



PRIME MINISTER

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ADDRESS TO THE WORLD INSTITUTE OF ALUMINIUM PRODUCERS, SYDNEY

It is a great pleasure to address this Conference of the International Primary Aluminium Institute. The bauxite - alumina - aluminium industry has played a major part in Australia's development since the early 1960's. Its growth shows what can be achieved with high grade minerals which are amenable to large scale capital investment. Total investment in mining, refining and smelting now amount to two thousand million dollars. And in a very short span of time, Australia has emerged as the world's leading supplier of bauxite and alumina, the ultimate source of approximately one quarter of the world's aluminium.

The benefits of the industry to Australia can be readily seen in the enormous growth of exports. In 1976 the industry's total exports exceeded six hundred million dollars, about fifteen percent of the exports of primary mineral products. After actually falling in 1975 the demand for your industry's products is now growing again relatively rapidly. This is not surprising since the aluminium industry has a marked record of technological success, in developing new products, and challenging traditional materials in established markets.

This is clearly visible in industries such as building and construction, transport consumer and domestic products. Increasing importance is being placed on non-technical considerations the availability of raw materials the need to conserve non replenishable energy resources and the importance of environmental considerations.

Aluminium would seem to be at the forefront of materials considered compatible with the needs of a concerned society. Major new investment is to be made by the aluminium industry in Australia. There are prospects of over \$800 million of investment in mining, refining and smelting. When the projects are completed the investment may total \$1,000 million, and further large investments in smelting are probable.

These investments show your industry's confidence in Australia and in the renewed growth of the Australian economy. They will contribute significantly to our economic growth. A serious question which now arises is whether we should not be looking to the industry to put more emphasis on expanding aluminium production and export, rather than alumina.

My reason for saying this is that Australia is not only rich in bauxite. We have also large resources of coal, we have major natural gas reserves. In short, compared with the long run production of aluminium from new smelters, in some major industrial countries. There is potential for Australia to become more competitive by having reasonable security and long term supplies of energy sources. Mining as a long term business, requires a long term stable environment in which there can be confidence, profitability and predictability.

This Government's policies are designed to provide these conditions. Since being elected, we have brought all the arms of policy to bear on the task of defeating inflation, and securing the basis for a sustained economic recovery. The inflation which occurred between 1973 and 1975 impinged harshly on business profitability. It did not just erode profits in isolated segments of industry. It caused a general erosion of the private sector's ability to secure reasonable profits.

We have sought to bring down the rate of inflation and establish the environment in which the private sector could grow. We have brought government spending under control. We have pursued a responsible monetary policy. We have now an appropriate external policy. And we have consistently argued for wage restraint before the Arbitration Commission. There can be no doubt that we have had considerable success in pursuing our goals. There can be no doubt that there has been a steady reduction in the rate of inflation. All reliable indicators show this.

Accompanying the downward trend of inflation was a movement back towards the long term normal levels of the profit share and the household saving ratio. The figures also show that there was a return to economic growth. Unemployment, however, is still too high. But the only way to get a real reduction in unemployment and a return to employment opportunities is by further reducing inflation.

During 1977 the Government will continue to use all arms of policy to further reduce the rate of inflation and to sustain economic recovery.

Yesterday, a major contribution was made to the fight against inflation and unemployment. The heads of the Commonwealth and state governments unanimously called for a three month halt in price and income increases. We are all calling on all employers and all professional organisations not to increase the prices of their goods and services. We are all calling on the ACTU and other employee organisations to voluntarily accept a three month pause from wage increases.

Subsequently, we will approach the Arbitration Commission and the PJT for the implementation of the general halt. All governments will use their influence and their powers to achieve a successful outcome. During the pause no government will increase its own charges.

I believe that this is genuinely a workable plan. This is one of those rare times in Australian political history, when irrespective of party allegiances the heads of all Australia's governments have arrived at a consensus that a particular course of action is in the interests of all Australians. There is a remarkable degree of agreement amongst Australians that something basic must be done to overcome the fundamental economic and social problems of inflation and unemployment. The heads of government have reflected this agreement. They will sustain it with all their moral force and authority. There is no thought of compulsion - there is a need for a commitment to be carried through by governments, by business by trade unions - by all Australians.

The wage increase that all wage and salary earners have just received from the Commission together with tax indexation made it reasonable to ask that the pause begin from yesterday. If we are to ask for a wage halt, it is essential to ask for a prices halt.

I am delighted by the decision made by some of Australia's leading retailers to hold their prices from 9 o'clock this morning. The more rapidly inflation is reduced, the faster the recovery in consumer demand, the greater the prospects of productivity increase, the sooner profit ratios will return to normal, the sooner we can create employment.

No doubt it will be easy for those who wish to nit pick. To find areas where there is some apparent uncertainty or anomaly. But an over emphasis on minute points of detail runs the danger of completely missing the significance of this whole plan. When the Premiers and I met on Wednesday, we all saw a prices/income halt as a unique opportunity to break the back of inflation. Criticism of some aspects of this approach helps no one. What the present situation requires is a wholehearted commitment to the clear and simple principle of a three month pause from all Australians. If that commitment is forthcoming this plan will succeed.

All Australians have a great deal to gain if expectations about continuing inflation are broken.

I would now like to say a little about the role of foreign investment and the foreign corporation. The Government welcomes foreign investment in Australia. It greatly contributes to our economic development, our prosperity, and our technological and managerial skills. It provides long term and risk capital in amounts not available in our own capital markets.

Each foreign investment proposal is examined by the Foreign Investment Review Board to ensure that it is not contrary to the national interest. Each project is looked at on its merits. For new projects (other than uranium projects) involving investment of one million dollars or more in the production and development of minerals, our objective is a minimum fifth percent Australian equity; and fifty percent Australian voting strength on the board.

But these rules are flexible and (except in the case of uranium) we are happy for proposals to proceed if appropriate levels of Australian equity are unavailable. I have heard no complaints about the board and given Sir Bede Callaghan's knowledge and expertise, this is not surprising.

Foreign investment has played a major role in the aluminium industry. Although there is a significant degree of Australian participation in the industry, each of the major projects is controlled by a multi-national corporation. In recent times, multi-nationals have had to endure much ill informed abuse. In fact, multi-national corporations offer particular advantages to the community. Their sheer size and financial strength enables them to be technically innovative and commercially adventurous. They can take advantage of economies of scale. They have greater access to new techniques, managerial skills and financial backing.

Many of the immense mining projects currently under way in Australia or in prospect depend on multi-national corporations' ability to marshal finance and other resources. One of the challenges to multi-nationals is to understand the greater sense of nationality which has developed in Australia and other countries. And to take positive steps to see that national objectives and the interests of multi-national companies are harmonised to the greatest extent possible.

Our foreign investment guidelines protect Australia's national interests and they benefit multi-national companies. The Australian Government has also associated itself with the OECD declaration on international investment and multi-national enterprise. This OECD code of good conduct for multi-nationals is not mandatory, and there is no enforcement machinery. It is essential that companies abide by the spirit of the guidelines and are seen to do so. It would be generally agreed that multi-nationals have made good corporate citizens in Australia. Sometimes it is not widely known that a particular company is a multi-national because the board is dominated by Australians, and the chairman is Australian. An Australian is better placed to criticise Government policy without arousing resentment. A foreigner who heads an overseas company in Australia is often placed in a difficult position.

I also believe that Australians should be given a fair chance of rising to the highest positions in overseas companies' international operations and head offices. Top managers of international companies should be as multi-national as their investments. Another practical step is to sell shares in the local subsidiaries to Australian investors. And this is being done by all the major aluminium companies. I would not wish to be taken as suggesting that only large multi-national companies have a significant role to play in the mining industry. Individual prospectors and small companies also have a vital role, particularly in the discovery stages, and in Australia, small companies and prospectors acting largely alone have many many major discoveries including bauxite.

The Government sees an important continuing role for small companies

and individual prospectors in exploring for many minerals. All companies involved in the mining industry have a responsibility to the community wider than the efficient extraction of minerals for profit. An example of this responsibility - of which everyone here, I know, is most conscious - is protecting the environment.

The mining industry sees the rehabilitation of the landscape after an area has been mined, as an essential part of any mining operation. And allowance is being made for it in the budget for each project. Our policy of acting in concert in undertaking environmental impact studies where these are required by both state and Commonwealth government should give industry the best guarantee that the Fraser island situation will not recur.

Discussions between the Commonwealth and the States on this matter are now well advanced. The Government will ensure that its policies on foreign investment, capital inflows, export controls, taxation, commodity agreements, protection of the environment, and its general economic policies, mesh together in a way that results in a stable economic environment and the achievement of national interests. One of the objectives is to foster further exploration and development, the taking of risks, and the exercise of initiative by the mining industry.

We believe that only the effective partnership between private enterprise and government can result in the maximum development of this country to the benefit of all Australians.

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