

PERTH CHAMBER OF COMMERCE

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THE CONFEDERATION OF WESTERN AUSTRALIAN INDUSTRY

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Address by the Acting Prime Minister  
and Leader of the National Country Party

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If you cast your mind back to 1972 you will remember that it was a year when Australia's mineral industry had just completed a decade or more of the most spectacular development in our history. It seemed poised for a further surge of the same sort of development.

The Weipa and Gove bauxite projects, the Bass Strait oil and natural gas fields, the Bowen Basin black coal projects, and many other projects had come into production or were committed. Here in Western Australia, the great iron ore projects, the Kambalda and Scotia nickel mines, the Jarrahdale and Del Park bauxite projects, the Kwinana nickel refinery, and the Kwinana and Pinjarra alumina refineries had been established.

These were the projects of the preceding decade. Ahead of you was the prospect of the enormous potential arising out of the gas discoveries on the North West Shelf.

It has been said before, but it bears repeating, that in this State you have what is probably one of the most remarkable combinations of mineral resources the world has ever seen: natural gas, iron ore, nickel, uranium and bauxite in great abundance, and a host of other minerals in varying amounts - copper, zinc, manganese, vanadium, mineral sands and salt. In Queensland major deposits of high grade coking coal and in the Northern Territory major deposits of uranium also offered prospects for major new developments.

At the time the feeling had grown in the community that nothing could hold back the realisation of that great potential. But something, or someone, arrived on the scene with a stultifying influence on development plans. A different political philosophy and a different economic approach were brought to bear. Important decisions were deferred. This was then compounded by the worst slump in the world economy since the Second World War and the greatest inflation that Australia has ever experienced.

The net result was that in the period after 1972, the momentum of the development and exploration of the previous decade began to falter. The prospect of further spectacular developments began to look less promising. The development that did take place was on projects that were already in the pipeline.

The Liberal-National Country Party Government feels strongly that Australia cannot afford to allow that momentum to be lost. To a large extent our standard of living depends upon it. If we are to improve our standard of living we will have to increase our imports, and the simple fact is that we can only do that on a permanent basis if we also increase our exports.

The mineral industry provides us with the most likely prospect for substantially increasing our export income in future and generating growth in our domestic economy.

We must also look at our crude oil production. Although this is not exported, it has the same effect on our balance of payments. Last year it enabled us to avoid import spending in the vicinity of \$1500 million. We must find and develop new deposits, or other sources of energy that we can substitute for oil, or face the prospect of a growing dependence on overseas oil and a massive growth in our import bill.

If we want a graphic illustration of just how important our oil and minerals are in this regard, we have only to look at the way we were bailed out of trouble by our mineral export income during the 1970/71 wool slump, and how we were cushioned from the worst effects of the energy crisis by the availability of a domestic supply of crude oil.

Because our balance of payments at this stage is healthy we should not be complacent. If we are to secure our future we must look ahead. A rough rule of thumb is that it takes 10 years from the commencement of exploration before a project comes on stream and five years from the date of the discovery. In our exploration we should therefore be thinking 10 years ahead, and in the development of known deposits five years ahead.

The contribution that minerals make to our balance of payments is, of course, not the only benefit to be derived from such developments. You are all well aware of the great benefits for regions, for states and for the nation that they bring.

Nor is it only our own welfare that is at stake. The customers for our minerals are also affected by what we decide to do in our minerals industries. As a nation rich in resources, we have a real responsibility to nations which lack them and need them. Japan in particular is vitally affected. The Australian and Japanese economies have over the space of 20 years developed a marked complementarity. Overall Japan takes about 50% by value of mineral exports, and in the case of coal and iron ore about 75% and 78% respectively. Clearly what concerns one of us concerns and affects the other.

All this means that we must proceed with the development of our mineral resources. Certainly I place great importance on restoring the minerals industry to its proper role in Australia's economic development.

This does not mean, however, that the Government will be uncritical in its examination of new projects. Amongst other things, the Government will want to be satisfied that the rights and needs of the Aboriginal people are safeguarded. There will need to be adequate protection of the environment. Before major projects are undertaken we will want to be as sure as we can be that a market exists for major additions to output, at reasonable prices. Projects that merely displace existing Australian producers, or that force down prices in a scramble for sales, will transfer the benefits of our resources to our foreign consumers and bring little if any benefit to ourselves.

Further - and this is a point I felt it necessary to emphasise, when I was in Japan a few weeks ago - the Government will want to ensure that arrangements entered into between Australian exporters and overseas buyers do not prejudice Australia's interests. We will retain the existing export control arrangements and, if necessary, use them.

The Government also will want to be satisfied that development proposals meet its foreign investment policy guidelines. We recognise that foreign investment can bring advantages that might not otherwise be available. And we should continue to welcome foreign investment that is mutually advantageous to Australia and the foreign investor. But at the same time we must not lose sight of the legitimate aspirations of the Australian people towards Australian ownership of our natural resources.

Subject to being satisfied on these points, the Government wishes to see new projects proceed, and is taking urgent steps to ensure that they do so.

One of the first of these steps was my visit to Japan.

It was of the utmost importance that we clear away any doubts that Japan had about Australia's trading policies. I wanted to restore the former harmony in our relations with our most important trading partner as early as possible.

As I have stressed again and again, Japan needs an assured and stable supply of raw materials and energy sources at reasonable prices. We have the potential to give her the security and stability she needs. But we can only do so if she in return gives us an assured and stable market at reasonable prices for our output of these materials.

So on the one hand I sought to restore confidence in Australia as a reliable and willing source of supply; on the other I sought to be assured that if we expanded our industry to meet Japan's needs, the Japanese market would have the growth potential and the certainly to absorb our additional output.

In Japan I found a very obvious desire to co-operate with us and I believe that my purposes were achieved to a very satisfactory degree.

Another step, and one which I consider fundamental to getting development under way, is to restore consultation between the Commonwealth and State Governments and between the Commonwealth Government and the mining companies. Quite clearly, the Commonwealth Government, the State Governments and industry each have important roles to play in the development and operation of the mineral industry. If we are to restore the industry to its proper role in the nation's economic development, it will be most effectively done if we get together to see how we should best go about it.

I have already taken steps with my State Government counterparts to revive the Australian Minerals Council and I have had very many meetings with industry representatives in the last two or three months.

All of this, however, in no way runs counter to the fact that the Commonwealth Government generally looks to the private sector to seek out trading opportunities, to find new resources, to marshall capital, to develop projects and to negotiate and carry out contracts.

Western Australia, with the very great potential of its mineral resources, is affected to a very special degree by the question of getting development going again. I have spent the last few days in the northern part of your State. As always, I have been amazed by the sheer scale of the region and of what it promises in terms of resource development. My visit to the area leads me to make some comments on matters of particular interest to Western Australia.

Petroleum exploration is a classic example of the problem I have been discussing. The confidence of the industry has been seriously eroded over recent years, largely because of uncertainty about the role of the Government, and about pricing and export policies. Compared with 38 exploration wells drilled offshore in 1972, only 19 wells were drilled in 1975. This decline is also clearly reflected in the number of exploration vessels actually working on our coast. Only the Ocean Digger is now operating, on the North West Shelf. Four or six were operating a few years ago. Two Australian-flag vessels are tied up for lack of work. One of these is the Ocean Digger which was completed last year at Freemantle.

We need a restoration of confidence - and as quickly as possible. But it cannot happen overnight. It takes decisions of companies to be put into effect. And it takes a period of great economic difficulty.

One significant way of encouraging further exploration and development is by allowing limited exports of natural gas. I took some soundings in Japan about the prospects of sales from the North West Shelf. Japan's requirements of LNG will double between now and 1985, but the bulk of their requirements are already secured. However, they are looking to Australia to meet some of the balance. I explained to the Japanese that our Government's policy will be to allow reasonable quantities of exports of LNG on a commercial basis. The way is therefore now open for companies concerned to explore the sales prospects in greater depth. I hope that arrangements mutually satisfactory to both countries can be concluded at an early date.

I must say the way in which Japan is using LNG is tremendously impressive. They have put this very clean and efficient energy source to use for domestic and industrial purposes and for power generation. The LNG terminal I saw on Tokyo Bay is supplied by seven tankers which operate continuously between Japan and Brunei. The terminal supplies five million households as well as industry, and fuels a power station which is part of the Tokyo Electric Power Company system supplying thirty three million people in the Tokyo region.

The major significance of the North West Shelf gas, especially for Western Australia, is very well appreciated in Canberra. The Shelf holds about 50% of Australia's known reserves of gas. The development of the project will be one of major proportions running into thousands of millions of dollars including the necessary pipelines and the new end user industries in Western Australia, including the Pilbara. The development will thus have a very big impact on the economy of Western Australia in the years ahead. Unfortunately, because of the attitudes of the previous Commonwealth Government, much valuable time has been lost with drastic effects on the development costs the companies will now face.

I have already had discussions with the Woodside-Burmah representatives, and also with the State Government, on ways and means of getting the consortium's project off the ground. The companies have been reviewing their production and marketing plans and I hope these will be available for consideration by both Governments at an early date. The Commonwealth Government will work very closely with the companies and the State Government to ensure that the necessary decisions can be expedited.

The Commonwealth Government is also working with the State Government to find other ways of increasing exploration offshore. Some applications for permits are currently under consideration. As announced by Mr. Mensaros in January, plans are in hand to call applications for permits over large areas of the North West Shelf relinquished last year during the renewal processes.

Australia's present known petroleum reserves are quite inadequate. It is only by a major revival in exploration that we stand a chance of making the large discoveries so essential for Australia's future needs.

Turning to iron ore, we find that after a period of unprecedented expansion in steel output, Japanese production has fallen well below earlier estimates. This has led to a downward revision of forecast steel output over the next few years. This means Japan needs less raw material than expected. But there is optimism that the latter half of this year will see the start of a recovery in demand for steel. And it should strengthen next year. In other important steel markets a similar recovery is forecast. The International Iron and Steel Institute expects steel consumption this year to rise by 11% in the E.E.C., and by 15% in the United States, over last year.

Details given to me of the Japanese steel companies' forward construction programmes indicate that there will be opportunities for additional iron ore sales. As it takes some time to bring new mines into production I expect that new contracts with Japanese mills will be signed fairly soon. In Japan I stressed that as Australia is an efficient and stable supplier and has the advantage of geographical proximity, the Japanese should consider the benefits of increasing the proportion of iron ore requirements taken from Australia.

As well as Japan, promising markets are also being developed for Australian iron ore in Europe, the People's Republic of China, the Republic of Korea and the United States. I am confident that other new markets will emerge in the future, particularly in nearby countries in our region.

But the iron ore market will continue to be very competitive. Iron ore is an internationally-traded commodity. To maintain our world rating status we must maintain our competitive position. We cannot take continued growth for granted. But it will occur if we remain an efficient reliable and stable supplier.

For my part I will be doing my utmost, in co-operation with the Western Australian Government, to bring into being as many of the potential iron ore expansion proposals as can be reasonably accommodated by assured markets. The Federal Government also supports the upgrading and processing of Australia's iron ore resources where this is economically practicable. In time, I expect that natural gas from the North West Shelf will play a very important role in such processing.

The immediate development picture in regard to nickel is a more promising one, with the Agnew Partners having decided to take the initial steps in that project. In looking at this project the Government will want to look also at the prospects of the early development of a smelter and at the longer-term prospects for a refinery.

Mineral sands is an area where there has been considerable development in Western Australia recently. With the opening up of deposits and some expansion, this State is on the verge of becoming the leading producer of mineral sands.

Currently the industry has marketing problems, particularly for ilmenite and zircon, your two main products. It is a great pity that the large-scale expansion of the industry in this State has coincided with the economic recession in Western economies. Big tonnages are available for export just when the market is weak. I hope that further development can be timed to come in when markets are more buoyant.

These four case studies - petroleum, iron ore, nickel and mineral sands - indicate that getting development going again will not always be easy. It will require initiative by industry and by Government. Above all it will require co-operation between the Commonwealth Government, the State Government and the companies concerned. But there can be no doubt that very great opportunities exist if we have the wit and will to grasp them. I leave with you the thought - as I leave it with our overseas trading partners whenever the opportunity presents itself - that Australia under this Government will be a secure, dependable and predictable source of the resources that underpin the world economy.

Thank you for your hospitality. It had been my hope to have visited Western Australia earlier this year, but circumstances arose which did not allow this to happen. To my long-suffering and very understanding hosts I say a special word of thanks. And thank you all for this opportunity to speak to you.