IMPORTANCE OF AUSTRALIAN RESOURCE DEVELOPMENTS IN THE '80s

An Address by

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The topic of my speech today is the importance of resource development to Austrlia in the 1980s. There is a great deal of talk these days about this issue.

It is sometimes forgotten that resource development, far from being some new star in our economic sky, has always been important to our economic development. Indeed, the first export from the Colony of New South Wales, in the 18th Century, was coal to India. The 19th Century, as all Victorians know well, saw the Gold rushes and the opening of large mines in the outback.

Over the last two decades, however, we have seen the pace of resource development accelerate significantly, with a major expansion of our resource investment and exports. In this period, Australia became a leading exporter of bulk mineral commodities, in addition to our long-established trade in non-ferrous metals. In 1959/60 exports of minerals and energy accounted for about six per cent of total export income. Ten years later in 1969/70, it had increased to 24 per cent, and by 1979/80, to 37 per cent.

The huge increase in resources development over the last 20 years can be divided into two phases. The first – the development of the 1960s – was largely based upon the development of our iron ore and coking coal deposits to provide steel-making raw materials for the then rapidly expanding Japanese steel industry and the development of bauxite and alumina as significant Australian exports. The second phase – the decade just ended – saw a more widely diversified but less spectacular development across a range of minerals, notably the continued development of bauxite/alumina projects, as well as nickel and some base metals. One feature of the development of the last two decades has been the very large scale, high volume nature of the projects. Another feature has been the establishment of ports, railways, and new towns in remote locations. Australia's emergence as a leading world producer and exporter of alumina during this period marked a major step towards the further processing of our raw materials in this country.

In the relatively brief period since European settlement of Australia, we have clearly gained considerable experience in learning to live with and adjust to resource development. This experience should stand us in good stead during the 1980s. It had better, because we have – and this is what it's all about – entered a new phase of accelerated resource development. Look at these figures. New capital expenditure in the mining industry in 1979/80 was $1 billion. The following year, 1980/81, it was $2 billion. And in 1982/83, my Department estimates investment in Australia's mining and minerals processing industry is expected to exceed $5 billion, at 1979/80 prices. Resource development will clearly assume an even greater role, indeed a leading role, in our economic development in the 1980s.

While saying that, I must continue to take issue with those who describe the current phase of resource development as being a "boom". I have come in for some criticism for doing this, but my reason for doing so is that the implication of the word "boom" is an expectation that a "bust" will follow. I realise we are probably stuck with "boom" as a catchcry, but the fact is that the resources development in progress is very soundly based – it centres on Australia's rich energy resources, and the desire of overseas countries to use these resources to reduce their dependence on oil supplies.

The resource development under way does not then embrace all our mineral resources. What is apparent, however, is that the developments occurring right now will lift our economy significantly and permanently onto a higher growth plateau, opening up better and more wide-ranging possibilities for our society.

In the mineral industry in Australia in the 1980s, I expect that thermal coal will be the fastest-growing area. We now have massive estimates of world coal requirements through to the year 2000. Indeed, projections for coal demand by OECD countries range from 1200 to 1500 million tonnes a year in 1985, increasing to about 2000 to 3000 million tonnes a year by the year 2000. With our large and economic reserves of thermal coal, we are in a unique position to take advantage of this projected demand. A preliminary study by my Department shows that Australia's exports of black coal, including both metallurgical coal and steaming coal, are likely to increase from 47 million tonnes in 1979/80, worth $1700 million, to 80 to 95 million tonnes a year by 1985, and to 100 to 130 million tonnes a year by 1990.

Australia, with about 16 per cent of the Western world's low cost resources, is also well placed to provide a significant proportion of the world's uranium needs. In 1980, total uranium exports were about 1100 tonnes of U_3O_8, valued at nearly $100 million. Depending on markets, Australia's exports could increase sevenfold by 1985. In the longer term, there have been projections that, in the world outside Africa, Middle East and Centrally Planned Economy countries, nuclear electricity will provide almost half the growth in electricity production to the year 2000.

According to the latest OECD figures, by the year 2000, 29 per cent of power in this area will be generated from nuclear plants. This shows clearly that there will be increasing development of nuclear power for electricity generation, as it offers the only real solution to the world's electricity needs. The alternative to nuclear development is a shortage of electrical power – which means in turn a decline in economic and industrial development, with a consequent fall in living standards. It is simply not realistic to imagine that the world would accept such a situation.

Australia's energy trade will enter a new phase with the start of liquid natural gas exports, expected in 1986. At present prices, exports from the North West Shelf project, at the rate of 6 million tonnes a year, will be valued at about $1,700 million. In the longer term, offshore areas in the north west of Australia offer potential for further discoveries of natural gas. Additional exports will, of course, be determined by the emergence of new markets, and will depend on whether competing projects are developed in South East Asia and the Middle East.

A second characteristic of the resource development now in progress is that it will include a significant amount of processing, notably involving aluminium. The Government has strongly supported secondary processing of Australian resources in Australia, and the benefits of this policy are clear in aluminium production. There is about a tenfold increase in the unit value in refining bauxite into alumina, and about another tenfold increase in smelting alumina into aluminium. Obviously, it is better for us to export one tonne of aluminium rather than the seven tonnes of coal and two tonnes of alumina required to produce it.

In 1980, Australia's alumina capacity was 350,000 tonnes a year, and by 1985, new capacity of 861,000 tonnes a year is expected to be installed. Smelting capacity which is now "around the corner" could add another 1.2 million tonnes a year to Australia's capacity. There is a need for caution in such estimates however. It must be remembered that additional smelting capacity is planned on the basis of a number of factors, including companies' perspective of the market, our near-term attractiveness as a producer of primary aluminium ingot and, of course, the ability of companies to commit development funds.

Another characteristic of the present resource development in Australia is that it is taking place within a more defined policy framework than the development of the 1960s. At that time we did not have foreign investment guideline policies designed to ensure Australians had the opportunity to participate in resource development, and to share in the benefits. Nor did we have properly-defined export control policies, designed to help exporters secure reasonable world market prices. Further, we did not have environmental policies aimed at protecting the environment, nor aboriginal land rights policies.

It is quite apparent now that we could not have begun the present phase of resource development without these policies. I say this because unlike the last round of resource development in Australia, generally located in remote locations such as the Pilbara, Gove and Weipa, the present phase is occurring in more populated regions such as the Hunter Valley and Central Queensland. The need for environment protection policies is clearly evident.

There are two further – and very vital – policy aspects of resource development which I must discuss today. In the public eye, they are probably the most dominant features of this development. The first is our frequently disastrous state of industrial relations, which seriously affects our international reputation as a reliable supplier, and often seems to threaten our hopes for securing the full potential of resource development. The second is the ability of ordinary Australian men, women and children to fully share in the benefits of this development.

In both cases, a great deal has been done. In both cases, there is more we can do, and more we must do. The Commonwealth Government is prepared to play its part, but we cannot act alone. In improving industrial relations in Australia, and in ensuring the widest possible sharing of the benefits of the development of our natural resources, the Commonwealth needs the full participation of all levels of Government, and of the community itself. As far as industrial relations is concerned, I have often said to those who call on the Government to solve strikes with a wave of a magic wand that in the end, governments cannot force people to work. In the same way, governments cannot force individuals to become more wealthy, and more happy. They can establish the circumstances in which it is possible for industrial relations to improve, or for people to improve their living standards, and that is what we are doing. In the end, however, simple individual commitment and effort is the vital factor.

Today, I want to put forward some thoughts which I think the community should be considering. So far as industrial relations is concerned, in the aftermath of the abandonment of wage indexation, there was widespread concern that our industrial relations system was out of control. Of course, that was not true. There is a fully functioning arbitration system in operation. All major parties have pledged their commitment to seeing that it works. In addition, there will continue to be National Wage Cases. Nevertheless, there are some serious questions being asked about the working of our industrial relations mechanisms. The proposed National inquiry into the system is aimed at seeking the answers. Further, I think that even within our existing system there may be more that can be done.

A little more than a month ago, I suggested that there should be closer study of schemes giving employees a greater share in their company's ownership and/or profitability. I did so because I believe such schemes have the potential to make employees more aware of the important link between the success and profitability of the firm that employs them, and their own livelihood and prosperity.

The reaction to that suggestion, which I made in quite a low-key way, frankly surprised me. I received a great number of inquiries, and a great deal of mail from firms which had already put such schemes into effect. These firms drew my attention to what they were achieving – to the gains in employee morale, reduced labour turnover, and high job satisfaction.

The companies involved in these schemes are many and varied. I might name just a few, such as Fletcher Jones and Staff Pty. Ltd. – a well-known example – and Lend Lease Corporation. There is also Siddons Industries, W.L. Allen Foundry Company Pty. Ltd., Waltons Ltd., Lincoln Electric Co., and a recent addition to the list – Nylex Corporation Ltd.

Indeed, a recent survey of major companies showed that some 19.4 per cent had arrangements for employee share participation, while another 24.8 per cent had considered such arrangements. With such clear evidence already of widespread and enthusiastic use of employee participation schemes, I am even more convinced that here is something worth more detailed consideration by industry, the union movement, and Governments. There may be some problems, in relation to taxation, for example. I think also that the Campbell Committee may have something to say about the subject. I believe however that further consideration of these proposals might pay handsome rewards.

I am not suggesting that employee participation can solve our industrial problems. But even if it can contribute something to reducing industrial disruption, that is a significant advance. Establishing a closer link between the performance of companies and the livelihood and prosperity of their employees may also contribute to the second of the two vital policy aspects I raised earlier – the task of providing the opportunity for all Australians to share in the benefits of resource development.

When we talk about Australians participating in resource development and sharing in its benefits, we must remember that all Australians already benefit from the contribution the mining industry makes through taxation, royalties and other payments. According to a survey by the Australian Mining Industry Council for 1981, these payments to Federal and State Governments amounted to about 60 cents in every dollar of operating cost.

That is a major contribution to the economy by any standard. There is also a very large slice of benefits indirectly collected through personal income tax, pay roll tax and taxes and revenue from support and manufacturing industries. The industry's contribution in terms of the development it brings in the form of roads, railways, ports, new towns and facilities is very significant. The export income it generates is also very important. Clearly, mining is already benefiting Australia and Australians in many ways.

And there is another point to consider. If Australians want to benefit from this development – and of course they should – then it's not good enough for them to simply sit back and let others put up the money, do the work and take the risks – and then demand a larger share of the profits of this enterprise. If Australians want to get a bigger share of the benefits of minerals and energy development, then they must ask whether it isn't up to them to get more directly involved. I reject the socialist view that you get people more directly involved through the Government setting up statutory bodies that engage directly in mining and energy development. What Governments must do – and we have done it – is to create the conditions, the climate, and the opportunities for people, if they want to , to take a more direct part in Australia's development.

The first requirement in this process of encouraging people to involve themselves is to establish a situation in which development will be an attractive proposition. I believe we have created the opportunities where that situation now exists in Australia. Then you have to have the facilities through which involvement can occur. It is already occuring, of course. In the last two years, a number of resources companies have, amongst them, raised over one billion dollars on the Australian capital market. This market is now considerably better equipped to marshal domestic savings for large, risk ventures. Much of the new investment in resources development will be undertaken by Australian companies with established mining operations, cash flows and ownership.

The Government, through its foreign investment policy, seeks to encourage the greatest possible Australian participation in development. By requiring projects to have, as a general rule, at least 50 per cent Australian ownership (or 75 per cent in the case of uranium projects), it gives an incentive for developers to make opportunities available to Australians to invest.

Clearly, there has been considerable effort by the Government to make possible, and to encourage, investment in resources development by the Australian people. To come back for a moment to measures I was discussing earlier, I would point out that there could be little more direct evidence of benefits than a situation in which employees share directly in the gains as their companies grow. Again, employee participation would provide the necessary link. Moving on, there could also be a need to look more widely than just at employee participation – which would not of course be possible for all Australians.

Currently, only a small proportion of Australians own shares in Australian companies, and schemes that would widen share ownership – such as the Trust Australia proposal by two Federal MPs, Mr John Moore and Mr David Connolly – are, I believe, also worth further study. It is important that we find ways of making it easier for people with relatively small amounts of capital to invest for themselves in the nation's economic development.

I have put forward today some ideas which, as I said earlier, deserve consideration by the community. I close by emphasising again that there are limits to what the Government can do, in these or indeed any fields. In the end, it is up to individuals to make the choices and the judgements – to assess both the risk, and the likely reward.

Organisations such as the Securities Institute of Australia, and this Victorian Division of the Institute, have a very important role to play in increasing the awareness of Australians as to the enormous potential of our resources, and the benefits of investing in their development.