MIM holdings has long been regarded as the Australian mining venture that is rock solid. When even it posted losses in 1982 that was briefly touted by economists, brokers and of course miners themselves as evidence that the mining industry and the economy were in trouble. It was the type of news, with more from the United States, that prompted Mr. Fraser to call an early election. With the breaking of the drought, and a patchy but widespread international recovery, 1983-4 was a good year in Australia and the early election proved to have been not such a good idea. However, producers of most of Australia's major exports continue to find the going pretty tough. Since 1982 MIM has been profitable but earnings to capital ratios have been miserable at 1.4 and 0.9 percent.

Exporters' difficulties may be divided between low international prices and high Australian costs. The latest MIM Annual Report makes clear that much of the problem is home grown. International prices are poor: copper prices are 23% below, lead prices 47% below, silver, zinc and iron about on a par with, and domestic steaming coal 14% above the real average Australian dollar prices of the past ten years. Copper and lead loom large in MIM's accounts and the real copper price still seems to be falling. MIM has just announced a $23.8 million loss for the first quarter of 1984-5.

However, the source of mining's and agriculture's troubles is to be found more in bad government than bad markets. For decades these industries have been milked cows from which governments, unions and protected industries have supped but now, over milked and under fed, they are wasting away. Shareholders will not invest in the expectation of returns as low as 1.4 and 0.9 percent - in real terms these are losses.
These figures are not exceptional; Mr. Hugh Morgan of Western Mining Corporation made the point that even if the most recent two bad years are excluded the average return of the mining industries was only 4% per year for the ten years to 1981, compared with banking 8.3%, retailing 7.9% and TV 20.3%. Comparisons such as these make rational investors leave mining for other investments.

This would not matter at all if the investments into which capital was shifted were those which, in the long run, would make the greatest contribution to living standards; but they are not.
The rewards to be gained from mining investments are kept artificially low by exceptional compulsory transfers away from mining to the Governments themselves and by government-induced transfers to protected industries and housing. The Government, knowingly or not, has handicapped this industry in the competition for domestic and foreign capital; the industry is much smaller than it should be, and its contribution to Australian living standards is less than if it were treated more or less equally with other sectors of the economy.

In the last analysis governments command resources by threat of the use of force. As neither honeyed words nor promise of reward induces us to pay taxes that circumstance is inevitable, but this power is ceded to government with the presumption that it will be used with reasonable evenhandedness and reasonable not only economy. Miners pay more than their share, but suffer a further hurt, which goes deeper than insult, when those taxes and quasi-taxes are used to pay the interest on debt which was raised in competition with them in the capital markets.

As private, unlike government, enterprises cannot force investors to part with their savings they must offer rewards.

Last year MMM Holdings paid its shareholders $25.1 million or 2.5% of sales revenue; it paid the Queensland, W.A. and Federal Governments $102 million or 10% of sales revenue. As we would expect, the largest, most discriminatory and most outrageous charges were levied by that self-proclaimed bastion of free enterprise, the Queensland Government.

In the five years to June 1983 inflation was 50%, (which is pretty awful in itself), but Queensland government charges paid by MMM rose 80%. The Queensland
Government collects revenue by granting licenses to monopoly firms. This is because the economies that are not assessed by the government are the parts of the economy that are not assessed by the government. Similarly, infrastructure projects are being loaded with infrastructure costs which are not assessed by the government. By generating interest and rental fees for the state, the government collects more revenue. It is a fact because it is highly communal with the community. It is the ultimate in hidden taxes, but it is recognized for what it is by the one and then changing the earth and sky to the economy's.**
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<td>Mines</td>
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<td>Power/Water</td>
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$893 million

The MIM Report also states that, "In 1983/84, existing tariff and protection policies imposed a further burden on the MIM group estimated at $40 million."

It has been sufficiently reliably estimated that the export tax effect of Australian trade barriers is of the order of the 20% quoted by Mr. Hugh Morgan of Western Mining in a recent speech to the Geelong Businessmen's Club. From that percentage it is easy to calculate that existing tariff and protection policies cost MIM $160 million in 1983/84. That $40 million, or as I believe $160 million, not only reduced MIM's ability to attract capital but the protection process also subsidised others to bid against MIM in the capital markets.

In competition with more obviously productive investments housing absorbs savings, but unlike most industries, and mines in particular, housing is subsidised and granted several tax breaks. Although far from the richest, we are possibly the best housed people on earth. If we are to have a capital gains tax, as I believe we should, then the tax must include private dwellings, for to tax a gain in MIM stock but exclude dwellings would even further exacerbate an already serious
enterprise grants like Premier's, Premier's's tax incentive.

very much on Senator Button's success in pulling down protection and on free

The chances of making a gain in NIX or in most other mining stocks, will depend

economic destruction.