

SPEECH BY THE PRIME MINISTER THE HON R.J. HAWKE AC, MP  
TO THE AUSTRALIAN MINING INDUSTRY COUNCIL DINNER  
CANBERRA  
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I AM DELIGHTED TO HAVE THIS OPPORTUNITY TO ADDRESS SO DISTINGUISHED AND REPRESENTATIVE A GROUP FROM THE AUSTRALIAN MINING INDUSTRY EARLY IN THE LIFE OF MY GOVERNMENT. SOME OF YOU MADE IMPORTANT CONTRIBUTIONS AT THE NATIONAL ECONOMIC SUMMIT AND FOR THAT, ONCE AGAIN, ALLOW ME TO THANK YOU ON BEHALF OF THE GOVERNMENT AND PEOPLE OF AUSTRALIA. OTHERS HAVE MADE REPRESENTATIONS ON POLICY ISSUES THROUGH MY MINISTERS. AND WHILE THIS DINNER ITSELF IS AN ANNUAL AND RELATIVELY FORMAL AFFAIR, LET ME SAY THAT OCCASIONS LIKE THIS CAN BE USED TO FURTHER THE PROCESS OF COMMUNICATION, CO-OPERATION AND INFORMATION-SHARING WHICH IS BASIC TO THE APPROACH OF MY GOVERNMENT TO THE GREAT TASK ENTRUSTED TO US BY THE PEOPLE OF AUSTRALIA.

THE MINING INDUSTRY HAS BEEN IMPORTANT TO AUSTRALIAN PROGRESS AND PROSPERITY VIRTUALLY FROM THE VERY BEGINNINGS OF SETTLEMENT. INDEED, OUR FIRST COMMERCIAL EXPORT WAS NOT WOOL BUT COAL - TO INDIA IN 1801. AND OF COURSE, TODAY, MINING IS CRITICALLY IMPORTANT. I CANNOT IMAGINE AUSTRALIA FINDING ITS WAY OUT OF THE ECONOMIC CRISIS WITHOUT A PROSPEROUS AND EXPANDING MINING INDUSTRY. SIMILARLY, AS WAS MADE CLEAR BY MINING INDUSTRY REPRESENTATIVES AT THE SUMMIT, THE PROFITABILITY OF THE MINING INDUSTRY DEPENDS CRITICALLY ON THE ECONOMIC HEALTH OF THE WHOLE AUSTRALIAN COMMUNITY.

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AND THOSE REMARKS SERVE TO INTRODUCE THE THEME I WANT TO STRESS TONIGHT - THE INTERDEPENDENCE OF OUR SOCIETY AND OUR ECONOMY - AN INTERDEPENDENCE WHICH IS BOTH NATIONAL AND INTERNATIONAL.

THIS INTERDEPENDENCE WITH THE WIDER NATIONAL ECONOMY AND SOCIETY IS A UNIVERSAL FEATURE OF MODERN ECONOMIC LIFE. INTERDEPENDENCE IS ALSO AN IMPORTANT FEATURE OF INTERNATIONAL ECONOMIC LIFE - AS YOU HAVE BEEN DISCUSSING TODAY.

AND OF COURSE, A CENTRAL THEME OF THE SUMMIT WAS THE INTERDEPENDENCE OF ALL SECTIONS OF OUR COMMUNITY. IT WAS THE UNANIMOUS - WELL, ALMOST UNANIMOUS - RECOGNITION OF THAT INTERDEPENDENCE WHICH LAY AT THE ROOT OF THE SUCCESS OF THE SUMMIT. AND ITS CONTINUING RECOGNITION, AS A PERMANENT FEATURE OF OUR NATIONAL APPROACH, WILL BE ESSENTIAL IF THE WORK OF THE CONFERENCE IS TO BEAR ITS FULL FRUIT.

THERE CAN BE NO DOUBT THAT THE INTERNATIONAL ECONOMIC ENVIRONMENT HAS BEEN GENERALLY UNFAVOURABLE FOR DOMESTIC ECONOMIC GROWTH FOR MUCH OF THE PAST DECADE. YET THE REALITY IS THAT OUR DOMESTIC PERFORMANCE HAS BEEN WORSE THAN THAT OF OTHER DEVELOPED ECONOMIES, AND THEREFORE WORSE THAN AUSTRALIANS MIGHT REASONABLY HAVE EXPECTED, EVEN IN CONDITIONS OF ADVERSE INTERNATIONAL CONDITIONS. IN THE YEAR OR SO BEFORE MY GOVERNMENT TOOK OFFICE, AUSTRALIAN INFLATION HAD BEEN TWICE THE OECD AVERAGE, OUR CURRENT ACCOUNT DEFICIT WAS LARGER AS A PROPORTION OF GDP THAN ANY OTHER OECD COUNTRY, AND OUR PERFORMANCE ON GROWTH IN OUTPUT AND EMPLOYMENT WAS AMONGST THE WORST OF DEVELOPED COUNTRIES.

MY GOVERNMENT IS SEEKING TO BRIDGE THE ENORMOUS GAP BETWEEN AUSTRALIAN ECONOMIC OPPORTUNITIES AND PERFORMANCE THROUGH RECOGNITION OF THE IMPORTANCE OF INTERDEPENDENCE IN ECONOMIC LIFE. MANY OF OUR FAILURES AS A NATION HAVE RESULTED FROM ARTIFICIAL DIVISIONS IN OUR SOCIETY.

WE HAVE FAILED TO GRASP OPPORTUNITIES TO IMPROVE THE ECONOMIC CONDITION OF AUSTRALIA AS A WHOLE BECAUSE ON OCCASIONS, THERE HAS BEEN A SHORTSIGHTED INSISTENCE THAT SHORT-TERM SECTIONAL INTERESTS SHOULD COME FIRST. CLEARLY, OUR FAILURES IN RECENT YEARS HAVE NO SINGLE OR SIMPLE CAUSE; AND IT IS FUTILE FOR ONE SECTION TO SEEK TO CAST ALL THE BLAME ON SOME OTHER SECTION.

BUT I DO BELIEVE IT IS BEYOND DISPUTE THAT MANY OF OUR CURRENT PROBLEMS ARISE FROM THIS BASIC FAILURE TO GRASP FULLY THE BASIC INTERDEPENDENCE OF ALL SECTIONS UPON THE OTHERS.

THIS MAY SEEM TOO SIMPLE A POINT TO HOLD THE KEY TO RESTORATION OF OUR NATIONAL FORTUNES. BUT SIMPLE THOUGH IT IS, IT HAS BEEN TOO LITTLE UNDERSTOOD, AND INSUFFICIENTLY ACTED UPON.

AND AN IMPORTANT PART OF THE CONCEPT OF THE SUMMIT - AND ITS ACTUAL WORK - WAS TO PROMOTE A WIDER AND BETTER UNDERSTANDING OF THAT FUNDAMENTAL FACT.

HISTORICALLY, ECONOMIC GROWTH AND PROSPERITY HAVE BEEN ASSOCIATED WITH A HIGH DEGREE OF SOCIAL COHESION, A HIGH DEGREE OF AGREEMENT WITHIN AUSTRALIAN SOCIETY ABOUT NATIONAL GOALS. ABROAD, THE SOCIETIES WHICH HAVE PERFORMED BEST IN PRESENT CONDITIONS HAVE BEEN CHARACTERISED BY A HIGH DEGREE OF INTERNAL AGREEMENT ON CRITICAL NATIONAL GOALS.

I THINK IT IS CLEAR, FROM ALL OUR EXPERIENCE, THAT AUSTRALIA AS A WHOLE WILL BE LESS SUCCESSFUL, AND MOST IF NOT ALL OF ITS PARTS WILL BE DISADVANTAGED, IF INDIVIDUALS AND SECTIONAL INTERESTS ARE UNABLE TO ACT OUT OF MOTIVES BEYOND THEIR OWN IMMEDIATE PECUNIARY ADVANTAGE.

MINING INDUSTRY LEADERS AT THE SUMMIT WERE PARTICULARLY CONCERNED TO MAINTAIN AUSTRALIAN COMPETITIVENESS THROUGH CONTROL OF WAGE COSTS, BUDGET POLICY AND INTEREST RATES AND TAXATION ON MINING. THESE AREAS PROVIDE AS GOOD EXAMPLES AS ANY OF THE POINTS I HAVE BEEN SEEKING TO MAKE.

ON WAGE COSTS, THERE IS SOME SUPERFICIAL ATTRACTION IN DEMANDING THAT EMPLOYED WAGE-EARNERS ACCEPT RESTRAINT, WITHOUT HEED OF THE CONTEXT OF THE RESTRAINT. CERTAINLY OUR ECONOMIC MODELS WILL GENERATE BETTER EMPLOYMENT GROWTH IN TIMES OF UNEMPLOYMENT IF WE PLUG IN ZERO WAGE GROWTH OVER LONG PERIODS OF TIME. BUT THIS IS AN UNREAL EXERCISE, UNLESS WE ANALYSE CAREFULLY THE CONDITIONS THAT ARE NECESSARY TO THIS OR OTHER OUTCOMES THAT ARE FAVOURABLE TO STRONG EMPLOYMENT GROWTH. WE KNOW THAT IN THIS FREE SOCIETY WITH ITS MIXED ECONOMY, SOME ORGANISED WORKERS ARE ABLE TO WIN FOR THEMSELVES SUBSTANTIAL WAGE INCREASES EVEN IN ADVERSE ECONOMIC CONDITIONS. WE ALSO KNOW THAT THE TRADITIONS OF THIS ECONOMY GENERATE EXTREMELY STRONG TENDENCIES TO EXTEND WAGE INCREASES IN SOME INDUSTRIES ACROSS THE WHOLE ECONOMY. THUS THE RESORT TO DECENTRALISED WAGE-SETTING TWO YEARS AGO LED TO THE LARGEST WAGE INCREASES SINCE THE EARLY 1970s, AND WAS ONE OF THE CAUSES OF THE LOSS OF COMPETITIVENESS AND THE INCREASE IN UNEMPLOYMENT WHICH WE MUST NOW REMEDY.

WE SHOULD TAKE THIS AS A WARNING AGAINST ANY IDEA OF ANY "QUICK FIX" ON WAGES POLICY. OUR REALISTIC HOPE IS THAT WE CAN BUILD BROAD COMMUNITY AGREEMENT AROUND A PROGRAM OF MODERATE GROWTH IN WAGES AND OTHER INCOMES. WE ARE AIMING FOR RATES OF WAGE GROWTH THAT ARE LOW ENOUGH TO SUPPORT A LONG PERIOD OF EMPLOYMENT AND OUTPUT GROWTH, BUT NOT SO LOW AS TO BE IMPRACTICABLE.

WE HAVE AIMED TO STAY WITHIN THE BOUNDS OF WHAT WILL HAVE WIDESPREAD SUPPORT WITHIN THE COMMUNITY. THIS SUPPORT WILL ONLY BE FORTHCOMING, HOWEVER, IF OUR OTHER POLICIES, FOR EXAMPLE ON TAXES AND SUBSIDIES AND POLICIES WITH RESPECT TO NON-WAGE INCOMES, ARE SEEN AS BEING FAIR BY THOSE WHOM WE ARE ASKING TO EXERCISE RESTRAINT.

THE SAME EXERCISE OF RESTRAINT BY POWERFUL GROUPS IN THE NATIONAL INTEREST IS NECESSARY FOR SUCCESSFUL BUDGET MANAGEMENT. OUR GOVERNMENT HAS INHERITED A DISASTROUS BUDGETARY SITUATION WHICH, IF NOT CORRECTED, WOULD PLACE INTOLERABLE PRESSURES ON FINANCIAL MARKETS AND KILL RECOVERY AS SOON AS PRIVATE INVESTMENT LIFTED ITS HEAD. THE WHOLE AUSTRALIAN COMMUNITY HAS A POWERFUL INTEREST TO SEE THAT THIS SITUATION IS CORRECTED. BUT THE CORRECTION WILL REQUIRE A LARGE NUMBER OF ACTS OF RESTRAINT, ACROSS THE BOARD. MY GOVERNMENT IS DETERMINED TO CORRECT THE STRUCTURAL WEAKNESS IN AUSTRALIAN BUDGETS. WE WOULD BE GREATLY ASSISTED IF EACH SECTION OF THE COMMUNITY WHICH IS BEING ASKED TO BEAR PART OF THE NECESSARY FISCAL RESTRAINT, IS WILLING TO COUNT THE WIDE GAINS ON INTEREST RATES AND ECONOMIC STABILITY, AGAINST THE IMMEDIATE COSTS. AS IN WAGES POLICY, WE ARE AIMING FOR A SET OF CHANGES IN FISCAL POLICY WHICH, TAKEN AS A WHOLE, ARE ACCEPTED AS BEING FAIR BY THE ENTIRE AUSTRALIAN COMMUNITY.

THE THIRD AREA OF DOMESTIC POLICY WHICH I WOULD LIKE TO USE AS AN EXAMPLE OF INTERDEPENDENCE BETWEEN DOMESTIC INTEREST GROUPS IS MINING TAXATION POLICY. SENATOR WALSH HAS OUTLINED THE GOVERNMENT'S PRIORITIES IN THIS AREA. WE SEE CONSIDERABLE ADVANTAGES IN REPLACING THE CRUDE OIL LEVY BY A RESOURCE RENT TAX BY 1984-85. WE ALSO SEE ADVANTAGES IN REPLACING THE EXISTING SYSTEM OF DISTORTING ROYALTIES, EXPORT TAXES AND OTHER SPECIAL CHARGES ON OTHER MINING BY A RESOURCE RENT TAX, ESPECIALLY FOR COAL. WE BELIEVE THAT SUCH A SHIFT WOULD BE GREATLY BENEFICIAL TO THE AUSTRALIAN COMMUNITY AS A WHOLE, AND TO AUSTRALIANS INVOLVED IN THE COAL INDUSTRY AS A WHOLE. BUT THESE CHANGES WOULD BE POSSIBLE ONLY IF INDIVIDUAL GROUPS WERE ABLE TO RECOGNISE SUCH OVERALL BENEFITS AS WELL AS NARROW SECTIONAL BENEFITS.

THE CURRENT RECESSION HAS HIGHLIGHTED THE DAMAGE THAT DISTORTING TAXES IN THE COAL INDUSTRY HAVE DONE TO THE AUSTRALIAN ECONOMY. OVER THE PROSPEROUS YEARS, SPECIFIC AND AD VALOREM ROYALTIES, EXPORT TAXES AND SUPER-ECONOMIC RAIL CHARGES WERE GRADUALLY RAISED BY THE COMMONWEALTH AND THE RELEVANT STATES UNTIL THEY REPRESENTED A HIGH PROPORTION OF THE VALUE OF PRODUCTION. IN THE GOOD TIMES, THE TOTAL OF THESE CHARGES LEFT THE LOWEST-COST MINES HIGHLY PROFITABLE, AND MODERATE-COST MINES IN A COMFORTABLE POSITION. THEY PROBABLY DETERRED THE

DEVELOPMENT OF SOME HIGH-COST MINES EVEN THEN. THEY ALSO DETERRED EXPANSION AT MANY ESTABLISHED MINES, BUT THE BUOYANT MARKET CONDITIONS DISTRACTED ATTENTION FROM SOME OF THE UNDERLYING DIFFICULTIES.

THE CONTRACTION OF OUR TRADITIONAL NORTHEAST ASIAN MARKETS AND THE REDUCTIONS IN PRICE OVER THE PAST YEAR HAVE MADE THE DISTORTIONS AND COSTS OF OUR COAL MINING ROYALTIES MUCH MORE OBVIOUS. HIGH-COST MINES HAVE BEEN PUSHED TO THE EDGE OF CLOSURE. SOME LOW-COST MINES STILL EARN GOOD RETURNS, BUT ARE RESTRAINED IN THEIR EXPANSION. THE WHOLE INDUSTRY IS CONFINED TO TRADITIONAL MARKETS IN OUR REGION, AND KEPT OUT OF LARGE, DISTANT MARKETS, IN EUROPE AND ELSEWHERE, BY THE COMBINATION OF SEA TRANSPORT COSTS WHICH ARE BEYOND OUR CONTROL, AND COST-INCREASING LEVIES OF VARIOUS KINDS THAT ARE WELL WITHIN OUR CONTROL.

THERE IS NO DOUBT THAT OUR COAL MINING INDUSTRY COULD EXPAND WELL BEYOND ITS PRESENT LIMITS IF ROYALTIES WERE APPLIED ONLY IN FORMS THAT DID NOT INCREASE THE COST OF LESS PROFITABLE MINING OPERATIONS. THIS WOULD BE TO THE ADVANTAGE OF EMPLOYMENT, PROFITS AND GOVERNMENT REVENUE.

THE COMMONWEALTH'S INTEREST IN REPLACING THE CURRENT DISTORTING SYSTEM OF CHARGES WITH A SINGLE TAX OR CHARGE BASED ON PROFITABILITY IS NOT TO INCREASE ITS OWN REVENUE. I SHOULD ADD THAT IN THE CURRENT BUDGETARY SITUATION WE ARE IN NO POSITION TO REDUCE OUR REVENUES. OUR INTEREST IS TO ENSURE THAT THE MINING INDUSTRY IS ABLE TO EXPAND EFFICIENTLY TO THE LIMITS OF ITS ECONOMIC POTENTIAL.

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WE DO NOT DELUDE OURSELVES THAT IT WILL BE EASY TO GET STATE GOVERNMENTS OF DIFFERENT POLITICAL PERSUASION, MINING COMPANIES WITH WIDELY DIFFERING INTERESTS, AND THE COMMONWEALTH TO AGREE ON AN IMPROVED SYSTEM OF MINING CHARGES. BUT THE STARTING POINT HERE, AS IN OTHER AREAS WHERE MAJOR REFORM IS NECESSARY TO LIFT AUSTRALIAN ECONOMIC PERFORMANCE, IS THE RECOGNITION OF THE INTERDEPENDENCE OF THE INTERESTS OF DIFFERENT GROUPS IN AUSTRALIAN SOCIETY. HERE, AS ELSEWHERE, WE MUST FIND SOLUTIONS THAT MAXIMISE THE JOINT WELFARE. WE WILL FAIL IN THIS IF INDIVIDUAL GOVERNMENTS, OR INDIVIDUAL MINING COMPANIES, OR AUSTRALIAN MINING COMPANIES AS A GROUP, OR MINING UNIONS, SEEK TO MAXIMISE THEIR OWN SECTIONAL GAINS.

I INVITE YOU TO JOIN US IN SEEKING A MORE EFFICIENT SYSTEM OF COAL MINING ROYALTIES, THAT PRESERVES THE LEGITIMATE INTERESTS OF MINE WORKERS IN MAXIMUM LEVELS OF MINING ACTIVITIES, THE LEGITIMATE INTERESTS OF THE CITIZENS OF AUSTRALIA AND OF ITS STATES IN RECEIVING A FAIR PRICE FOR MINERAL DEPOSITS EXPLOITED BY PRIVATE FIRMS, AND THE LEGITIMATE INTERESTS OF THE MINING INDUSTRIES IN FAIR REWARDS FOR CAPITAL, RISKS AND SKILL, TOGETHER WITH INCENTIVES FOR HIGH PERFORMANCE.

I HAVE DRAWN MY EXAMPLES MAINLY FROM AUSTRALIAN DOMESTIC ECONOMIC MANAGEMENT AND PERFORMANCE, SINCE THESE HAVE BEEN MY OWN MAIN CONCERNS OVER THE PAST TWO MONTHS. BUT MANY OF THE SAME ISSUES, INVOLVING INTERDEPENDENCE OF DIFFERENT INTERESTS AND GROUPS, ARISE IN THE INTERNATIONAL SPHERE. THESE HAVE BEEN THE MAIN SUBJECT OF YOUR OWN DELIBERATIONS TODAY.

THE NEW AUSTRALIAN GOVERNMENT HAS NOT YET SETTLED ITS POSITION ON A NUMBER OF THESE ISSUES, SO THAT YOUR CONCLUSIONS WILL BE HELPFUL TO US. BUT I WOULD LIKE TO INDICATE SOME OF THE GENERAL PRINCIPLES THAT WILL GUIDE US IN FORMULATING POLICY. FIRST, WE MUST LOOK FOR GENUINELY CO-OPERATIVE SOLUTIONS. THE INTERNATIONAL ECONOMY CAN FUNCTION EFFECTIVELY ONLY IF INDIVIDUAL NATIONS AND GROUPS OF NATIONS CONSTRAIN THE PURSUIT OF THEIR INDIVIDUAL INTERESTS IN THE WIDER INTERNATIONAL INTEREST. IF EACH COUNTRY THINKS ONLY OF ITS OWN NARROW INTERESTS, WE WILL ALL BE THE POORER, WHETHER WE ARE TALKING OF PROTECTION, THE LAW OF THE SEA, OR ANY OTHER OF THE GREAT INTERNATIONAL ECONOMIC ISSUES OF THE TIME. SECOND, IT MUST BE BUILT AROUND EFFICIENT SOLUTIONS TO INTERNATIONAL PROBLEMS. CO-OPERATION WILL BREAK DOWN IN DISSENSION UNLESS THE OBJECT OF CO-OPERATION IS EFFICIENT IN THE SENSE THAT IT IS CAPABLE OF INCREASING INTERNATIONAL WELFARE. THIRD, IT WILL NOT PREVAIL UNLESS IT PROVIDES FOR A DISTRIBUTION OF THE BENEFITS OF CO-OPERATION THAT IS WIDELY RECOGNISED AS BEING FAIR. WITHIN THE VALUE SYSTEMS THAT SUSTAIN MOST HUMAN SOCIETIES, THIS REQUIRES RELATIVELY GREATER CONCERN FOR THE SHARES OF THE POOR AND THE WEAK.

IN NATIONAL AND INTERNATIONAL ECONOMIC LIFE, I HOPE THAT THE AUSTRALIAN MINING INDUSTRY WILL JOIN MY GOVERNMENT IN SEEKING CO-OPERATIVE SOLUTIONS TO OUR PROBLEMS, TO THE ADVANTAGE OF ALL AUSTRALIANS, AND OF A WIDER INTERNATIONAL COMMUNITY. AND, I REPEAT, THE KEY TO THE CO-OPERATION WE SEEK FROM ALL SECTIONS OF THE COMMUNITY IS A GREATER AND DEEPER RECOGNITION BY ALL OF HOW MUCH WE DO REALLY DEPEND UPON EACH OTHER, IN THE TASK OF BUILDING A BETTER FUTURE FOR ALL, IN THIS GREAT NATION OF OURS - THIS NATION SO RICH IN RESOURCES TO WHICH THE MINING INDUSTRY MAKES SUCH A VITAL CONTRIBUTION, BUT, ABOVE ALL, RICH IN THE MOST VITAL RESOURCE OF ALL - THE SKILLS, ABILITIES AND QUALITIES OF OUR PEOPLE.

FINALLY, I AM SURE, MR CHAIRMAN, YOU WILL WISH ME TO EXTEND OUR CONGRATULATIONS TO YOUR SUCCESSOR, MR LOTON. BRIAN'S PERSONAL CONTRIBUTION TO THE WORK AND SUCCESS OF THE SUMMIT WAS INVALUABLE, I THANK HIM FOR IT. - I LOOK FORWARD TO CONTINUED CO-OPERATION WITH HIM AS PRESIDENT, AND WITH THE MINING INDUSTRY COUNCIL AS A WHOLE, FOR THE ADVANCEMENT, NOT ONLY OF AUSTRALIA'S GREAT MINING INDUSTRY, BUT FOR THE ADVANCEMENT OF AUSTRALIA ITSELF.

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