

Minerals Week – Opening address by MCA Chairman, Andrew Michelmore

Good morning Ladies and Gentlemen. On behalf of the Board of the Minerals Council of Australia, it's my pleasure to welcome you all to Minerals Week 2014 and, in particular, to the seminar today.

The topic for this year's Minerals Week is ***Regaining Our Competitiveness***.

It is a theme fit for the times. It connects the challenges we face every day in our businesses to a larger national imperative.

We know our country has a “**fiscal gap**” as outlined in the Federal Budget.

The Treasurer in his Budget speech also talked about an emerging “**growth gap**” in our economy – as mining investment falls from historical highs while non-mining investment struggles to pick up the slack.

No less important I would argue is Australia's national “**competitiveness gap**”.

Our cost structure in areas like energy and labour is out of line with major competitors.

Our productivity performance over the last decade has been mediocre.

In minerals, our capacity just to maintain market share is under threat from countries that are, quite frankly, hungrier than Australia to develop new mining projects.

We are competing globally for capital and long term investment commitments against countries that are ahead of us on all fronts.

We are competing against countries on their way up, who are lean and efficient, not yet softened by the years of prosperity we had, where the brakes came off and regulation came down.

The MCA believes we need a more searching national conversation about Australia's competitiveness gap.

These issues must figure as prominently in our political debate as how much we spend on welfare or on roads or the savings to be made from reducing public debt.

We don't have the luxury of saying – “well we'll just focus on repairing the Budget in the next few years”.

Fixing the Budget is a necessary but not sufficient condition for putting Australia on a strong, sustainable growth path for the future.

That's why we've made regaining our competitiveness the central theme of this year's Minerals Week.

And why we have invited a number of speakers today – Ministers, ex-Ministers, business leaders and independent analysts – to explore the intersection with issues like tax, energy policy, approval processes and workplace reform.

We do face real challenges on competitiveness and productivity. But it's important also that this gathering take stock of mining's contribution to Australia over the last decade.

It is incumbent on all of us who work in the mining industry to get out there and sell the merits of what we do.

Of course, that's a large part of the brief we on the Board of the MCA set for Brendan and his team. But it is a brief all of us who care about Australian mining must carry as well.

We sometimes hear the claim, for example, that whilst a few benefited from the so-called resources boom, the nation as a whole has little to show for it.

That's simply not true.

Some new work for the MCA by the modelling firm *Macroeconomics* has unpacked this story.

It shows that mining contributed 27 per cent (more than a quarter) of growth in Australia's economy through the decade to 2012-13.

The research finds that the resources boom is still adding \$97 billion each year to national output – the equivalent of \$4,300 per person in Australia – even with lower commodity prices and investment declining from recent peak.

While higher prices (from mid-2004 to mid-2011) delivered a huge boost to national income.

This in turn laid the foundation for rapid growth in investment – initially weighted heavily toward coal and iron ore based on Chinese demand for steel-making commodities, and later dominated by large LNG investments.

In the process, mining investment went from 2 per cent to 8 per cent of GDP, lifting economic growth and building the platform for exports in the future. As Martin Parkinson noted in a speech last month:

“With the capital stock in the mining and energy sectors now triple what it was a decade ago, additional productive capacity will drive strong growth in resources exports for several decades to come”.

This is what a permanently larger mining sector means for the country.

What about tax revenues?

There tends to be a narrow and misleading discussion in Canberra focusing on the Minerals Resource Rent Tax. But let me quote Chris Richardson from earlier this month in his pre-Budget report:

‘...the resources boom of the last decade was good for the economy, but stunningly good for the Budget’.

He's absolutely right.

Stephen Anthony of *Macroeconomics* has done the sums and concludes that the mining boom (directly and indirectly) added \$192 billion to the Commonwealth Budget alone between 2003-04 and 2012-13.

That's enough to have paid for Commonwealth spending on higher education, vocational education and schools over the decade. And roughly equivalent to our accumulated Commonwealth net debt in 2013-14.

And it's in addition to significant growth in royalty payments to state and territory governments.

Let's not forget that it was growth in mining exports – principally coal and iron ore – that helped Australia through the worst months of the Global Financial Crisis.

So you will hear a lot today about what needs to change.

It's just as important, however, that we remind Australians about what endures.

Mining will continue to play an indispensable role in our economy – in terms of exports, investment, jobs or revenues to fund health, education, defence and other government programs.

The industry has developed partnerships and employment opportunities for Indigenous people like no other. As Warren Mundine noted recently, there isn't a person in our industry not committed to the economic development and the elimination of poverty and disadvantage in Indigenous communities.

Finally, let me say it's great to welcome Ian Macfarlane back to Minerals Week as Minister.

Ian has been a great champion of our industry in the past and we're confident he will continue to ensure we have a strong (if somewhat gravelly) voice in the halls of power in Canberra.

I should say, Ian, that there were two sentences that stood out for me from Joe Hockey's Budget address.

The first was when the Treasurer reminded Australians that while mining accounts *directly* for around 2 per cent of employment, it generates roughly 10 per cent of GDP.

As such, mining generates value added of more than \$500,000 for the economy from every worker employed. That's the best return on labour in the country, something we should value as our population ages, workforce participation declines and demands on government increase.

Secondly, Joe Hockey made the point that:

*'An amazing 80 per cent of all investment in the recent mining and resources boom has come from new **foreign investment** in Australia'.*

It's not often you hear that explained to people. Again, our industry needs to be clear, upfront and persuasive in highlighting the benefits of foreign investment.

It's something I think about constantly – as a CEO of a majority Chinese owned company, listed in Hong Kong but with its headquarters in Melbourne.

And I must say the Prime Minister's visit to North Asia in April struck the right note in affirming (especially in China) that Australia is "open for business".

Ladies and Gentlemen, with those thoughts I want to again welcome you to this year's Minerals Week. It is my pleasure now to ask the Minister for Industry, the Hon Ian Macfarlane MP, to deliver this year's opening keynote address.