

**Introduction to;
"Kalgoorlie (and Australia)
Lookin' Good, Feelin' Awful"**

**Lang Hancock said it in two 1978 Speeches;
The Executives Association of Australia - Sydney Sept. 22, 1978
The Australian Retailers Association - Melbourne Sept. 25, 1978
Portion of which is reproduced below**



*Lang Hancock flying
over
the Hamersley
Rangers 1974*

Freedom

“It all comes down to this basic premise: if you lose your economic freedom, you lose your political freedom and in fact all freedom. Freedom is something that cannot be passed on genetically. It is never more than one generation away from extinction. Every generation has to learn how to protect and defend it. Once freedom is gone, it’s gone for a long, long time. Already, too many of us, particularly those in business and industry, have chosen to join our government’s march to socialism rather than fight it.

Often I am concerned that corporations have abdicated their responsibility to preserve the freedom of the marketplace out of a fear of retaliation, or a reluctance to rock the boat. If they have, they are feeding the crocodile hoping he’ll eat them last. You can fight Canberra and you don’t have to be a giant to do it. In Kalgoorlie there’s a small family company run by an individual called Ron Manners. He is also the President of the Kalgoorlie Chamber of Commerce.

Working through the Chamber of Commerce, Ron Manners has produced a document called “Australia Lookin’ Good, Feelin’ Awful” (or you could call it “The Case for Governments Getting Out of the

Way”), and followed this up with a specific 15-step policy on how the government could best get out of the way or “release the handcuffs” as he terms it, from the Mining Industry.

It is impossible for Doug Anthony¹ or any of his advisors to knock over the logic presented in these documents and more difficult for them to reply to his demands for monthly reports on what progress they are making along these lines.

In the 12 months since publishing these documents, Manners has been inundated with requests for copies as they are forming the basis of strategy for many other industries in other parts of Australia to push the case for de-regulation of their various industries and regions.

They are using the same tactics as Manners in showing how every Government intervention into peaceful, private activity tends to make things worse, rather than better.

By bombarding Canberra with logic in this fashion, it is putting the bureaucracy on the defensive and making them think twice about erecting any more hurdles, so with a bit more pressure of this kind we could even have them dismantling some of the existing hurdles.

As Manners reminds them “a predatory government casting a pall of toxic uncertainty will not revitalize investment in the Australian mining industry”.

Why don’t more of us challenge what Manners called the arrogance of officialdom? Why don’t we set up communications between organisations and trade associations? To rally others to come to the aid of an individual like that, or to an industry or profession when they’re threatened by the barons of bureaucracy, who have forgotten that we are their employers. Government by the people works when the people work at it. We can begin by turning the spotlight of truth on the widespread political and economic mythology that I mentioned.”

* * * * *

¹ *Deputy Prime Minister & Minister for Resources*

“KALGOORLIE (AND AUSTRALIA)
LOOKIN’ GOOD, FEELIN’ AWFUL”

**Summary of Background Paper by Ron Manners
President, Kalgoorlie Chamber of Commerce
For “Kalgoorlie Economics Seminar” June 11-12, 1977**

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[Interesting to note how little has changed in 24 years...Ed. In July 2001]

**Seminar Background Paper by Ron Manners
President, Kalgoorlie Chamber of Commerce
June 8 1977**

**“KALGOORLIE (AND AUSTRALIA)
LOOKIN’ GOOD, FEELIN’ AWFUL”**

It is difficult to restrict my comments only to the Kalgoorlie scene, as:

- (a) I have just returned from interviewing 27 Australian businessmen, now living in South East Asia. They left Australia “as a result of the rapid increase in the heavy handed bureaucracy”. Rather than allow themselves to be kicked around the groin, on a daily basis, they have elected to live in an environment of greater personal and economic freedom, elsewhere.
- (b) If you think Australia looks bad from within, you should try looking at it from a distance and sensing the acute embarrassment of having people from either countries politely laughing at a country and a people who had everything going for them, but have seemingly “blown it all”.
- (c) It is impossible to divorce Kalgoorlie’s problem from the problems of both Australia and its mining industry.

The causes are the same and if nothing is done, the ultimate outcome will be the same.

The fortunes of Kalgoorlie, the mining industry and Australia are, through the reality and nature of economics, linked to Australia’s national behaviour.

WHAT WENT WRONG?

We all know that Australia is potentially one of the wealthiest countries in the world, and that it should follow, that all of us should be doing very well for ourselves, in this land of plenty.

Particularly those Australians living close to the source of Australia’s wealth, in mining and rural centres such as Kalgoorlie.

Contrary to this assumption, recent studies show that :

- (i) The average worker's standard of living in some Asian countries (with no natural resources of their own) will be higher than his Australian counterpart within the next five years.
- (ii) Australia has the fourth weakest internationally traded currency (the only three worse are the Italian Lira, Pound Sterling and the Greek Dracma).
- (iii) If you had converted your Australian dollars into Swiss Francs eighteen months ago and held them at zero interest:

Today you would be 45% better off!

(Note that Australia's currency controls make it illegal for you to protect yourself in this way, against inflation and other government policies).

What worries me is what I am going to say to my children, when they ask me in a few years: "why did your generation let this happen to Australia?"

Of course Australia is not in trouble all over. One pocket of prosperity is Canberra – a crazy place where although there are few real jobs, they are all busily employed and it's Australia's fastest growing centre.

A good summary of what went wrong, appeared in the January issue of Readers Digest "Australia's Big Spending: A Sobering Story – (How Spending crippled a Nation)".

This article appeared in all editions, other than the Australian edition, probably because by reading it we may have lost our faith in the ability of governments to solve all of our problems.

1. PROBLEMS

Central to any problem existing is the "deadly marriage between politics and science". To quote Eugene Guccione (editor of "Mining Engineering")

To repeat: politics is one thing, science is another. In politics we are all entitled to our own opinions – be they Liberal, Labor or any other opinions. But no-one is entitled to irresponsible opinions on any aspect of science – from medicine to engineering, from nuclear physics to economics.

What is pulling the plug on the mining industry and on other industries is not the environmental movement, or the consumer movement, or any of the pressure groups you read about in the papers. What is pulling the plug, is the deadly marriage between politics and science.

So if we want to win, the long-range goal must be a complete separation of politics and all aspects of science, - a separation similar to that of church and state. There are many reasons that make the separation of politics and science an absolute necessity. To prove it, let's trace how politics created the energy crisis, the so called air-pollution crisis, and the financial-economic crisis...."

Government Over Regulation

My own personal file on the bureaucrats and various government departments that I have to deal with as a businessman is thickening on a daily basis. I feel that I have got enough evidence of their utter absurdities, to blow them right out of the water.

(A later section of this paper covers the high cost, to consumers, of government regulations).

Gutlessness of Business

Whilst businessmen large and small indulge in all manner of "low profile" resistance against the bureaucracy, there is an unfortunate but understandable reluctance to go "high profile".

Some of our business persons, instead of telling the Minister for Productivity a few home truths, such as the necessity for less bureaucratic red tape so that business may actually proceed, turn around and applaud the inexperienced Minister's speech!

If lily-livered business people aren't enlightening the Minister on production, what chance is there that the Minister's Public Service advisers will be able to do so?

We Are Forced to Support Our Own Destruction.

There is a growing concern that taxpayers money is used in supporting organisations such as the Australian Conservation Foundation (board Members include Jack Munday, Former President of the Australian Communist Party and Union Secretary; and Bob Giles, the Left-Wing S A Union Secretary), Foreign Affairs Department (mentioned later) and government regulatory agencies including the 1,600 people employed in Canberra in the Minerals and Energy Department. This vast battalion of people are supposedly involved in the mining industry

whereas in fact one of their main functions has been to say NO, (if they said yes their jobs could disappear).

Compulsory Unionism

Government granted monopoly powers (i.e. legislated preference to unionist' clauses) have been misused by some unions and has allowed them to live outside the laws of this country.

The May '77 edition of the McCabe-McMiles newsletter has this to say:

"It is frightening to think that in this young, vibrant, rich country, which should be an exciting example of free enterprise at its best, to the rest of the world, apathetic, lazy Australians are allowing"politically oriented unions....' To ruin the future lives of our children. Because we don't care - or, perhaps we are geographically placed somewhere just outside of reality".

"Without being melodramatic, it must be possible from this sparsely populated continent which has produced heroic fighting forces, sporting giants, masters in the arts, scientists at the forefront of world research and discovery, to awaken enough people who care to allow us to become a great Nation and individually allow each of us to prosper both economically and socially".

Required background reading for any concerned Australian is the hard-core Marxist - People's Economic Program entitled "Australia Up-Rooted" (published May '77 and being widely circulated by the Amalgamated Metal Workers and Shipwrights Union).

It outlines their plan for the transfer of public company ownership to government ownership and explains that

"If the wealth from minerals, oil and gas can be captured it could provide the investment badly required in manufacturing".

If any of you know of anyone else suffering from these delusions, try inviting them into the world of reality :-

Communism (Marxist, socialist or any other variety) added to the old idea of a revolutionary elite governing the people for their own good,

and added the new idea that private ownership of wealth is the root of all evil.

Nationalised factories, mines, railways, stores, abolished private profit - so ran the theme song of Lenin, Trotsky, and the their associates - and the signs and frailties of human nature will automatically disappear.

These promises have proved to be a mirage, and the Russians starved.

In order to make the wheels of their economic machine turn, the communist rulers of the Soviet Union were compelled to throw out of the window the early slogans of material equality, with which they had appealed to the envy and class hatred of the politically illiterate Russian masses. Differentiation by status, differentiation by wealth are the rule, not the exception, in Russia today.

Even that other bastion of revolutionary Marxism, Communist China, in an effort to feed its people has switched to a complete inversion of the teachings of Karl Marx and in April '77 the Peking Peoples Daily quoted the "principle of socialist sharing" as follows :

"Anyone who does not work will not be fed, and to each according to his capacity and his labour".

This is a switch to 19th century capitalism and if it works as well for the Chinese as it worked for the USA they will be a real force to be reckoned with, in a few short years.

WHERE ARE WE NOW?

'Business Week' magazine explained the American investors concern with the risk/return environment in Australia :-

"Australia: The American Chamber of Commerce surveyed 52 United States companies operating Down Under and found that 60% of them no longer regard Australia as a favourable area of investment. Most of the executive interviewed, many of them Australian nationals, blame the Labor Government for creating so great a 'degree of uncertainty' that many United States companies are now busily reassessing their investment plans".

Professor Harold Dulan (University of Arkansas) also sums up Australia's present situation in his book "Capital Formation Perspective for Australian Resource Development" :-

- (i) “Sources of investment capital have been abruptly curtailed since the Labor Government was elected in 1972. Although foreign capital is probably more available than at any time in the past, the dilemma of exploiting natural resources for equity capital at the price of losing control of ownership of the national wealth is an unresolved issue in Australia. Nationalisation and expropriation versus risk aversion of the multinational enterprise appears to have suspended foreign investment opportunities in Australia for the present.”
- (ii) “The lack of a forceful and directive public and private policy to maximise the development of Australian natural resources, the myopic view of foreign capital inflow and the naivete towards the private enterprise system combine to place Australia in a holding pattern in which time works against her advantages. Australia’s participation in world industrialisation is in jeopardy”.
- (iii) “The world is in that stage of development where high technology centres are emerging and these centres are rapidly aligning their sources of raw materials and energy. Australia is but one of many raw material supply nations and her hesitation now works against obtaining the advantage of supply shortages in the terms of trade. A metals and mineral crisis is certain to afflict world industrialisation in the next few years; a situation favourable to Australia. Nonetheless, the frontiers of technology are developing substitutes for strategically scarce resources; therefore, the question for Australia is time. How long can she wait to form the requisite capital, allow migrant intake to accelerate, maximise the development of her natural resources, and assume a more sophisticated role in world industrialisation? It is a serious situation for Australia”.

MY VISION

My vision for Kalgoorlie’s future does not seek a solution through claiming special favours at someone else’s expense. This is the political method and we should bear in mind that for every million dollars of special favor, there has to be approximately eight million dollars of “rip-off” from someone else. This

12% efficiency is the standard rate of government efficiency. The other 88% is absorbed by the “system”, on the way through.

It is like sending all the money to Canberra so we can get it back and finding the cost of freight both ways was 88% of the value.

The alternative that I propose simply involves being ‘set free’ from current oppressive regulations and being given freedom to produce and trade.

England only became great 200 years ago when they scrapped 75% of the 18,000 laws restricting trade.

Our present laws include restrictions on overseas capital investment and mining joint-venture agreements ie. Foreign Investment Review Board, restrictions on exports of minerals, and restrictive Reserve Bank no-interest bearing deposit statutes (these VDR;s at present set at 25% but variable, at the whim of government).

To put the case for such ‘de-regulation’ of the industry is difficult because we are talking about ‘unseen’ things that one would expect to flow from the increased exploration, mining and export of minerals.

Critics of such ‘de-regulation’ might say: “Show me one example of a mining operation that has not got off the ground, as a result of government regulations?”

The false logic in such a question becomes more obvious when we re-word a similar question: “Show me the ore body which has never been found because the government’s Variable Deposit Ratio restriction caused the exploration funds to avoid Australia and go elsewhere?”

One specific example of a small local mining operation that has never got off the ground is a quartz (optical glass grade) deposit that I own.

Orders from Japan are held, but because it is illegal to truck the quartz from site to Fremantle this venture remains uneconomic. Because I am forced to use the higher priced monopoly railway, this venture has remained dormant.

Now, although I am terribly concerned about that because it sounds like a lot of hard work anyway, it is nevertheless an example of a project that would get off the ground if we had more freedom and less regulation.

While these artificial restraints are impeding the regions’ progress, all other efforts by organisations such as Chambers of Commerce will have comparatively minor effect, but hopefully they will assist the region’s survival until economic sanity returns.

At least we can alert people to the fact that there is a better alternative to the socialist's dream of a "centrally planned economy".

There will then be more of us who are aware that all we need is the freedom to produce, to trade, to mine, to export, to raise capital, to joint venture.

In short, if our governments are sincere and concerned about our well-being then they should grant our demands that they untie our hands and leave us free to produce and trade.

THE CORRECT ROLE OF GOVERNMENT

Government's role is often likened to that of a referee.

Government should protect the lives and property of individuals; maintaining armed forces for defence against foreign aggressors, a police force and penal system to protect peaceful citizens from the forceful transgressions of others, and a system of courts to settle disputes.

It is argued that all other things are best done by people voluntarily dealing with each other.

Most of our problems are caused by governments over-stepping their true role and going 'out of bounds'. Until we gain the complete separation of politics and science (as mentioned in the earlier Eugene Guccione quote), we should question many of the Federal and State Government activities because although well intentioned, the results are usually the opposite of their intentions.

One example is the Foreign Affairs Department (on which it is budgeted to spend \$469,428,000 this year – don't forget how much the government must collect in taxes, to enable it to pay out this amount). *[An interesting comparison with the latest available figure of \$ _____ for the ? year ... ? Ed.2001]*

Even our State Premier (Sir Charles Court) admits that the role of Foreign Affairs could best be handled on a non-government basis :-

"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."

My own personal contact with our Foreign Affairs Department was when I engaged one of their personnel in discussion (April '77, in a major Asian capital city). He readily admitted that he was a communist-socialist (he agreed that the difference between socialism and communism were far too subtle to explain to an Australian).

I suggested that he and others of his 'leave it in the ground' mining philosophy had brought the industry to its knees and created unemployment for geologists and other mining personnel.

I further suggested that if the government got right out of the way of the mining industry we would see an immediate resurgence of the industry and increased employment.

He was then quick to defend his position by stating :-

"I am very happy with the way things are going. As a matter of fact, I think if most of the ecological organisation were expanded, by further government funding, they themselves would be in a position to employ any of the currently unemployed geologists. The ecological organisations would then be able to expand their technical breadth and know-how and increase their effectiveness."

This is his vision for the future: to have normally productive people like geologists join the ever-growing ranks of bureaucrats, dedicated to stopping things from happening, rather than to create productivity and economic security for every Australian.

He admitted that most of the people involved in the Foreign Affairs Department, back in Canberra, shared his views.

This is the same government department that has nominated you, the Australian taxpayer, to contribute between 15 and 18 million dollars to the 'under-developed nations', on the basis that we are among the world's eight richest countries. (West Australian, June 1, 1977). [*An interesting comparison with the latest available figure of \$ for the ? year ... Ed. 2001*]

This is an expensive piece of window dressing for a country that has the world's fourth weakest currency.

Perhaps if more of us paid an interest in the activities of the Foreign Affairs Department we could document a case for abolishing them along with any other counter-productive government departments.

There is a case for greatly reducing the role of government in Australia's economy and in particular, commerce and the mining industry, (ie. should the mining industry do a study on just what the 1,600 people in Canberra - Department of Minerals and Energy etc - are actually doing?)

Our Prime Minister Mr Fraser when asked, last August, what he thought was the proper role of government with respect to mining, commenced his answer by saying :-

“In general, government should play its part in establishing a stable and sound economic climate so that all industries can prosper”.

I am not saying that this is not the intention of our government but I am saying that the actual results of present government regulations are questionable.

One Australian mining company executive recently told me that they have 9 of their 13 geologists now based overseas.

His answer to my question of why they were overseas was :-

“We have them located in more politically stable countries than Australia. For instance we have some in Thailand.”

Now, even I know that they appear to have a military coup in Thailand almost on a weekly basis and are receiving much unfavorable press on their political situation so my next question was “What is your definition of politically stable?”

His very direct and honest answer was :-

“In Thailand if we find an ore body today, we can mine and export it tomorrow. In Australia it takes us up to four and half years to get to that stage. On this basis there is no way that you could describe the Australian economic scene as ‘politically stable’.”

If circumstances were different some of these geologists would be back right here in Kalgoorlie finding tomorrow's ore bodies. You and all the other residents of Kalgoorlie are the victims of the current political interference in the mining industry.

Perhaps you think my view of government is somewhat cynical but I would like to put to you an analogy illustrating how we can never get ‘true values’ out of any government involvement in the industry. Let's compare a madam running a brothel; with the government. Examining the central differences between the two.

The madam splits the take with the girls, but offers real values in a straight out trading situation, (ie food, lodging and general infrastructure).

The government on the other hand, also splits the take but gives us nothing that is not already our own. It further decreases any effectiveness by passing whatever it gives us, through a multitude of hands before it ever reaches the ultimate recipient.

Before we ever ask for 'government assistance'; we should always remember that there are enough risks in mining and running a business without the additional uncertainties caused by governments and bureaucrats climbing on board.

It has been said that asking the government to help is like asking an arsonist to put out the fire.

GOVERNMENT AND COMMERCE

The Interim Council of Small Business Organisations states that thousands of small businesses are facing bankruptcy (West, May 23, '77) and the reason given is that :

“Government aid so far has plainly been directed at the big businesses and primary industry sectors”.

The eight million Australians who rely on small businesses for their livelihood are unfortunately being advised to look to the government to solve their problems.

The Perth Chamber of Commerce, concerned at the same staggering statistics of business failures (Sunday Times, May 30 '77) have called for government assistance on a 9 point plan.

Some points overlook the correct role of government ie one point calls for :

“The provision of training at least equal to the amount allocated to the trade union training program (seven million dollars)”.

It is not the role of government to educate businessmen any more than it is to educate unionists, rabbit trappers, or trapeze artists.

This proposal is simply asking for special favors at the expense of others.

Another point calls for :-

“The establishment of a small business guarantee fund to provide credit guarantees”.

Once again the role of government is not to go guarantor over every businessman that finds himself in financial difficulty.

Unfortunately the Perth Chamber submission completely overlooks any call for a massive de-regulation of commerce and industry. Such a request would be striking right at the heart of the problem.

Unpaid Servant

There is a multitude of unpaid functions that commerce and industry are forced to fulfil :-

- (a) Collection of Group Tax (having to dip into the pay packets of employees, collate and send on to the Tax Department). This is nothing other than being cast in the role of ‘unpaid thief’.

Overseas businessmen gasp with astonishment when they hear that our employers fell into this deal as a war-time emergency, and have never chucked the habit.

- (b) Payroll Tax - this unpaid work of collection is accompanied with what amounts to being a fine, imposed on employers, for creating employment. It is a dis-incentive to increasing their workforce.
- (c) Sales Tax - similarly the work of calculating and collecting is all done at no charge. In addition, payment to the tax department is usually made one month before receiving payment from clients.

These, and many others are the areas of government regulation that industry and commerce should be revolting against. Until we see a move toward de-regulation, we probably won’t see much change in the rate of business failures and any solution to our unemployment.

The government’s solution to the problems of business in Australia is the recent creation of the new ‘Department of Productivity’ (as the Bulletin pointed out:

“The Department of Productivity makes as much sense as a Church for Atheists”).

No doubt this department will be telling us how to run our businesses more efficiently: presumably based on the government’s own outstanding running of such things as the Post Office, which unlike any other business, doesn’t have to pay taxes.

HOW MUCH REGULATION IS TOO MUCH?

Firstly, here are four independent opinions of the current scene?

1. Dr Murray Weidenbaum, Washington University says :-

“To an economist, government regulation should be carried to the point where the incremental benefits equal the incremental costs: and no further. Over-regulation: which can be defined as a situation where the cost exceeds the benefit, should be avoided. But if policy-makers tend to ignore or down-play the costs, we are bound to operate in the zone of over-regulation, which is where we are today”.

2. National Bank - Monthly Summary, April '77 :-

“The economic difficulties experienced in recent years are not the result of an expanding mining industry but rather the failure to fully grasp the new opportunities which that expansion has provided. The Australian community will be much the poorer in the future if our mining industry is subject to unnecessary restrictions”.

3. A State Chamber of Mines Report dated March '77 :-

- (a) “The Government Role -During recent years, the mining industry has had to contend with an increasing number of government regulations and controls all of which have added to production costs. In addition other imposed costs such as royalties, income tax and payroll tax have increased.

The industry believes that the future development of the State's resources depends largely on a significant reduction in those costs imposed by governments. If new projects are to proceed both owners and lenders must be reasonably assured of obtaining a return commensurate with the risks. If the laws governing exploration and development of mines are continually subject to arbitrary change there will no such assurance”.

- (b) “Exchange Rates and Tariffs - The costs of tariff protection effectively falls on the export industries and is thus a re-distributive tax. Maintenance of an over-valued currency has the same effect. These two factors effectively discourage new investment in the industry”.

- (c) “Ownership - The Commonwealth Government’s committees on foreign takeovers and foreign investment have been given wide discretion to vet and approve plans for foreign involvement in the minerals industry. As a result, it has become increasingly unattractive for foreign companies to participate in exploration and development. Proposals in this field must be submitted to government committees.... Where increased Australian participation cannot be achieved projects may have to be abandoned or deferred indefinitely”.
- (d) “The industry believes that if the future development of the State’s minerals is to be assured, the government should modify its present role and take a more constructive position”.
- (e) “Security of Tenure - When the ability of governments is to withhold, or vary both exploration and mining titles is added to the costs and risks of mineral exploration it can be seen that the mining industry operates in a most insecure legislative framework. The costs and risks are already discouragingly high but, as if this were not enough, explorers must also gamble on being able to continue prospecting on a promising tenement and on the possibility of being unable to mine a successful discovery”.

4. McCabe-McMiles newsletter April, ’77 :-

“Everywhere we are experiencing more and more controls. Governments continue to bring down voluminous legislation to control and regiment our lives. In business a substantial proportion of what of what we pay, for goods and services, is a passed on charge for keeping books and records for quasi-government purposes. More and more restrictions are placed on what we can and cannot do – always more forms to fill in and more Government bodies to answer to. The cost of these controls is forcing some companies out of business and making it impossible for others to start up. In the past, a person with a sound idea could start in business with a minimum of fuss and capital. Today, a person considering commencing a business operation has to deal with so many restrictions placed by the authorities, that businesses are far more expensive to start, which makes jobs far more expensive to create...

Society is moving slowly but surely to the left in a move that appears irreversible. We are accepting these controls, losing our individuality and being turned into a society of conforming lemmings. We are becoming regimented and we are willing to accept the controls and

restrictions that are becoming more a part of our daily lives each passing month”.

The importance of this debate between ‘regulation’ and de-regulation’ cannot be over-emphasised.

The future of the free-enterprise system is going to be determined by the outcome of this current debate.

Frankly, it would be unwise to be too optimistic as the vast regulatory apparatus that has developed in Canberra, over many years, is not suddenly going to be dismantled.

The single fact that I find of hope – in getting the attention of the public is that it is the consumer who ultimately bears the burden of over-regulation of business. Most of the time, the proponents of new government controls focus all of their attention on the potential benefits – and often these benefits can be real and substantial. But they overlook the large costs which so often are involved, costs to both the taxpayer and the consumer. That, I find, is the Achilles heel of the regulators.

From the point of view of “who’s paying for these regulations?” it is perhaps unfortunate that most of these regulatory agencies have become dominated by special interest groups, pre-occupied with their specific task, ie ecologists, unions, consumerists etc.

Thus, little if any attention is given to the basic mission of the industry to provide goods and services to the public. Also ignored are cross cutting concerns or matters broader than the specific charter of the regulating agency, such as productivity, economic growth, employment, cost to the consumer and effects on overall living standards.

At times the process may seem to be epitomised by that proverbial dentist who sees his patient as merely two rows of teeth surrounded by a mass of miscellaneous material.

To begin with, we must recognise that it is difficult to criticise the basic mission of the regulators. One has to possess the personality of Scrooge to quarrel with the intent of this new wave of government regulation – safer working conditions, better products for the consumer, elimination of discrimination in employment, reduction of environmental pollution, dealing with the energy problem etc.

It is not the intent that I quarrel with, it is the results of their actions that is of concern.

What's The Cost of Regulation?

The cost of over-regulation of business are felt by business in many ways: higher taxes to pay for the regulators, higher prices of the products we buy as a result of the regulations, loss of productivity and jobs, a slower rate of introduction of new and better products, and less capital available for new undertakings.

There is however, one 'bright' spot on the bureaucratic front: Regulation literally, is becoming one of the major growth industries in the country.

The Hidden Costs

It is the costs imposed on the private sector that are really high, the added expenses of business firms which must comply with government directives, and which inevitably pass on these costs to their consumers.

In large measure, the costs of government regulation shows up in higher prices of the goods and services that consumers buy. These higher prices represent the hidden tax imposed by government regulation on the consumer.

Another cost of government control is the growing paperwork burden on business firms: The expensive and time-consuming process of submitting reports, making applications, filling out questionnaires, replying to orders and directives, and court appeals, resulting from some of these regulatory rulings.

Another hidden cost of government regulations is a reduced rate of technological innovation. The longer that it takes for some change to be approved by a regulatory agency – a new product or a more efficient production process – the less likely the change will be made.

It is interesting to observe how the regulators really seem to have the private sector scared. I read of a recent example dealing with the US National Cancer Institute Report stating that the solvent trichlorethylene (TCE) may be a possible cause of cancer. TCE at the time had been used in decaffeinated coffee.

It seems that the government agency used a rather generous dose of chemical on the test animals. It was the equivalent of a human being drinking 50 millions cups of decaffeinated coffee every day for his entire lifetime.

What was the industries reaction? To laugh at this example of governmental nonsense? Hardly. With the cyclamate episode still firmly in mind, they merely changed to another chemical.

Adverse Affects on Employment

Government regulations with respect to minimum wage laws can be shown to have results, totally the opposite to their intent.

Minimum wage laws are a major cause of unemployment and in fact adversely effect the 'border-line' workers that the laws were designed to assist.

The Contrasts and Conflicts of Government Regulations

Let me give some examples from this modern world, of various regulatory agencies, seemingly exclusively preoccupied with their own narrow interest, oblivious to the effects of their actions on the company, a whole industry or even to society.

- (a) A regulation, brought in as mandatory, "back-up" alarms on vehicles on construction sites. Yet simultaneously the same agency required employees to wear ear plugs to protect them against noise, making it extremely difficult to hear the alarms.
- (b) One government agency required the desulphurisation of coal, in an effort to reduce air pollution. This required a combination of the coal with lime. But in the process, large quantities of solid waste were generated (calcium sulphate). Disposing of calcium sulphate, in turn created water pollution problems.
- (c) More serious and more frequent are the contradictions between the rulings of two or more government agencies. The simple task of washing children's pyjamas exemplifies how two sets of laws can pit one worthy objective against another, in this case ecology versus safety.

In 1973, New York State banned the sale of detergents containing phosphates in an effort to halt water pollution. Less than two months later, a Federal regulation took effect requiring children's sleep wear to be flame-retardant. New York housewives now face a dilemma because phosphates are the strongest protector of fire-retardency. What does a conscientious mother do when in a phosphate banned area, to avoid her dressing her child in night clothes that could burn up? Smuggle in the forbidden detergents? Commit an illegal act of laundry?

Who Will Protect Us From the Protectors?

Now I know that we all should feel pretty safe because the laws and the government protects us from bodily harm, protects our property from being stolen, our food from being spoiled, our environment from being polluted, our children from growing up uneducated and so on.

Yet in spite of all this protection, many of us are becoming aware that all this protection is creating a brand new set of problems and many of us are asking "Who will protect us from our protectors?"

We should also be asking, if regulation is necessary, how far should it go to be cost effective? How far should it go to not destroy the object of the regulation?

One answer is that these government regulations should be carried just up to the point where the benefits equal or barely exceed the cost, and no further. They should be stopped right there.

Unfortunately in Australia we haven't, and the result is 'over-regulation'.

Minerals and Energy

For a moment let's project a continuation of over-regulation of the minerals and energy industry to its ultimate end.

It will end with total government control and allocation of fuels, energy and resources.

What is Wrong With That?

The answer is twofold. The philosophy is wrong and their procedure will be impossible.

Philosophically, central control over energy is the equivalent of central control over the economy as a whole. If you let me, as a federal allocator, decide which region of this country receives energy and which does not, if you let me decide which industry receives energy and which does not, if you let me determine the prices of energy to the users, you have made me the most powerful man in Australia. I can decide who prospers, and who does not. I can decide who lives in comfort and who must live in discomfort. I can decide who stays in business and who is forced out of business for energy is essential not only to industry and commerce it is essential also to schools and to the professions and to the media.

Energy is the common denominator in a modern industrialised society and to grant anyone central allocation power over energy and fuels, is simply the granting of too much power. I do not trust the structure of government so completely that I am willing to grant to it this power.

Secondly, I shudder at the prospect of expanded controls over energy because the bureaucratic system is incapable of administering energy allocations and energy controls in a responsive and responsible manner. The problem will not rest so much with the people who undertake the day to day task of energy allocation. That's not the problem for government service still does attract many capable people. The real difficulty will come because of the complexities of energy production and consumption which defy bureaucratic solutions.

The energy crisis in the USA was created in Washington much the same as Australia's potential energy crisis will be created in Canberra.

We have a situation today where minerals and energy suppliers, or would be suppliers, find it more attractive to put their dollars into retail merchandising or into real estate rather than re-invest in the business they know best. This is an absurd situation and indeed a national disgrace.

We desperately need additional minerals and energy but we have, through government action and threat of government action, made it practically impossible to form the capital necessary to fund the heightened level of exploration and development that we must have.

Many people within the industry have come to the conclusion that the tendency toward greater regulation must be reversed and it is symptomatic of the sickness which rips the industry as a whole, that when you follow the path of regulation so far, you reach a point where the industry or segment of the economy has been bound into a straight jacket form which it cannot escape.

You are always faced with the same choice which we now have in the mining industry. Do we respond to the problem with more regulation or do we respond to the problem by lifting regulations?

It is an extremely difficult judgement for politicians to make, to lift regulatory controls, but it is a judgement which must be made and made soon. Regulation of minerals, oil and gas hasn't worked anywhere in the world, except to the extent that it has brought less and less minerals and energy at a higher and higher cost.

If we don't start lifting regulations now, far greater regulation with its attendant risks is just around the corner.

SURVIVAL

Unless we are anarchists, we generally admit the government should set rules for society.

But there are serious questions as to what rules to set, how detailed they should be and how they are to be carried out.

The new wave of government regulations is now becoming of concern to those of us who realise that it is based on the totalitarian principle of the end justifying the means.

Let me suggest two positive approaches that, in the interests of survival, should be implemented by industry and commerce:

- (i) The effect of the requirement for industry to produce a detailed 'Environmental Impact Statement' is to delay progress (unnecessarily in most cases) for several years, at great economic cost to the community (as a matter of fact if things get much worse you will have to file an Environmental Impact Statement before you can burp!).

Industry and commerce should take a leaf out of the environmentalists own handbook and call for the necessity for the environmental regulators and lobby groups to submit an 'Economic Impact Statement' before any new regulations can be issued.

I tried this idea out on someone who replied :-

“Hey they won't be able to issue any new regulations or several years”....

Perhaps it's time that industry had a lucky break.

A similar, balanced attitude is also urged for all other regulatory programs, including consumer protection, minimum wage laws, minerals and energy etc.

- (ii) Embark upon a massive, carefully documented, education campaign to explain to the public, the media and certainly to consumers, that there are two sides to this government regulation point. It is not all benefit. A great deal of it is cost, and increasingly, as the cost exceeds the benefit, they, the consumers will be the victims.

I am a patient optimist because I do think that as we get this vital economic point across to the public, we will see a reduction in government regulation.

This will only happen however, if industry and commerce tackles the task of putting the regulators on the defensive, by showing the public that government over-regulation is anti-consumer because it increases the cost of the products that you and I have to buy.

BENEFITS TO KALGOORLIE OF DE-REGULATION

Kalgoorlie has already adjusted to being a service centre rather than a mining town which makes communications freight and transport items of greater importance than has been the case previously.

Several areas where less regulation and more freedom could benefit the region are :-

Improved Freight Service

Esperance, Leonora, Laverton all receive more frequent and conveniently timed freight services from the metro area than does Kalgoorlie. A submission has been lodged by the Kalgoorlie Chamber of Commerce to a government committee investigating the possibility of de-regulating the transport industry.

It should be pointed out that no one has got anything against Westrail and the service it provides. It is just that understandably some people object to being told that it is illegal for them to choose any other forms of surface transport.

Improved Air Travel

Similarly Esperance, Leonora and Laverton have more frequent air services than Kalgoorlie (including weekend services). It is difficult for Kalgoorlie to act as 'service centre' to these other towns if they have more air services to Perth than Kalgoorlie has.

The existing government granted, exclusive service to Kalgoorlie, at the moment, argues that if competition were allowed, we could lose the jet services (this of course would be a backward step).

Our Chamber argues that more competition could result in lower prices, creating more passengers (not only drawing from existing car and train travellers), but also from present non-travellers). We see no validity in any case which tries to prove that more competition could be detrimental to the region.

Freedom To Trade

It is hard to avoid the conclusion that shopping hour restrictions are designed to cripple the small suburban and country traders who can open at times which the big chain stores would find uneconomical. Not only are our 'Shops and Factories Act' laws on shopping hours archaic and unjust but they are now an administrative nightmare.

Such statutory shopping hour laws should have disappeared with the horse and buggy, in fact they have already disappeared in Tasmania, Canberra and the United States.

The results in those places have been beneficial: cities have become livelier, more interesting and more convenient and there has been a significant reduction in the peak hour traffic.

Chief opponents of open trading hours are those not prepared to face competition from others willing to provide service to the consumer at the best time, price and place.

If a trader (and his employees) voluntarily wish to offer goods for sale and a customer wishes to buy them, what gives the government the right to dictate the right at which time the sale takes place?

It should be remembered that among free people, the consumer, not the government is king.

More Exploration Means More Mines and More People

Repealing legislation relating to no-interest compulsory deposit of 25% of overseas investment funds (VDR), restrictions of joint-venture equities and export controls, together with mining tax amendments, would bring about a dramatic increase in exploration and mining activity in all of Australia's mineral regions (in particular Kalgoorlie, with the region's broad spectrum of minerals).

Much of the current 'deterrent' legislation is entirely ideological in concept and appears to overlook the fact that the government is in effect an equity holder of over 50% (company tax 45% + indirect taxes, payroll tax, royalties etc).

These same restrictive forms of legislation are unnecessary for, as pointed out in 1974 by Dr Dolph Zink of W.A.I.T.:-

"The government (already) has at its disposal, tools with which it could exercise considerable control over monetary flows, without directly controlling foreign investment. These would include currency regulation, exchange control, limitations of the repatriation of profits or capital, taxation, tariffs, etc. For example, to the best of my knowledge Australia has never given foreign investors any contractual assurance that they would be permitted to repatriate earnings or capital even though, in practice, these rights have never been denied".

WHAT CAN WE DO?

1. Perceive public opinion as the root of the problem, not ignorant or malevolent legislators. Then educate and communicate.
1. Discriminate in financial support between organisations, institutions, and individuals that are part of the problem and those that have a potential for doing something about it.

2. Identify which government regulations are working against consumer's interests and your freedom to trade, and to take necessary steps to have such legislation repealed.
3. Press for two simple amendments to the taxation laws which would be of benefit to the Kalgoorlie region.
 - (a) Re-introduction of Sept 77D deductions would once again encourage investors to contribute risk capital to exploration companies;
 - (b) Exploration expenditure, by any company (or individual) should be made tax deductible from profits from any source.

At the present time companies like the Swan Brewery (or even mining companies without a profitable mine) are unable to deduct exploration expenditure from profits from any other source. This means, at the present time there is no incentive for anyone other than established mines to risk funds in mineral exploration.

This would not be asking a favour at someone else's expense as every Australian shares in the benefits flowing from mining.

4. Increase your awareness of the benefits, to all Australians, of business and industry taking a firm stand and rolling back some of the excesses of governments, both State and Federal.

To close with a touch of wisdom, Prof. F.A. Hayek (Nobel Prize Winning Economist), put his finger on the problem by saying :-

“The answers to pressing social questions are to be found in principles that lie beyond the scope of technical economics. What must be understood are the crippling effects of excessive government regulation and the vital but fragile link between economic freedom and personal liberty”.