of the whole of our other rural exports. There are those who assert for example that without the minerals boom of the late sixties and early seventies, Australia could have been faced with severe balance of payments problems.

That is the external picture. At home, there has been a matching development boom accompanying the great new mining projects and involving new ports, hundreds of miles of new railway lines, and more than a dozen new towns have been created in remote parts of our continent.

It is clear from this that the mining industry has contributed very substantially to the broadening and diversification of the economy. But in more recent times, your industry has, along with other important sectors of the economy, suffered from the effects of the world currency realignments. The Government has been concerned at the effects of this downturn in rate of development of world trade, and in particular, the effects of mineral production and mineral exports. On the production side, cost increases, falling demand and prices and currency realignment have had their effect on iron ore, coal, copper and lead. On the export side, we have seen the requests by Japanese Companies to reduce below the quantities specified in contracts, the tonnages of iron ore and copper for delivery to their mills and smelters.

Now I said the Government was concerned about this situation and it may be asked, 'well, what has the Government done?' We have taken a number of important initiatives, both to assist the major exporting industries generally and the mining industry in particular. Firstly, there was the question of the revaluation of the Australian dollar. In terms of pure monetary theory there could, of course, have been a full appreciation to the median point of 8.57 per cent in the Australian dollar as against the American dollar. In reality, there was a situation where major mineral contracts were affected to the extent of approximately \$8 million for each per centage point movement in the appreciation of the Australian dollar; where our other primary industries faced difficulties in competition with other nations which had already devalued: and where the success of the manufactured exports drive could have been affected. Above all, there was the impact on confidence in the community generally to be considered. At the time, confidence was not particularly strong, although I now believe that with fresh signs of the recovery showing up, confidence is being restored.

That brings me to the second point. One of the stimulus measures we announced at the recent Premiers' Conference was the re-instatement of the investment allowance which was mentioned so generously here earlier tonight. As I am sure you are well aware, the Government is keen to see a greater degree of processing of our minerals, especially where this is economic and where it represents a rational use of resources. We have assisted this aim in a number of ways. There is the re-instatement of the investment allowance, which we believe will prove to be a big help to the mining industry in establishing processing and manufacturing plant. There is also our undertaking to provide about \$80 million to the Queensland Government for the Gladstone power station of 1100 megawatts. We regard the establishment of this large-scale source of power as a catalyst for the further expansion of mineral processing at Gladstone. We stand ready to provide this finance, so long as the conditions stipulated are met.

The third area of assistance has been in the decision to continue the financial assistance provided under the industrial research and development grants scheme for a further five year period from July. It is estimated that expenditure on this scheme, which is designed to encourage manufacturing and mining companies in Australia to increase their research and development spending, will be \$60 million for the first five year period which began in 1967.

Our fourth recent initiative relating to the mining industry concerned the Japanese requests for a cutback in iron and copper deliveries which I have already mentioned. The Minister for National Development made representations to the Japanese Government to ensure that our companies were treated no less favourably than companies from other countries in the negotiations over these requests.

There are, of course, other recent Government decisions and actions bearing directly on the mining industry. The Government is looking at the development of our Uranium resources with a view to achieving the maximum benefit from these resources to Australia. There may well be benefits in co-ordinated development.

There have already been discussions between Commonwealth and State officials and the industry on the production and marketing of Uranium. We recently decided to provide a non-repayable capital grant of \$2.5 million to Western Australia for the provision of a new ship which will help restrain the growth of transport costs in areas where many major mining projects are located.

I notice that your council has this afternoon released a proposed five-point mining and conservation plan for consideration by Governments, both Federal and State. We are all aware of the growing interest in conservation and environment protection and it is encouraging to see a major industry group taking a lead to provide positive proposals. It is a responsible way to approach this question. Although, the States have the major responsibility in this area, I know your proposals will be most carefully considered. We are, as you know, in the process of forming a National Environment Council

The other question I would like to mention to you tonight concerns our policy on overseas investment which has been the subject of some comment recently. First, I must say that overseas capital has had a great deal to do over the years with the expansion of our economy and the technological advancement of our industry. It has provided resources additional to those we have raised from our domestic capital markets, and in particular has been highly important in sustaining our large-scale migration programme; and, of course, it brings with it not only capital resources but also advanced technology, managerial skills and market connections. It is noteworthy that our largest mining companies are managed by Australians, men who have a close interest in the development of this nation.

The other side of this large contribution to our development has been a significant measure of foreign ownership and control of our company assets. It has long been the Government's aim to ensure that Australians have the opportunity to participate in these foreign operations and I am sure most foreign corporations respect this attitude. Again, we have stood ready to prevent specific takeovers of Australian-controlled companies if such takeovers are seen as against the national interest. Constraints under our guide lines have been placed on foreign companies borrowing here, both to conserve our domestic capital resources and to provide an additional incentive to overseas companies to offer equity participation to Australian interests.

There are, too, other causes of potential conflict arising out of capital inflow. These will be thoroughly investigated in a document being prepared by the Treasury, and nearing completion. The very substantial level of inflow in the last two years or so has created special problems for the successful pursuit of our national monetary policies. This issue is also being closely examined.

I have the personal belief that as time proceeds, Australians should undertake more investment opportunities overseas, and particularly in the Asian and Pacific region. Direct investment overseas, which for most practical purposes is not restricted, has in fact been increasing in recent years as Australian companies have been establishing enterprises in many countries overseas, particularly in

New Zealand, South-East Asia and the Pacific, but also in the United Kingdom, the United States and elsewhere. We will be looking in particular, at the sharp increase which has recently occurred in the level of borrowing overseas and its impact on liquidity whether by Australian-owned or foreign-owned companies in Australia, which has contributed to the high level of capital inflow. It could be, for example, that increased borrowings from local sources would help ease any problems of excess liquidity arising from a level of inflow, and contribute to greater stability of our domestic economy

In any review of this or other aspects of this important matter the Government would, of course, take all factors into consideration, including our over-riding wish to see the continued stable growth and development of the Australian economy. Many Australian companies have shown that they have the technical expertise and managerial knowhow to set up successful ventures abroad. Although the trend has been upwards in recent years the amounts involved have been relatively small. They have averaged some \$60 million annually over the past 5 years or so. I sincerely hope that the trends of recent years will improve.

The Treasury at present has in hand an in-depth study on the whole subject of foreign investment in Australia. I do not wish in any way to forecast what, if any, changes in the Government's policy might eventuate as a result of its consideration of this study. I can, however, say that one of the aspects we will be looking at will be whether the very high level of capital inflow we have experienced over the past couple of years poses difficulties for the domestic management of the economy and, if so, whether there is need for a change in policies to forestall any danger of that kind.

We believe the balance of the foreign contribution to our development has, over the years, been very much in our favour. Nevertheless, should it be demonstrated that in some measure the volume and form of the inflow of capital are not, in fact, enhancing the performance of the economy, we will, of course, review our policies and announce them in clear and understandable terms. But we will do so on the basis of fact and detailed analysis and against the philosophy that what we do will be in the best interests of this country.

CANBERRA
20 March 1972