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A call for action on serious challenges

BY GINA RINEHART

It seems too easily forgotten that people who know what it is to hire people – thousands of Australians – also understand better than most what could prevent them from doing so.

While I have many investment options in a globalised economy, the place where I most want to create sustainable jobs is Australia.

Yet others are increasingly feeling forced to make a different choice.

West Perth, where my offices are, for instance, is filled with companies investing in low-cost, highly resourced Africa.

Now the evidence is unarguable that Australia is indeed becoming too expensive and too uncompetitive to do export-oriented business (businesses that must sell their product in the world economy at world market, not Australian, prices). What was too readily argued as the self-interested complaints of a greedy few is now becoming the accepted truth, and, more ominously, is showing up in incontrovertible data.

ANDEV members and I have been voicing our concerns and warning about this over the last two years. What hurts business can devastate our already grossly in-debt nation.

Take, for instance, the latest global competitiveness report from the World Economic Forum (WEF), in which Australia’s ranking among the world’s top performing economies dropped from 16th to 20th in just one year – the single biggest slide of all nations. Qatar, Belgium and Austria all overtook us.

Australia’s relative fall is due to our own failures. This country simply can’t afford a carbon tax or Minerals Resource Rent Tax (MRRT).

As the WEF report noted, Australia has not made any real progress in the past 12 months in precisely the areas that advanced economies should have.

We ranked 75th for government regulation, and business knows the difficulties of this. Red tape – and green – was the overwhelming concern at the COAG Business Advisory Forum in April, and we can only wish it had effectively been on the national agenda much sooner. Small businesses – the backbone of Australia – are the ones most hurt by the cost and delays of this; those mums and dads who employ one or more other people, mortgaging their homes, foregoing holidays and working long hours to stay in business and cope.

The WEF report also noted another troubling weakness – that so much of our infrastructure, especially...
in transport and ports, "has been increasingly constrained in recent years," and lags behind the world's best.

The WEF findings are echoed in the World Bank's "Ease of Doing Business" index, which similarly had Australia falling - from 11th place last year, to 15th this year.

Other business leaders have recently warned of the rising cost of business here.

BHP Billiton Chairman Jac Nasser recently singled out new and increased taxes, and a "much more difficult industrial relations environment".

Add to that our productivity loss. As Reserve Bank Governor Glenn Stevens put it in mid-June: "productivity is the imperative to survive," especially as a high-wage country competing against low-wage ones.

These challenges are now beyond serious dispute. To point them out is, I hope, no longer a sign of self-interest, but a duty, and a call for action.

Our federal and state governments must know that now, more than ever, we must lift our international competitiveness just to stay as well off as we are, and with state and federal debts, we must get realistic, not just promote class warfare.

Indeed, if we competed at the Olympic Games as sluggishly as we compete economically, there would be an outcry. But what I'm talking about is more important.

Yes, we are told there's no need to be gloomy - not yet, at least. After all, the mining states keep the nation's growth rate relatively high, and we have a huge investment pipeline.

But we cannot ignore how dependent we now are on that pipeline. This pipeline is primarily, not only, supported by multinationals, and we should never forget that these multinationals are multinationals, with other investment opportunities offshore.

Simply, we must compete successfully for these investments to go ahead.

The Business Council of Australia's (BCA) recent report Pipeline or Pipe Dream? reminds us of the danger of counting un-hatched chickens.

The BCA, like so many now, notes that our competitiveness is falling, especially in delivering major resource projects. Labour costs are typically 35 per cent higher here than on the United States Gulf Coast, where they can also lower labor costs further if they utilise "illegal" labour from Mexico and the south.

The same high cost problem is true when building schools, hospitals and shopping centres. We are becoming a high-cost and high-risk nation for investment. That pipeline is being squeezed and is becoming risky.

Productivity problems, labour shortages and approval costs and delays are to blame, so it is heartening that we're finally moving from arguing about such things to realising we need to fix them.

I'm pleased that the federal government has announced the first enterprise migration agreement for our major Roy Hill project in the Pilbara. Its details, however, are still to be finalised as I write.

Here is a potential agreement that will not only help business, but will help the nation.

The 1715 temporary skilled overseas workers for the remote, hot Pilbara are actually just a small fraction of the 100,000 such workers entering Australia each year.

Moreover, they give us the guaranteed labour we need for a project that will give jobs to 6700 Australians during construction, and to more than 1000 afterwards. These are sustainable jobs that won't exist unless we can get sufficient labour for construction and bank loans for debt finance; however, banks need to be assured before providing money that we can get sufficient labour.

Nor are these jobs the country's only gain: more than $1.3 billion has already been spent on the project, of which more than 83 per cent has gone to West Australian or Australian companies. This is over the average of 72 per cent for most other big resource projects.

On top of that, royalties and other taxes - in effect substantial profit share - flow to state and federal governments, although the royalties and various other taxes apply whether profitable or not.

This is an example of the 'investment pipeline' that must keep flowing, particularly in a state and country immersed in government debts.

Business-as-usual will not do - not when West African competitors can offer our biggest customers an average capital cost for a tonne of iron ore that's $100 under the price offered by an emerging producer in the Pilbara.

Furthermore, Africans want to work and its workers are willing to work for less than 62 per day. Such statistics make me worry for this country's future.

Indeed, few now could have missed the reports of companies running a ruler again over investments that were in 'the pipeline' - spooked by cost overruns and poor productivity.

We must listen to the reports from China that Australia has become too expensive to invest in.

Now that we are belatedly seeing the challenge before us, let us not be slow to agree on how to meet it.

We need bold and imaginative plans. We need to revitalise our mineral-rich, defence-poor, people-poor north. We need to create a large special economic zone in our north, stretching across Northern Queensland, Northern West Australia and the Northern Territory, with fewer regulations and taxes: a region that truly welcomes investment and people.

For more information, please visit the ANDEv website: www.anedv-project.org/