Iron ore industry full steam ahead

Special feature
Life and leisure

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Changes we need to make our country rich

BY GINA RINEHART

Over the last few years, I have become increasingly concerned about the direction of Australia. I have written of my concerns in Australian Resources and Investment on the basis that they would not change what I was saying. With other concerned people, I also founded Australians for Northern Development and Economic Vision (ANDEV), which aims for policies to invigorate our sparsely populated north as an engine for growth, revenue and opportunities.

On 22 November this year, 60 years after my father Lang Hancock made his initial discovery flight in the Pilbara region (and 33 years after I launched his book as a jumbo jet crossed the Western Australian border), I launched Australia and then some: changes we need to make our country rich. The book follows a 1954 publication printed by The Australian Institute of Political Science, entitled Northern Australia: Task for a Nation, whose recommended tasks for increasing wealth and living standards in northern Australia have still not been acted upon.

In the north of Australia, the mining industry faces some of the highest costs in the world, and is about to encounter the strongest competition in Australia’s history from low-cost nations such as those in Africa. Australia is in record and increasing debt, and the threat to export markets posed by other resource-rich and low-cost nations is imminent.

We have seen the loss of our Future Fund and the Australian Infrastructure Fund, we are seeing the critical investment pipeline now at risk due to Australia’s high costs and other deterrents, coal mines are closing, and manufacturing, retail and new housing all face real problems. Advertising is also down, and professional jobs are being terminated Australia-wide.

This is something we all need to understand.

It goes back to something Australians used to understand well; almost every home understood that you had to earn revenue before you could spend it. Then you had to make choices: it might be nice to have overseas holidays, but maybe we should renovate the bathroom and/or kitchen, fix the roof, do the extension, save for a grainy flat, etc. Proper planning and allocation within the budget constraints had to occur. This may not be popular, but we need to get back to these basic understandings, and, very importantly for Australia, so do our overspending governments.

Perhaps it might help, too, to note that governments do not have crystal balls to look into and decide what’s best for us all. We all have our own needs and priorities and these change over years.

Let’s look back to this time and the history of my father: 60 years ago, after his famous discovery flight, he risked his life many times landing his tiny Auster aircraft in the spinifex – there were no government airports in that rugged, remote area – then collected samples and arranged their delivery to the nearest laboratory in Perth, some 1000 miles south.

However, the federal government, in its wisdom, and based largely on the then government reports, had decided that Australia was ore-deficient and would be importing iron ore by 1965. This wasted eight years of my father’s life as he tried to convince the government to change its decision and lift the export embargo. When this embargo was finally lifted in 1960, the state government, based in Perth, was no better, and delayed for a year or more the lifting of its state-imposed pegging ban on iron ore, which meant no-one could get title. It’s little wonder, if you think about it, that ore of any significance was not found before! Those government crystal balls were faulty – and they were many miles from the north.

In Perth back then, they had a Minister for the Northwest, and from memory, he had the responsibility for the northern development of west Australia. He had no experience in starting major projects, and, instead of recognising this, he not only got in the way and delayed much-needed development in this remote region, but he then took credit for it! My father never minded that minister taking credit for it, despite knowing what had occurred, but what he did mind was the further delay, because in that delay, the world became aware of this major new iron ore province. With this knowledge, the market changed from being a seller’s to a buyer’s market, with the Asian steel mills especially appreciating that this was basically in their backyard, and hundreds of millions of dollars were lost from offtake contracts. In those years, hundreds of millions of dollars was a lot.

So, with this government combination of Perth and Canberra ‘looking after us’, the opening of the major Pilbara iron ore industry was delayed by around 10 years. This may not seem important for those in inner city areas, with city conveniences, but try to think about what it did mean for those people in the northern region, who Canberra and Perth did not consider.

Try living for 10 years without much more than a few rough roads, and being 100 miles or more on long, bumpy roads from the nearest post office, or adequate hospital. There was little in the way of shops, and those that did exist could only be accessed after 100 miles or more of these bumpy roads. Most people then living in the Pilbara had no means of phoning family members overseas or interstate, unless they travelled many miles to the hottest town in Australia: Marble Bar.
If you had experienced those 10 years, as we did, you would have appreciated the better hospital facilities, post offices, shops, airports, schools, and even restaurants and hairdressers that the iron ore industry brought nearby. New towns were built for the industry, using international investment. Western Australia was no longer a mendicant or ‘handout’ state, meaning the other states’ taxpayers could stop financially supporting it because it had revenue, which it could have started to enjoy 10 years earlier.

During these years of the government ‘knowing best’, with its faulty crystal ball, Dad did try to interest many steel mills and international companies in backing him. But he was told that there was no ore there, that he wouldn’t be able to get a title, and that he should find something more conveniently located near the coast.

This is an important lesson on the value of perseverance: a very important quality in business.

Arguably more than any one person, my father made a huge contribution to the initial development of the Pilbara, but he also made money, and this made people jealous. There was nothing stopping others from taking the risks, facing the many hardships and working hard like Dad did, but jealousy is easier, and jealousy leads to detractors, vitriol and hatred.

My father, who had done so much for our state and country, got sick and tired of hearing his words twisted and misrepresented, so he chose not to have anything to do with the media. The detractors continue; but thank goodness for the iron ore industry. Since Dad’s initial discoveries, many have become world-class mines, contributing much revenue and many opportunities to Australians. Our debt would be significantly greater without this iron ore industry. Our debt would be smaller if the industry had not been held up for 10 years by the government’s faulty crystal ball and its bureaucratic delays.

Today, sadly, jealousy of those who have worked hard to earn and invest continues, and with it the vitriol and hatred, with so little thought given to the fact that Australia really needs people to invest in and grow businesses that lead to opportunities for others and to help pay for the spending of our governments. I’m not asking for anyone to cry for the rich, but only a muffin would forget what it takes to earn the wealth that others like to spend.

The only employment growth seems to be in bureaucracy, with fewer people working in private industries to pay for it. Never has it been more critical in Australia’s history – since Federation – that we find ways to encourage businesses to grow and invest in Australia. The path of increasing debt that we are on will lead to the same problems that Europe has.

This is some legacy our overspending is leaving for the next generations.

I can’t help but remember those famous words by former United States President Herbert Hoover: ‘Blessed are the young, for they will inherit the national debt.’

I hope our young Australians look at what’s happening in Europe and quickly realise the folly of the popular concept that money just falls from the sky without being earned, and that the government knows better than we how to spend our money and run our lives. Although this may be popular, it is actually a fallacy that we can’t continue to be fooled by; money has to be earned and we have to relearn the fact that we need to live within these constraints. I hope the young really think, and say, ‘enough’s enough, stop this overspending’, and understand that we need to increase investment and grow businesses before we can spend revenue.

Our country deserves an exciting future. We won’t have one unless we want to face realities and make it happen. I hope many of you would like to read Northern Australia and Then Some: Changes We Need to Make Our Country Rich, or look at the ANDEV website (www.andev-project.org) and become members.

I will leave you with some poignant words from Alejandro A Chafuen, President, Atlas Economic Research Foundation.

‘I was born in a country, Argentina, which, for many decades, was as rich if not richer than Australia. Unfortunately, government intervention from left and right corporatists drove most business leaders such as Gina Rinehart, into exile, silence, or oblivion. Argentina’s economy is now a basket case.

If its civil society listens to Rinehart’s warning, Australia still has a chance to shine. I have spent more than three decades working for economic development around the globe. I know that the message that comes clearly from her book Northern Australia and Then Some: Changes We Need to Make Our Country Rich, if implemented into policies, would help put not only Australia, but many countries on a road toward lasting prosperity.

The world is full of areas where we have beggars sitting in mountains of untapped “gold”. Rinehart’s message is a call to release the untapped human and economic potential through respect of the human right to free enterprise and private property. Northern Australia and Then Some is available through the Institute of Public Affairs and the Small Business Association of Australia.

Gina Rinehart and ANDEV members at the launch of Northern Australia and Then Some. Photo courtesy of Damien Kennedy, APM Graphics.