

MINING AND THE COMMUNITY

Address to:

The Rotary Club of Perth

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Chairman - Australian Prospectors & Miners Hall of Fame

The expanding gold-producing company of which I am proud to be Chairman, Croesus Mining NL, is by definition a "multinational". Our shareholders are based in 36 different countries.

In September, Croesus Mining presented our company at the Mining 2000 Forum in Melbourne, a city then caught up with multinational protestors demonstrating against multi-national companies.

- **Great new drilling results!**

We announced great new drilling results that will give Croesus Mining years of growth particularly with the current delightfully high A\$ gold price. But I kept thinking about the protestors and I kept asking myself "What's so sinful about being a multi-national mining company?".

I am sure about one thing - and that is that it's a damn sight more difficult today to be part of the productive sector, than it is to be part of the protest industry.

- **Overseas protestors flown to Australia for a free holiday**

Many of the overseas protestors had been flown to Australia for a free holiday, surprisingly enough by businessmen such as the U.S. protectionist textile magnate Roger Milliken ¹ , and many similarly motivated protectionists. These cartel businessmen justify this expenditure because they deem it to be in their interest to turn public opinion against competition and against free-trade between the world's consenting adults.

Many of those who protest so vocally against free-trade claim that they are trying to help the poor. It's hard to see how reducing our country's standard of living can actually help the poor.

Everyone appears to be in favor of competition as long as they themselves can be spared its discipline.

Thus, there are many models of "free-trade" and "globalization" on offer at the moment, from Bill Clinton's model (which protects American farmers) to the Japanese model (which protects Japan's farmers). And the European protection for their farmers is an even greater threat to free- trade. So beware of their new catchphrase - "multi-functionality" - it's a new protectionist term created by the European Union to explain to their voters why (instead of buying cheaper Australian products) they have to pay more for European agricultural products. The reason given is that they, as citizens are indebted to farmers and agricultural production, because farming offers more than just steaks or fresh vegetables.

(There is an explanatory paper on the dangers of "multi-functionality" on my website <http://www.mannkal.org>.)

- **How to counter the protectionist danger?**

Australia can only counter this protectionist danger by pushing for "real, legitimate, free trade", and by that I mean "A fair playing field with no favors for some at the expense of others". This means two things: we will have to learn to play hard ball with our trading partners and we will need to vigorously embrace internal deregulation in order to drive our costs down - despite the sometimes farcical pretence that deregulation has already occurred on a large scale.

- **Our current economic standing**

There is some humor to be had in watching the economic fortunes of our country as we stagger further down the scale of economic performance. Australia is currently in 12 th place.

This figure of 12 th place is from the World Economic Forum chart of Growth Competitive Ranking released in Geneva in September.² This index measures the factors that contribute to the future growth of an economy, measured by the rate of change of GDP per person. These factors explain why some countries are prospering faster than others.

Many of the countries who are beating us at the moment have to overcome major internal obstacles such as 5 different languages.

Our major problem is the extent of government involvement in every aspect of our life.

Looking through newspapers for some actual examples of how pathetic our deregulation from government has actually been, I found one that indicates that Australia has taken the prize for protective employment legislation.

- **A convicted paedophile on the payroll**

The West Australian of September 2, under the headline "Police Pay Guilty Pervert" details the so called "industrial ruling" which prevented the WA Police Service from sacking a convicted paedophile.

In a six-day trial, the jury convicted the 31 year old police officer of 22 charges, most of them involving sexual penetration of young girls.

The problem is that he remained on the police payroll because they couldn't sack him because the industrial ruling states that the officer must be paid until he is removed from the Police Force.

He couldn't be removed from the Police Force without attending a hearing, which he couldn't attend because he was in jail.

Can you beat that bit of bureaucratic nonsense?

Now, if you think I'm being uncharitable in suggesting that we would be better off with less government in our lives, I do so on the basis that our mining industry, must cease to be treated as a pariah, we must be set free to explore, to produce and create wealth for all Australians.

This is a time in the economic cycle, particularly the next 5 years, when we are desperately needed, to keep the economy afloat.

We have an important role to play and I'm reminded of the wise words of Sir Charles Court, our former Premier, who has just turned 89, and who is still a keen follower of our resource industry. He said:

"The miner, the industrialist, the trader, the financier and the banker, if they play their role correctly, will do more to achieve world understanding and peace in a generation than the politicians and diplomats could do in a hundred years. Why? Because they are closer to reality, closer to their opposite numbers, closer to the community in the countries where they operate. In other words, they have more to do with real people than with institutions".

Apart from the humorous aspects of red-tape, green-tape and black-tape, our country is being deprived of winning any real gold medals for economic performance, despite our high standards of technical excellence which, sadly, is fast becoming our major export.

I suggest to you that Australia faces a double-headed crisis with the two heads being: Government Greed and Restricted Land Access.

1. Firstly, our government is taking too much and spending too much of the national product. Appendix 1

2. And, the second problem is that of severely restricted access to land for exploration and wealth creation. Appendix 2

These two problems are substantial enough to become two more lunch talks, so let's keep moving along to our Mining Hall of Fame.

You might ask what has a Mining Hall of Fame to do with business and commerce generally?

Apart from most businesses directly or indirectly benefiting from our mining industry there is also a strong bond because mining and business and commerce generally have been under attack for the last twenty years, particularly from those in charge of educating our youth.

There is mounting concern that our Australian education system was hijacked by the "trendy left" in the early 80's and now there is a need to restore some balance to the debate.

If you think that "hijacked" is too strong a word, let me quote from Joan Kirner (1984), one-time Minister for Education in Victoria's Cain Labor Government, who declared her "intent to hijack" in a paper delivered at a Fabian Society conference, when she said:

"If we are egalitarian in our intention we have to reshape education so that it is part of the socialist struggle for equality, participation and social change, rather than an instrument of the capitalist system ...
(Kirner, 1984, page 11)¹

The result is that much of the school curriculum is heavily anti-business, anti-commerce and anti-mining, resulting in a public perception that "business" is

simply something to regulate and tax rather than consisting of noble professions that bring benefits to all the community.

I was recently reflecting on the decline of the perceived importance of the productive sector and this emergence of a whole class of "enemies of industry" when I was asked to review a book first published in 1964, it is one of our best books on Western Australia's Outback and its northwest mining and was written by HM Barker, a New Zealander who settled beyond WA's remote Marble Bar.

Barker's book *"Camels and the Outback"* is described by Professor Geoffrey Blainey, in the book's introduction, as follows: "Through this book I think we know more about camel transport in Australia than we know about the economic history of railways or shipping".

More fascinating still is the extent to which Barker had researched camels, back as far as Aristotle, and the importance he placed on Aristotle's 4 th Century BC opinions.

Of Aristotle he said "Aristotle, best all-round man of learning, teaching, philosophy, science and whatnot, of all time".

This connection with Aristotle may be no accident. I've noticed that so many early explorers were admirers of Aristotle, and it is this which may explain their strong characteristics of individual responsibility, independence and the total absence of today's pervasive cult of victimhood.

This observation of Aristotle's influence may be best summarised by the philosopher Ayn Rand in the mid 1960s where she said:

"Aristotle may be regarded as the cultural barometer of Western history.

Whenever his influence dominated the scene, it paved the way for one of history's brilliant eras; whenever it fell, so did mankind".

It may seem like a long bow, but perhaps we should reflect on how much emphasis is placed upon Aristotle's teaching today, and ask whether there is a link here to our previously mentioned decline on the Global Growth Competitive Ranking scale?

Aristotle's teaching could never have produced several generations of people who mistakenly view humans as principally consumers and polluters, rather than as producers and stewards.

Consequently, these people, these enemies of industry, ignore our potential to add to the Earth's abundance.

Many of them oppose economic progress in the name of environmental stewardship - a position which is often sadly self-defeating.

Clearly, though, they represent a serious problem for our mining industry, and the material well being of all Australians.

- **A brighter future**

Now, this brings me to something over which we do have control, that is, leadership within our own industry.

Something about our mining industry reminds me of the elephant in the old Hindu proverb which states:

"When an elephant is in trouble, even a frog will kick him".

Somehow we have let our industry be kicked around.

Our inability to effectively defend, to explain and to promote our industry on a broad enough front is, I feel, our industry's most serious shortcoming.

For some time, I've been saying that our industry has plenty of management but not enough leadership and this helped me to recognise the leadership potential for the Australian Prospectors & Miners Hall of Fame project when they asked me to be Chairman, about 4 years ago.

This \$21m project is not just about money, it's about leadership and the creation of a showcase for an industry that is very much a young person's industry, highly dependent on leading-edge technologies.

Our Mining Hall project will be telling the story of the relevance of our entire industry to the Australian public at large, and explaining what's "in it for them" if they encourage more mining.

We have a great story to tell, about how modern mining owes as much to high technology as it does to the quality of the mine...maybe more on some occasions.

That technology embraces communications, biotechnology and engineering applications.

Software that helps miners to determine how to best extract minerals, how to model deposits and how to maximise extraction are essential tools of mine management.

Technologies that help locate and define mineralisation.

Modern biotechnology that helps to preserve native plants through regeneration.

Engineering technology that improves the capacity to mine in difficult areas.

It is true to say that the modern mining industry is in fact the biggest user of information technology in Australia and is a net contributor to research knowledge across many fields.

Modern mining is about optimising the use of leading technologies from almost every conceivable angle.

Because our Mining Hall of Fame is already a national project we have strong leadership teams in each State, and, as we visit the heads of many mining companies, it is giving us a remarkable insight into the leadership goals and perceptions of each of these companies. It's like gathering material for an interesting book.

Some, only a few, of our industries CEO's actually appear to be ashamed to be identified with our industry - perhaps because they are currently confused about the globalization protestors and the media attention that followed.

If they aren't proud of what they are doing, they should stop doing it, before they manage to confuse their own staff, not to mention their shareholders.

However, those many CEO's and individuals who have made the effort to understand what the Mining Hall is seeking to achieve are swinging in strongly behind the project and that's why you can see the building taking shape right now. The building is well advanced and the exhibit designs are also taking shape.

Each exhibit for the Mining Hall of Fame is being developed by a team of leading designers in partnership with researchers, museum consultants and major sponsors.

The original idea for this project came from several activist individuals who recognised the need.

This enthusiasm, in turn, was picked up by both the Federal Government and WA State Government, resulting in the project's selection as one of Australia's most significant Centenary of Federation National projects.

Even before we got our campaign under-way, many individuals and companies quickly shared our vision. Now we are being thanked for creating this techno-showcase.

If you visit the Mining Hall website and click on "Our Team" you will see the extent of this expanding group of voluntary supporters, all driven by this wonderful ingredient; enthusiasm.

There is one important date that we are all working toward:

Wednesday, 24 th October, 2001

On that day, the Prime Minister of Australia will arrive in Kalgoorlie with the largest media entourage imaginable, all on board the special Centenary train from Sydney.

He will be there for one reason - to officially open the Mining Hall of Fame as part of the Centenary of Federation Celebrations.

Mining is a strange industry in a way, because we go out there somewhere and discover a mine, which creates wealth. Then, when we have finished, we cover it all up and pretend we have never been there at all.

No wonder our industry is so widely misunderstood.

The Mining Hall of Fame will ensure that both the future and the past will be recognised. As a repository of information and as an educational tool, it will serve as an investment for the future by making clear the outstanding contribution that mining has made in the past, is making now and will continue to make in the future.

It is expected that at least 200,000 visitors will tour the complex each year and a million more will make a virtual visit to the centre through our website (<http://www.mininghall.com>).

They will be accessing archives, educational material and the supporters of the project.

Travelling exhibitions will be assembled on the site for display at conference venues and educational centres.

It worries me that our industry projects itself as an old-economy, older-person industry. If you don't feel that's fair, have a look at the annual Company Reports which proudly feature, upfront, photos of board members, mainly "old codgers" like me.

Mining and exploration is a young person's industry.

At Croesus Mining, if we extract the board's age, we are left with an average age of around 25.

Our Mining Hall project will help re-focus on young people.

This year, in WA alone, 30,000 students, teachers and parents have enrolled for mining familiarization courses and we expect 6,000 to go through our "Mining Hall" facility - and we haven't even completed the facilities yet.

The WA Education Department has already provided an upgraded Goldfields Camp School Dormitory with an onsite catering facility and The Chamber of Minerals & Energy is maintaining a full-time staff member in Kalgoorlie to co-ordinate this rapidly growing program.

Why is the Education Department doing so much to assist us?

It's because it sees us as an independent organisation, one or two steps removed from the industry itself.

Our Mining Hall project will continue the good work of State Chambers and other bodies including AusIMM by re-enforcing the positive images of our industry.

- **My Challenge to You**

This is where I'll present to you, as community leaders and as WA's leading Rotary Club, a challenge that comes in three bits.

1. Can I ask that you review your own professions to ensure that the way you or your peak organisations present your profession to the public is effective and absolutely "State of the Art".

I doubt if you'll have as much catching up to do as we did, but such an investigation may be instructive.

2. The second bit is that some of you as individuals may like to sign up as members of our Mining Hall project

\$50 buys you annual membership or \$1,000 buys you life membership.

For these fully tax deductible payments, all members receive a range of membership benefits including discounted airfares and other loyalty programs, but most importantly it will keep you informed of the progress of this ongoing project.

3. The third bit of our challenge is for your club to become a supporter or sponsor of our project on an ongoing basis.

To this end we would be happy to work with your nominated representatives to structure a proposal for your evaluation.

Perhaps this could develop the theme of the vital importance of service clubs and their contribution to mining towns throughout Australia.

There is a great story to be told and I can already see a web-based feature of the many projects that have resulted from initiatives from our service clubs.

We have a strong team to work with you, including David Reed, Dick Tastula and Graeme Smith, so please invite us to do so.

The challenge is yours and I'll conclude by asking you to please remember the wise words of Winston Churchill who put it this way:

"We make a living by what we get, but, we make a life by what we give".

Thank you.

1. Australian Financial Review 19 Sept 2000 page 35, quoting James Wolfensohn (President of The World Bank) referring to an article in the U.S. magazine *The New Republic*.

2. <http://www.weform.org>

3. *Camels and the Outback* by H.M. Barker (Hesperian Press, Perth)

4. *Ibid*, page 159

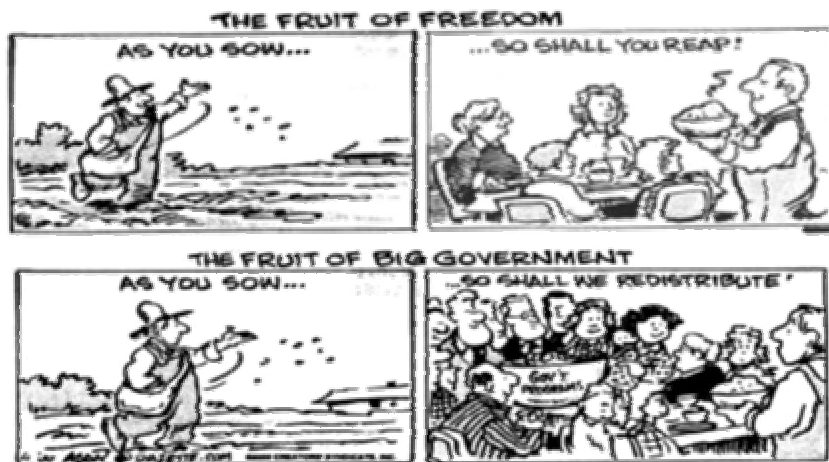
5. Ayn Rand, author of *Atlas Shrugged* and described as Woman of the Century
<http://www.cascadepolicy.org/liberty/aynrand.htm>

Appendix 1 - The Broken Window Fallac

Appendix 2 - AMEC summary of the Native Title Act - "Time for a Reality Check", Sept 2000.

Appendix 1

The Broken Window Fallacy



Some of you may not be overly concerned by the alarming growth in Government spending but let me explain this with what some economists call

"The broken window fallacy"

The French economist Frederic Bastiat once wrote, "there is only one difference between a bad economist and a good one: the bad economist confines himself to the *visible* effects; the good economist takes into account both the effects that can be seen and those effects that must be *foreseen*." To illustrate, Bastiat tells the following story:

A man's son breaks a window. The father, naturally, is angered by the son's irresponsibility.

However, some onlookers encourage the father to look on the bright side. "After all," one muses, "this will make business for some glazier."

Bastiat notes that this is true - on the surface. The glazier will come, repair the window, receive payment for his work, and walk away, secretly thankful for the boy's carelessness.

This is what is seen. This is why Government spending is like the broken window.

What is not seen is that the man, having spent money to repair the window, is now unable to spend it on something else.

The glazier's gain is the tailor's loss; no new employment has been created.

The American economist Henry Hazlitt called this the broken-window fallacy; this tendency to focus on a policy's immediate effects and ignore its long-term consequences, is "the most persistent fallacy in the history of economics".

Take for example, a government public works project. What we see is some public statue or public building come into being; what we do not see are all the private projects people would have undertaken if their pay-packets had not been raided by the taxation required to fund such public works projects.

The sound economic thinking exhibited by both Bastiat and Hazlitt is desperately needed today, particularly, among long suffering taxpayers who appear unaware that there are private alternatives to most of these government funded programs.

The mix of environmental, heritage and indigenous title restrictions is different in Australia and New Zealand but the result is the same; namely, more restrictions, which means fewer mines in the future and a resultant decline in the living standards of both countries.

In Australia it has largely been our *Native Title Act* that has caused us to export so much exploration. Instead of bringing on a severe bout of depression by outlining the cost to the Australian nation of the unworkable Native Title Act, I have included as an appendix, the (Association of Mining & Exploration Companies) summary of the past seven years of frustration.

It explains how this shambles really has very little to do with anyone ever getting a fair go, and much more to do with political advantage.

These two problems of Government Greed and Restricted Land Access share a common factor - both are caused by a leadership crisis, in particular, a political leadership crisis. Put bluntly, our leaders lack the will to grab both problems by the throat and throttle them.

What can we do about this lack of political leadership?

Apart from the slow method of economic education, I don't have an easy answer because governments are so artful in the way that they extract multiple taxes from citizens that I doubt if there is a single person in this room who can tell me exactly what percentage of their income they pay in tax, and I mean total tax, including GST, stamp duty, bank taxes, land tax, etc., etc.

On the economic educational aspect of the size of the government heist from our pay packets, my website (www.mannkal.org) has a ready-reckoner to calculate your own personal TAX FREEDOM DAY.

That is the exact day of the year when you have worked every day up until then to pay your various taxes. From that day on, you are working for yourself.

Appendix 2

Amec - The Miner's Pick Time for a Reality Check

The mining industry has spent seven years trying to make commercial sense of native title.

In 1992, at the time of the High Court decision in the Mabo No. 2 case, the left-wing of the Federal Labor Party hailed the decision as the ultimate expression of political and social justice for indigenous Australians.

The euphoria was short-lived, as the business world grappled with the flawed Act, which did not even adequately define what it was purporting to deal with and manage. The concept did not fit into Australia's commercial system or the community's way of dealing with land issues.

The method of defining and dealing with native title proved to be cumbersome. The whole system broke down very early in the piece. The mining industry was faced with problems both in terms of land access, time frames and compliance costs. The timelines proved impossible for some projects and some companies

decided that it was simpler to move out of Australia than to put up with a commercially unworkable process.

The claims and counter claims between ideologically opposite groups, including political parties continued, until the current Federal Coalition sought to break the deadlock and to provide a catalyst in the form of the Wik Amendments and the 10 point plan.

A brave new world beckoned and after Senator Harradine's change of heart the legislation was put in place.

Everyone breathed a sigh of relief and hoped to get on with their legitimate business.

Politics, which have doomed native title from the outset again raised its ugly head, with the Federal Labor Party unable to accept the umpire's decisions. They grasped any straw to prove that they weren't really beaten.

They managed to find a way of continuing to "spoil" irrespective of the industry's interest's. They began to use, in the Parliament, the power provided in the Native Title Act under the Wik Amendments, to review State legislation.

This devolution process allows the States and Territories to manage native title and the other regulatory systems under State legislation in a simultaneous way, free of the Commonwealth system.

The catch - State legislation has to comply with the Federal legislation and the Attorney-General has to sign off in that regard prior to submitting State legislation to the Federal Parliament. A fall-safe mechanism you might say.

Not so. The Federal Labor Party could not care less what the Attorney-General finds, they just see the political power available to them in the Senate as a means of frustrating the process.

The outcome so far - failed Northern Territory legislation, thrown out because of political reasons, the Queensland legislation was of course approved but it was gutted and has merely provided an unworkable State system - real progress!! The Western Australian legislation which the Attorney General has approved as complying with the Federal Act will meanwhile go to the Parliament. The Labor Party has prejudged that legislation and have promised to throw it out at some future time.

Even blind Freddy can see the problem thread running through native title. It is not about equity for indigenous Australians. It is not about a fair go. It is not about reconciliation. It is about political advantage. It is very clear that the Federal Labor Party has convinced itself there is an electoral advantage in spoiling. Irrespective of the rights and wrongs they will use whatever political tools available to them to stop progress on the integration of native title with commerce and the community.

After all why would they give up such a marvelous political football.

It is about time that the industry let Mr Beazley and his Federal cohorts know that their actions are unacceptable, that they should face reality and that their actions

are not in the national interest. Ideology goes just so far, after that it becomes nothing more than a sad travesty of what might have been.