



PRIME MINISTER

MINERALS AND THE FUTURE

SPEECH BY THE PRIME MINISTER

THE HON. E.G. WHITLAM, Q.C., M.P.,

TO THE ANNUAL DINNER OF THE AUSTRALIAN MINING INDUSTRY COUNCIL
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In the management of our mineral resources, the mining industry and the national Government have a common interest and a common responsibility. We are custodians of much of the nation's natural wealth. We are custodians of our country's soil and its physical riches. We have a joint interest in ensuring that these resources are managed in the interests of the whole nation, both for present and future generations. Last December the Australian people gave my Government a positive mandate to discharge this responsibility in partnership with the mining industry and its many associated enterprises. It is a duty we will not shirk.

No one can dispute the fact that in a short time your industry has helped transform the face of our nation. It has transformed our landscape; it has transformed our balance of payments. It has brought Australia immense benefits, immense wealth, immense technological and industrial progress. While our gross national product and the total value of our exports doubled during the 1960's, the value of our mineral exports increased eight-fold. Minerals accounted for 7% of the value of our exports in the early sixties; they now account for more than 20%. We have thus restored the position of the gold rush days of 100 years ago, when gold and minerals, accounting for 47 per cent of Australia's exports, were our principal export commodity. For all practical purposes Australia is now self-sufficient in major minerals except crude oil - and the prospects there look increasingly bright. This story is one of the great feats of modern exploration. It is due in large measure to the vision and enterprise of the men in this room tonight.

But there are wider considerations that compel the involvement of modern government in the mining industry. Despite the size of our mineral reserves, it would be fallacious and dangerous to regard them as inexhaustible. There are limits, as other countries have already found. The notion of unrestricted mining and exploitation is one we cannot accept. We must be concerned at the effects of unbridled competition on the stability of international trade. We must recognise a growing concern in major industrialised countries at the rapid depletion of traditional energy sources and their increasing dependence on imports for their raw materials. We must be concerned to see that our minerals are sold at reasonable prices in world markets. We must be concerned to see that our future energy needs and industrial requirements are met. We must take account of the effect of mining on the rights of our Aboriginal people, on the environment and the control of pollution, problems of undoubted significance for all mankind. We must ensure the greatest possible measure of Australian ownership and participation in the mining industry. The industry is already 62% foreign owned. We do not want that figure to go higher. In short, for all these reasons, we cannot allow the future to take care of itself.

EXPORTS

Accordingly, my Government is implementing new policies. Our first step, as you know, has been to place controls on all mineral exports, whether in raw or semi-processed form. This, we believe, will ensure that exports are sold at reasonable prices on the world market. Our measures will encourage more processing of minerals in Australia, leading to greater employment opportunities, greater industrial self-sufficiency, and, not least, to a higher unit value for our exports themselves. In the longer term, through these controls, we can look to shipping economies for both buyer and seller, by reducing the volume of low-value materials being moved around the world. None of this means that the Australian Government wishes to cut off supplies of raw materials to valued business partners in other countries. We shall do business, and we shall do it with honour; but we do not regard the rape of our resources as inevitable, and we certainly do not intend to lie back and enjoy it.

The basic objective of our new measures is to obtain the best return for Australia consistent with the realities of the market place and balanced mineral development. It would be foolish in administering the controls to ignore the market realities of an industry which has provided the main dynamic in our balance of payments. But judicious use of the export control powers will add to our foreign exchange earnings.

My colleague, the Minister for Minerals and Energy, has already said that the Government's export control powers will not be employed capriciously or vexatiously. This is a unanimous attitude among members of the Cabinet. We want to assure our trading partners that we are seeking no more than a fair price in our mineral contracts with them. It would be unreal to seek prices higher than the market will bear when alternative sources of supply are usually available. As the details of our policies are worked out in the months ahead, we shall take every opportunity to explain them in bilateral consultations and in international organisations concerned with minerals trade. Indeed, I see great scope for consultation between Governments on the problems of mineral development and trade.

We are particularly conscious of the problems of Japan, our major market for minerals. Her vast industries are especially dependent on imports for their energy needs and raw materials. It is not, and I must insist on this, our purpose to try to exploit that dependence. But we believe it would be in the interests of both Japan and ourselves to work together more closely - to secure for Japan a more reliable source of supply and to secure for Australian exporters more reasonable prices. Neither of these aims is likely to be fully achieved if trading arrangements are left almost entirely to private commercial negotiation. Both will be achieved if our mutual interests - our interdependence as trading partners - are fully recognised at both government and commercial levels.

The steps we have already taken will ensure that the Government is kept fully aware of marketing arrangements covering export prices and supply commitments. This is a prime purpose of our export controls. We need to be satisfied that our mineral export policies and practices are in the best interests of Australia and our trading partners. It is perfectly clear that large companies with interests crossing many national boundaries may conduct their business in a way which, while maximising returns for themselves, will be to the detriment of a particular country. We will satisfy ourselves that those companies operate in Australia in our interests as well as their own.

REVALUATION

I know of your special concern with the effect of recent currency fluctuations on your export contracts. On this point I hope to reassure you. The effect of the fluctuations, of course, is by no means uniform. Some currencies have been appreciated, others depreciated, others remain at their previous parities. As you know, companies with contracts written in U.S. dollars, which include most iron ore contracts, have suffered a reduction in their Australian dollar incomes.

But several factors tend to offset this loss. In many cases, the immediate adverse effects on mining companies have been avoided by taking out forward exchange cover. In addition, the interest on and repayment of U.S. dollar borrowings will cost less in Australian dollars. There should also be increased shipments of minerals. For example, iron ore exports from the Pilbara to Japan for 1973-74 are expected to be substantially higher than in the current year. Other mineral exporters are enjoying increases in the world prices of their products, such as copper, zinc and lead. The mining industry can expect its sales to increase as the economies of customer countries expand.

The Minister for Minerals and Energy has said that he expects appropriate relief to be given to exporters through the re-negotiation of contracts written in American dollars. In this he has the full support of the Government. Needless to say, he has your support. For our part we will be using our influence to see that suitable relief is forthcoming.

On 15 February Mr. Connor discussed this problem with the Japanese Ambassador in Canberra. Mr. Connor pointed to the need for early discussions between Japanese and Australian businessmen. In a letter to Mr. Connor of 20 February, you, Mr. Phillips, indicated that your council welcomed the Government's intervention to assist in renegotiation of contracts. We shall use all our influence to see that suitable relief is forthcoming. But I emphasise that any new negotiations would have little prospect of success if the Government were to indicate in any way that it was considering compensation for mining companies for the effect of recent currency changes.

For the future, it is certainly desirable that contracts should be written in Australian dollars or provide for stability of returns in terms of Australian dollars. With long term contracts, built-in safeguards will be needed to cope with currency changes and variations in demand. That should be the aim. Mining companies must keep it in mind. It is regrettable that this simple precaution was not observed with many contracts already written, some which still have many years to run. It is also fair to remind you that some of your industry's financial problems stem from individual negotiations a few years ago with group buyers. I hope our new control mechanism will work to prevent individual suppliers being picked off, one by one, by overseas cartels.

While we want fair prices for our minerals, we recognise that fixing appropriate export prices will need to be handled with care. In some cases there is no single, readily ascertainable price which can be regarded as a world price. Quality differences and locations need to be considered. There will also be times when it will be in the producer's and the nation's interest to permit sales at low prices, perhaps as low as the cost of production - provided the nation and the producer can earn a satisfactory profit at the lower price. This may be necessary when we are trying to break into new markets. We know that in many instances mining companies operate in a buyer's market, and too rigid an application of controls could result in contracts being lost to other countries.

PROCESSING

I have said that my Government wants more processing of our minerals. It is the policy of my party and my Government "to encourage the treatment and fabrication of mineral resources in Australia." At every stage of processing, the value of these resources is greatly increased. Your council has indicated that it supports more local processing, but that companies should not have to undertake further processing if it would be uneconomic to do so. This is a reasonable approach. Local processing places a heavy demand on capital and other resources. Before requiring a company to process in Australia, we will ensure that markets are available for the processed product. The State Governments, through the control they exercise over mining and exploration leases, generally require mining companies to undertake feasibility studies to determine whether processing is economic. My Government supports that requirement.

ABORIGINES

High among my Government's ambitions is to give natural rights to our Aboriginal people. We are determined that their interests will be preserved in any mining operations. Until the mid-1950s no mining in Aboriginal reserves in the Northern Territory was permitted. Then it was decided to allow prospecting and mining in the reserves, but to pay royalties on minerals to an Aboriginal Benefits Trust Fund. The decision to pay royalties into a fund for Aboriginal use was a somewhat oblique acknowledgement of Aboriginal rights in the land. The Crown, however, continued to collect royalties in the first instance and to control prospecting and mining.

There are now two major mining operations in the Arnhem Land reserve and another, of course, in what was once part of the Aboriginal reserves on Cape York in Queensland. All three developments are close to Aboriginal communities. It would be difficult to draw up any social balance sheet of gains and losses of these Aboriginal communities. The indications are that none of the communities would wish to turn the clock back. It is certain, however, that they face critical problems in adjusting to the new situations, and that the benefits to the Aborigines in terms of employment and training, which had been hoped for at the outset in the mid-50s, have not always been achieved.

The Government has announced its intention to grant to the Aborigines title in the land in the Northern Territory reserves. Mr. Justice E.A. Woodward's commission is to advise on ways of implementing this policy. To avoid further complication of an already complex situation, the Government imposed a "freeze" on the issue of exploration licences and mining leases and of leases of land. This action, we know will create problems for the companies concerned. The Mining Industry Council has urged that the rights of those companies committed to exploration programs in the reserves should be renewed. These cases are being examined, as are the needs of operating companies, which need additional mining and land leases. Your council has also argued against any abdication of Government responsibility for, and control over, mineral resources. Decisions on this aspect of the land rights

issue will be taken only after the Government has had an opportunity to consider the report of Mr. Justice Woodward's Commission. The Commission hopes to report within a few months. The Mining Industry Council's submission will be carefully considered.

ENVIRONMENT

We must be equally concerned with the effect of mining on the total environment. Last month the Australian Government endorsed a policy of impact statement procedures to ensure that the environmental effects of any proposal are taken into account at all stages of decision making. Impact statements will be required where a proposal has significant environmental consequences, where Commonwealth funds are involved, or where Commonwealth constitutional power is involved. From January 1974 there will be public hearings before an impact statement is prepared.

At this point, allow me to quote the words of H.R.H. The Duke of Edinburgh, who is now visiting Australia as chairman of the Australian Conservation Foundation. Writing on 18 September 1972 he said:

"It might well be supposed that the conservation of nature and natural resources is something quite new in man's experience whereas, in fact, every civilisation in history which did not take active steps to control its growth had to suffer the exhaustion of raw materials or food, or both, and collapsed. The only difference today is that our civilisation has come to rely on a different set of the earth's resources which, until the development of industrial processes, had remained untapped. Technology has raised human standards of existence to heights beyond the imagination of previous civilisations, but it has also made it possible for astronomical numbers of people to inhabit the earth.

"The problem is two-fold. Unchecked exponential growth in population numbers, coupled with exponential growth in the use of non-renewable mineral resources, is an extremely serious threat to the standards and very existence of our present civilisation. The threat is most serious to those enjoying the highest standards.

"At the same time, the proliferation of the human population, the exploitation of natural resources and the constant increase in the demand for more food-growing land constitute an even more deadly threat to the continued existence of the natural and wild environment as we know it today."

These are among the reasons for my Government's involvement in the mining industry. The same concern is shared by Governments throughout the world. It is not our intention to bring to an end the truly magnificent achievements of the past decade or so. Rather it is our firm intention to help your industry, not hamper it; to encourage trade, not frustrate it. But we must look to the broadest long-term interests of our country. Your industry, I know, will benefit from my Government's participation. The one thing you can be sure of is that the free-wheeling approach of the previous Government is gone forever. We have much to share and much to gain in our trade with the rest of the world. But it must be clear that, in regard to minerals, Australia henceforth intends to be the mistress of her own household.

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